

'TOWARDS AN ECONOMIC THEORY OF METHODOLOGY'

COMMENT

by

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Have you ever had the experience of coming across an idea which is so simple, so obvious, and so worthwhile that you wonder at the need for expressing it – until, that is, you reflect on the fact that you hadn't thought of it yourself, nor had you ever seen it stated quite in this way anywhere else?

If you have, and if you relish this experience, then you are in for a treat. For in "Towards an 'Economic' Theory of Methodology," Professor Gerard Radnitzky does no more than point out the self evident, but does so in a manner which makes us sit up and take notice, and exclaim, 'Why didn't I think of that?'

Radnitzky's thesis is that the 'economic approach' – one which stresses the importance of costs, benefits, scarcity, preferences, opportunities, and other such concepts in the arsenal of the 'dismal scientist' – are not only of relevance to methodological concerns, but can be of positive aid, when applied rationally and coherently.

In putting forward this claim, our author joins a long and honorable tradition of what might be called, non-pejoratively, 'economic imperialism'. This has nothing to do with Marxian theories of how and why one country or class takes over or 'exploits' another. Rather, it involves the application of economic principles and constructs to the subject matter claimed as their own by other academic disciplines.

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Perhaps the most well-known and pathbreaking practitioner of such 'imperialism' is Gary Becker, who has conducted numerous forays into the domain long possessed, on an exclusive basis, by sociologists. He has applied economic principles to discrimination, to marriage, to suicide, to family formation, to crime, to the household's allocation of time, and to a whole host of other such concerns, long deemed a monopoly of sociology.¹

But political science and game theory² too have been 'victimized' by bands of 'marauding' economists, as has biology,³ which shows that not only do economists not respect intellectual 'property rights', they are also contemptuous of the physical science/social science distinction. And now, for the first time, with the addition of Prof. Radnitzky's contribution to this literature, we have an attempt to apply the findings and world view, or outlook of economics to yet another discipline, methodology, or the philosophy of science.

This is of especial significance, and for two reasons. First, as stated, the

1. See Gary Becker, *The Economics of Discrimination*. Chicago, University of Chicago Press, 1957; *idem*, *Human Capital*, New York, National Bureau of Economic Research, 1964; *idem*, "Crime and Punishment: An Economic Approach." *Journal of Political Economy*. Vol. 76, 1968; "Altruism in the family and selfishness in the market place", *Economica*, Vol. 48, Feb. 1981, pp. 1-15; *The Economic Approach to Human Behavior*, Chicago, Ill.: University of Chicago Press, 1982; *A Treatise on the Family*, Cambridge, Mass.: Harvard University Press, 1981; see also, on criminology, the work of one of Becker's students: Isaac Ehrlich, "The Deterrent Effect of Capital Punishment: A Question of Life and Death", *American Economic Review*, June 1975.
2. See James M. Buchanan and Gordon Tullock, *The Calculus of Consent*. Ann Arbor, The University of Michigan Press, 1962; James M. Buchanan, *The Demand and Supply of Public Goods*, Chicago, Rand McNally and Co., 1968; Gary Becker, "Competition and Democracy", *The Journal of Law and Economics*, 1, 1958; Mancur Olson, *The Logic of Collective Action*, Cambridge, Harvard University Press, 1965; Anthony Downs, *An Economic Theory of Democracy*, New York, Harper and Row, 1957; Peter Bernholz, "Logrolling and the Paradox of Voting: Are they logically equivalent?", *American Political Science Review*, 69, 1975; Gordon Tullock, *Toward a Mathematics of Politics*. Ann Arbor, University of Michigan Press, 1967; Kenneth Arrow, *Social Choice and Individual Value*, 2nd Ed., New York, Wiley, 1963; John von Neumann and Oskar Morgenstern, *The Theory of Games and Economic Behaviour*. 2nd Ed., New Jersey, Princeton University Press, 1947.
3. Edmund O. Wilson, *Sociobiology*. Cambridge, Harvard University Press, 1975; M. Ghiselin, "The economy of the body," *American Economic Review*, 1978; Jack Hirschleifer, "Economics from a Biological Viewpoint," *The Journal of Law and Economics*, 20, 1977.

present paper marks an initial foray into this subject. And secondly, paradoxically, because methodology, perhaps even more than economics itself, has long been an intellectual imperialist, *par excellence*.

In all other attempts to apply the principles of one discipline to another, at least the 'victimized' branch of learning had its own clearly recognized body of knowledge. This is certainly true of sociology, biology, political science and game theory. But in the case of philosophy of science,⁴ it is almost fair to say that this calling has no subject matter of its own – apart from the study of the methodology employed by the scholars under scrutiny. It is for this second reason as well that Radnitzky's contribution is dramatic and very welcome. For if the slogan of the typical economic imperialist is 'imperialize the other disciplines', the slogan that could be utilized by Radnitzky is 'imperialize the imperializers!' One might define a 'strong' imperialist (in the sense we have been using that term) as a researcher who believes that the 'victimized' area of study is completely 'reducible'⁵ to the 'masterful' one. In contrast, a 'weak' imperialist is one who maintains that the 'subjugated' discipline still deserves to be considered as a distinguishable (and distinguished) body of knowledge, and only asserts that looking at this field through the spectacles of the economist will aid, abet, and promote it.

It is in this latter category that we must place Prof. Radnitzky. For as he tells us at the outset of his paper, the application of cost-benefit analysis, i.e., economic analysis, to methodology will help to 'clarify' the nature of the empirical base, and in the case of rational theory preference, it will help shed light on the nature of the problem. After the Radnitzky contribution is incorporated into methodology, there will still be a philosophy of science – only an improved and more efficient one.

Rather than further summarize the paper under discussion, and document just how it advances methodology (the interested reader can better satisfy himself on this point by consulting the original) I should

4. Ernest Nagel, *The Structure of Science*. New York, Harcourt, Brace and World, 1961.

5. On reductivism, see *ibid.* as well as Robert Nozick, "On Austrian Methodology," *Synthese*, 36, 1977, p. 354; see also Walter Block, "On Robert Nozick's 'On Austrian Methodology,'" *Inquiry*, 23, 1980, pp. 398-99.

like to use the remainder of this commentary to write a coda to it, as it were, by applying Radnitzky's procedures to an area of inquiry faced by methodologists. This is one which is all too briefly touched upon by his paper: the issue of entrepreneurship in the market for scientific ideas. Radnitzky puts his finger on a basic finding of economics when he states that "the competitive market order is the most efficient discovery process."⁶ However, there are troubles in methodology-land: "While in the ordinary market prices provide objective indicators and tell even the stupid what resources are scarce at the moment, great sensitivity on the part of the researcher is required for recognizing which problems are of scientific importance . . ."⁷ Our author explains this difference in terms of the different types of knowledge that is most relevant in the two areas of endeavor: information about local and changing circumstances in the ordinary market, and knowledge of 'another sort' in the marketplace of ideas.

I have little doubt that this distinction between commercial information and basic scientific knowledge goes part way toward accounting for this 'decisive' difference (i.e., that resources can be more efficiently allocated in the market for goods and services than can they be in the market for ideas).⁸ But there is another phenomenon which may also explain it: the market for ideas is even more bureaucratized, more heavily government-subsidized, more highly regulated, more subjected to central planning statutes, and public sector ownership than is the market for goods and services.

Consider prices. Although, to be sure, there are prices for such items as books, computers, office space, laboratories and other such accoutrements of the scientific community, in many cases people are free to ignore, evade or avoid them. In most modern societies, for example,

6. Thomas Sowell points to the importance of feedback mechanisms in this regard. See his *Knowledge and Decisions*, New York, Basic Books, 1980, pp. 263-64.

7. Radnitzky, "Methodology," p. 6.

8. There are those who might be moved to object to such a sharp distinction. They would see the market for basic scientific research, or the market for ideas, as merely a (somewhat specialized) part of the overall market for all goods and services. They could point to the need for great sensitivity to profit opportunities which is the hallmark of successful (ordinary) market activity. For an analysis which highlights this vital aspect of the market-oriented profit-seeking businessman, see Israel M. Kirzner, *Competition and Entrepreneurship*. Chicago, University of Chicago Press, 1973.

libraries, museums, universities, medical schools, etc., have all been in effect nationalized by government. Even many academic journals, through which scholars establish their reputations with each other, are heavily subsidized by the state, either directly, or indirectly through other subsidized institutions (e.g., universities).

Then, there are the massive subsidies given by government to the scientific community for research and development. The U.S. space program, and the continuing expenditures on N.A.S.A., account for billions of dollars of tax revenue spending. It is naive in the extreme to assume that under conditions of this sort there can be anything even approaching a free marketplace of ideas, where private entrepreneurship alone can determine the research agenda of the scientific community. On the contrary, massive expenditure on this scale biases scholarly work in the direction approved by government.⁹

It is a well known interventionistic aphorism that *laissez-faire* might have sufficed in a simpler bygone and ancient era, but that nowadays, in the complex modern world, government action is needed. Actually, however, the truth is the very opposite. It is only in the bucolic times of old when government intervention could do relatively little harm. In a historical period when people worked as did their forefathers, it was somewhat difficult for even government intervention into the economy to be massively harmful. But when industry is in a continual state of flux, when specialization and the division of labor are well advanced, when the sheer number of people, places and things to be coordinated approaches modern scale – when, in other words, the economy resembles nothing so much as a gigantic, delicate and continually evolving lattice-work – that is when central planning can be truly disastrous.

So much the more reason, then, for de-regulation of the scientific community. If we are to conquer space, and fend off a whole host of new diseases which threaten to play havoc with mankind, we shall have to remove the blinders and shackles placed by government on the free market of scientific ideas.

9. Austrian business cycle theory places the misallocative effects of government intervention into the economy as a core element in the creation of economic depressions. See for example Friedrich A. Hayek, *Prices and Production*. London, Routledge, 1931: *idem*, *Monetary Theory and the Trade Cycle*. New York, Kelly, 1966.