

DRAFT – WORK IN PROGRESS

Some notes on methodological individualism: orthodox and heterodox views

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Abstract

“Methodological individualism” (MI) is often invoked as a fundamental description of the methodology both of neoclassical and Austrian economics, as well as other approaches, from New Keynesianism to analytical Marxism. Yet there is considerable controversy as to what the phrase means. Moreover, the methodologies of those to whom the theoretical practice of MI is ascribed differ profoundly on the status of the individual economic agent: economics, according to Friedman (1962), is based in the study of ‘a number of independent households, a collection of Robinson Crusoes’, while for Hayek (1979), ‘individuals are merely the foci in the network of relationships’. The one sees individuals as a congeries of isolated atoms, the other as constituted by their mutual relationships. Starting from a recent discussion on the History of Economics Societies email discussion list, the present paper attempts to tease apart some of the issues involved in making sense of the concept of MI. It is argued that at least three distinct polarities are generally conflated in the critique and defence of MI: holism versus reductionism, materialism versus idealism, and top-down versus bottom-up thinking. The paper suggests that clarifying these issues allows us to see a continuity in the methodology of heterodox economics, including Marxist, Austrian, Institutionalist and Post-Keynesian economics, standing in marked contrast to that of orthodox, neoclassical schools, such as Keynesianism, monetarism, new classical macroeconomics and analytical Marxism.

Introduction

“Methodological individualism” (MI) is often invoked as a fundamental description of the methodology both of neoclassical and Austrian economics, as well as other approaches, from New Keynesianism to analytical Marxism. Yet there is considerable controversy and indeed confusion as to what the phrase means. Moreover, the methodologies of those to whom the theoretical practice of MI is ascribed differ profoundly on the status of the individual economic agent: economics, according to Friedman (1962), is based in the study of ‘a number of independent households, a collection of Robinson Crusoes’, while for Hayek (1979), ‘individuals are merely the foci in the network of relationships’. The one sees individuals as a congeries of isolated atoms, the other as constituted by their mutual relationships. Starting from a recent discussion on the History of Economics Societies email discussion list, the present paper attempts to tease apart some of the issues involved in making sense of the concept of MI. It is argued that at least three distinct polarities are generally conflated in the critique and defence of MI: holism versus reductionism, materialism versus idealism, and top-down versus bottom-up thinking. The paper suggests that clarifying these issues allows us to see a continuity in the methodology of heterodox economics, including Marxist, Austrian, Institutionalist and Post-Keynesian economics, standing in marked contrast to that of orthodox, neoclassical schools, such as Keynesianism, monetarism, new classical macroeconomics and analytical Marxism.

The paper addresses these issues by means of a commentary on a discussion on the History of Economics Societies email discussion and notification list in a sixteen-day period in January and February 2006. The list’s information page at <http://eh.net/mailman/listinfo/hes> explains that “HES (History of Economics Societies) is a moderated email discussion list sponsored by the History of Economics Society and the European Society for the History of Economic Thought”. The relevant archives are on unrestricted public access at <http://eh.net/pipermail/hes/2006-January/> and <http://eh.net/pipermail/hes/2006-February>, and may be inspected arranged by date, author or thread. References to contributions to the discussion will be by name of the contributor and date of contribution. The discussion was conducted in threads entitled “defending individualism”, “individuals and teams in economics”, “intentionality and rationality”__“individualism in economics: why?”, “methodological individualism in economics, why?” and “Mises, methodological individualism, and praxeology”. The first and last contributions to the discussion considered here were posted on 24 January and 8 February 2006, by Laurence Moss and Rod Hay, respectively. 62 contributions were posted, by 30 contributors, listed in the appendix.

MI – reading the HES archives

Laurence Moss’s post (24 January), which started the discussion in question, was in response to a passage in an earlier message (part of a thread on feminism), on the issue of “equality before the law”. Moss’s message starts a new thread, “Defending individualism”. Moss comments that Hayek points out that some ideals of equality require treating individuals differently before the law. By default the ideal of equality before the law should take precedence to those other ideals, unnamed here, but by implication ideals of treating differently those with different needs. Moss pursues the train of thought to define individualism thus: “Individualism is a great deal more than just this legal rights talk, etc. It holds that individual[s] should [be] and are autonomous moral agents capable of deep reflection and moral responsibility.” In response to Moss, Rod Hay (24 January) writes that

Hayek and others argue for individualism as a basis of social science. Does not the existence of corporate bodies (collectivities) make these ideas inapplicable for modern society? No matter how much the law tries to pretend that they are individuals.

This takes the discussion in a completely new direction. The individualism which Moss wished to defend is a policy individualism: a recommendation to found the practice of central authority on equal treatment of individuals, only treating individuals with different needs differently as exceptions to the rule. By contrast, the individualism which Hay now wishes to challenge is a positive one – one which assumes, in some way which Hay does not define, that individuals constitute the basis of a society, in a way which is, he believes, confounded by the existence of ‘corporate bodies’.

It is this new direction which is the focus of interest in this paper. A number of comments can already be made. Firstly, it is indeed the case that Hayek defends the policy individualism that Moss ascribes to him. I believe this is too well-known to require demonstration, though indeed the details prompt endless controversy. Secondly, Moss’s rhetorical tactic of broadening out the definition of (policy) individualism to focus on the claim that individuals “are autonomous moral agents” fails, as the claim does not discriminate between (policy) individualistic standpoints, such as Hayek’s, and (policy) non-individualistic ones, such as those of Marx and Keynes. Indeed, both Marx and Keynes would have willingly signed up to the principle. [quotes from Marx and Keynes here]. Thirdly, it is in my opinion quite false to claim, as Hay here appears to do here, that Hayek embraces an individualistic ontology which can be challenged by pointing to the existence of collectivities. On the contrary, Hayek’s lapidary statement that ‘individuals are merely the foci in the network of relationships’ (Hayek, 1979: 59), underlines that he takes an organic, system-level view, similar in many ways to those taken by Marx and Keynes. Fourthly, the ontological individualism, vulnerable to the observation that there are collectivities, does indeed exist in economics, but is associated with the neoclassical mainstream, not the Austrian school, as Hay implies. A good example is Milton Friedman, who regards the object of study in economics to be ‘a number of independent households, a collection of Robinson Crusoes’ (1962: 13).

Contributors immediately took up Hay’s contention that the existence of collectivities constitutes a challenge to the ontological individualism underlying some approaches to economics. Doug Mackenzie’s contribution (25 January) is particularly interesting: “Corporations are collections of individuals”, he says, echoing Friedman. I suggest the following mental experiment. Take each individual in turn out of Corporation A and insert him, or her, into Corporation B, meanwhile replace each member of Corporation A which has been removed with a person from Corporation B. I think most people would agree that the new Corporation A will display much more continuity with the old Corporation A than with the old Corporation B, and vice versa. As Hayek points out a few lines down from the passage previously cited, a change in personnel within a network of relationships will not eliminate “a constant structural element”. “[T]hese elements of human relationships”, he continues, must be studied in “their combination in a particular pattern relating different individuals” (Hayek, 1979: 59). This, I think, shows that Mackenzie’s view here is much closer to Friedman’s, than to Hayek’s.

It is true that Mackenzie refers to the interactions between agents, noting correctly that those interactions will be determined by the relationship between individual agents’ interests and the implicit and explicit contracts within which they operate, and he also refers to the corporation as a complex system. But these ideas, which if developed would lead to a far more Hayekian view, are in the end simply set aside, and we are left with the rhetorical questions, “What else exists beyond these individual components? How is a corporation greater than the sum of its parts?” Mackenzie expresses with admirable clarity a standpoint I have previously characterized as ‘reductionist’ and ascribed to Friedman and Lucas (Denis, 2004).

His questions deserve an answer. What exists beyond the individual components, is the interaction he has just adverted to, but then forgotten, the network of relationships between the parts. In the terminology I have become accustomed to use, I identify ‘reductionism’ with the standpoint that the whole is equal to the sum of its parts, and ‘holism’ with the standpoint that the whole is not the sum of its parts. Mackenzie here takes his stand with reductionism – defined in this sense – along with Friedman, Lucas and the neoclassical mainstream, and not with the heterodox standpoint of more holistic writers, such as Hayek, Smith, Marx and Keynes. Hayek addresses this very issue of the relationship between whole and parts with admirable clarity:

That a particular order of events or objects is something different from all the individual events taken separately is the significant fact behind the [phrase of] ... ‘the whole being greater than the mere sum of its parts’ ... [I]t is only when we understand how the elements are related to each other that the talk about the whole being more than the parts becomes more than an empty phrase. (Hayek, 1952: 47) The overall order of actions in a group is ... more than the totality of regularities observable in the actions of the individuals and cannot be wholly reduced to them ... a whole is more than the mere *sum* of its parts but presupposes also that these elements are related to each other in a particular manner. (Hayek, 1967: 70)

The answer to Mackenzie’s question, therefore, as to how a corporation can be “greater than the sum of its parts”, is that, in the Hayekian view, a corporation is very far from being a ‘collection’ of individuals, but is a network of social relations, in which individuals are merely the ‘*foci*’.

Samuel Bostaph’s contribution (25 January) is the first to make explicit that the discussion has now moved on to a discussion of MI:

I recommend that anyone who thinks that corporations and other “collective entities” pose real problems for methodological individualism do some reading in Mancur Olson, among others. The explanation of collective action from an individualistic methodological viewpoint is quite intriguing and intellectually satisfying, as compared to the attempt to explain the whole as a manifestation of collective will, the hand of Geist, abstract productive power, mob psychology and other ways.

We have already noted a contrast between **holism** and **reductionism**. Here a further opposition is introduced, that between **idealism**, the standpoint that the behaviour of collectivities is to be explained by reference to abstractions such as collective will and *Geist*, and **materialism**, the standpoint that explanations of social collectivities have to be consistent with rational, self-seeking individual-level behaviour. Much more will be said about this in the sequel.

David Larkin (25 January) takes up the issue of whether a collectivity can have its own intentions.

A corporation can have a collective intention which is entirely different from the individual intentions of its components in carrying out that intention and is not a mere summation. A football team may have as its intent to score a touchdown, and by collectively managing the players individual intentions, e.g. to run a particular pass pattern, or block a particular person, it may succeed at that, while the individuals carry out their individual intentions with varying success. (example from philosopher John Searle, UC Berkeley). The same can be said for the corporation which by collectively managing its resources, and individual intentions, may create profit that was not possible simply by summing the individual intentions, but only by the coordinated collective effort was that possible.

The response from Doug Mackenzie, that “Hayek’s theory does cover this stuff. You might not like the way he covers it, but the idea that individualism can say nothing about such things is simply false”, is surprisingly weak. Yes, indeed, Hayek can deal with this point of view: he shares it; but that has nothing to do with the individualism which Mackenzie was defending – one which owes much more to neoclassical thought than to Hayek.

Anthony Waterman’s (26 January) response is apparently one of blank incomprehension: “How can an abstraction (a ‘football team’) have an ‘intent’ (which implies intentionality, and can therefore be properly attributed only to a rational agent)?” In a post later the same day, Waterman links his standpoint to Margaret Thatcher’s famous aphorism that “There’s no such thing as society” – which for Waterman is a “self-evident proposition”. Waterman then cites Paley in support of this proposition:

although we speak of communities as of sentient beings; although we ascribe to them happiness and misery, desires, interests and passions; nothing really exists or feels but individuals. The happiness of a people is made up of the happiness of single persons... (William Paley, *Moral and Political Philosophy* (1785), chap XI).

In the same way, Waterman continues,

Individual football players ‘really exist’, and they have ‘desires, interests and passions’ that may be gratified by the victory of their team over another. The team does not ‘really exist’, which is why I called it an abstraction. Useful, but dangerous when used anthropomorphically. If, in order to make my (Paley’s) point I have to concede ‘rationality’ to dogs, so be it. What I do not want to do is to ascribe it to the pack.

Waterman and Paley clearly conflate at least three separate things here: (i) feeling, happiness, desires and passions, (ii) existence, and (iii) interest. We may all agree on individual dogs and individual people: they exist, they have interests, and they feel. The status of the dog pack depends: if it is an organized and persistent entity, such as a wolf pack, then indeed it is something real and something with interests; if it is just a crowd of dogs, an accidental and evanescent aggregation, then its ‘reality’ is just as evanescent, and it cannot be said to have interests. We may agree that a pack of dogs, of whatever character, is incapable of feeling and gratification, other than via the feeling and gratification of its individual members. I won’t explore these claims here – the mere fact that they can be articulated undermines the claim, that it is a self-evident proposition that football teams, etc, do not ‘really’ exist and cannot have interests. The main point here is that for reductionists such as Waterman and Mackenzie, Friedman and Lucas, the wolf pack and the corporation do not ‘really’ exist, and do not have interests which guide real-world behaviour; on the contrary they are abstractions, a useful but potentially misleading mental shorthand that we use to designate the mass of individual wolves and persons comprised therein. No argument is adduced for this position: for Waterman, once the point had been clearly made it must be accepted: it is a self-evident proposition. Alan Isaac (27 January) wittily responds that “while the individual planks really exist, the ship does not, and while speaking of this abstraction ‘ship’ can be useful, it is dangerous when used plankomorphically.”

In a subsequent post sent later the same day, Alan Isaac (27 January) explicitly introduces the key issue of teleology. He had been criticized by Pat Gunning (27 January) for referring to heat-seeking missiles, fly-seeking frogs, and deer-seeking wolves, when, according to Gunning, these are all very different from profit-seeking prospective employers and employees. Yes, Isaac agrees,

Each differs from every other. But in the context of the current conversation they have something crucial in common: however much we may believe that “deep down” there is a purely naturalistic

description of the “seeking” taking place, in **each** case we still find it useful (for understanding as well as for prediction) to characterize them teleologically (i.e., as seeking). Indeed, for these purposes, most of us will have no more useful characterization.

Again, more will be said of this of this matter of teleology in the sequel.

Anthony Waterman (31 January) attempts to bring the discussion back to the issue of MI. He suggests that the individualism which Gunning had been defending was MI and offers a definition of MI as

the working assumption that human social phenomena may be explained without remainder as the outcomes of action by individuals: and that any additional explanans (e.g. ‘collective’ plans, intentions etc., ‘laws of history’, ‘general will’ and so forth) are redundant. There can be no ‘proof’ of the ‘correctness’ of this working assumption. It is part of the ‘hard core’ of economics which we stick with so long as the models we construct on that basis seem to work. Why are we quarrelling about this? And how could it possibly need a defence?

It is notable that once again, we seem to be faced with a contribution expressing blank incomprehension of the possibility of any alternative to the author’s standpoint. The definition which Waterman offers is inadequate for the following reasons. Yes, it must be the case that everything which is done in society must be done by human agents. To explain social phenomena, we must assume that, and be able to explain how, human agency underpins those phenomena. But human agents make choices, they respond to the structure of incentives that they face. The question which must be asked, is *qui bono?*: who or what benefits from the incentive structure in place. I suggest that the answer is that social entities such as firms and households, markets and states, and so on, are the beneficiaries of this or that set of choices, and hence of the incentive structures that lead to those choices. If the social entities serve human needs, then we have an instance of symbiosis, if not, then of parasitism. Either way, by simply explaining social phenomena as the outcomes of individual actions we have not gone far enough, for we then have to explain the choices which those individuals made as a response to the incentives facing them, and the incentive environment within which they operate as serving specific interests in society.

I would suggest (Denis, 2004) , instead, a two-version definition of MI as the view that:

- (a) all social behaviour must be reduced to the actions of optimising individual agents;
- (b) the explanation of social behaviour must be consistent with the actions of optimising economic agents.

They sound very similar, but the first is an expression of reductionism, the view that higher level entities can be understood as congeries of lower-level entities considered in isolation; and the second an expression of materialism, the view that agents follow their material interests. Version (a) is stronger than and contains (b). Statement (b) seems to me to be the rational core of MI, and to be consistent with the intellectual practice of thinkers as diverse as Hayek, Keynes and Marx. The reductionism of version (a) is consistent with the procedures adopted by Friedman and Lucas, and contrary to the views of Hayek.

In a lengthy and very rich post, Menno Rol (1 February) raises *inter alia* a critical new issue, the conflation of epistemic and the ontic:

the discussion often confuses ontological with epistemological issues ... epistemologically, it may make sense in a given situation to use more holistic explanatory tools, at least for the time being, even if the ontic constitution of the world is fundamentally one of micro-objects (properties, relations) giving rise to macro-objects (properties, relations).

The world is unknown to us. It may have a holistic or a reductionistic structure. It may consist of more than one stuff, or two, or many; if one, then that single stuff could be matter or spirit, or perhaps something else. These are the concerns of ontology: what is the fundamental nature of the universe. But Rol's point is that adopting any particular ontological presupposition, given our ignorance, tells us little ('nothing' in his view, which is definitely overstating the matter) about "which level is the best to start explanations from (epistemology)". That, he suggests, is why science – whether social or natural – makes best progress where it is pluralistic in methodology.

Here we have a third opposition: that between top-down and bottom-up heuristics approaches. The difference between equally valid top-down and bottom-up approaches is exemplified by Friedman's (1976: 316) statement that while both he and Keynes used a top-down methodology, most Keynesians and monetarists used a bottom-up approach. Similarly, Trotsky (1973: 233-234) illustrates a discussion of Marxist notions of science by means of equally approving references to the top-down approach of Freud and the bottom-up research strategy of Pavlov.

Pat Gunning (1 February 2006) draws attention to yet a further distinction: that between economics as science and as rhetoric. The phrase, *methodological* individualism, is useful, he says, in that it points to the significance of *method* – a means of achieving a goal. So what is the goal of economics? Waterman, he says, "assumes that it is to explain social phenomena". But, he continues,

I don't think that this pinpoints the reason why the greatest economists have studied economics. I think that their goal was to make judgments about market intervention ... and ... socialism ... Explaining ... social phenomen[a] was undoubtedly a means of achieving their main goal. But it was not the main goal and, therefore, did not drive the method.

These remarks are very much to the point. I have argued before (Denis, 2004) that besides pure, curiosity-driven research, many of the greatest economists have been driven by a rhetorical project, that is, the project of developing an appropriate economics to underpin a social philosophy and policy prescription. This is true of Smith, Malthus, Ricardo, Marx, Keynes, Hayek, Friedman and many others.

Alan Isaac (25 January) says that "the attribution of intent [can be] a useful strategy in circumstances that go beyond those in which we might suspect a ghost in the machine".

We may take 'the ghost in the machine' here as a metaphor for some higher intelligence, such as our own, that is, as a metaphor for circumstances in which consciousness and intentionality can be assumed.

Isaac says that intentionality can usefully be assumed in the absence of such intelligence. The context of the whole discussion is economics and the study of society, so the implication is that we can sometimes usefully make the assumption of intentionality in social contexts above the level of the individual agent.

Daniel Dennett discusses the matter in Ch 9, section 1, "The power of adaptationist thinking", of *Darwin's Dangerous Idea* (1995: 229-230). He distinguishes three stances, the physical stance, the design stance, and the intentional stance. The *physical stance* is invoked by the designer of a VCR, when considering the properties of possible components of the finished product. The *design stance* is invoked by a child who records and plays back a tv programme, relying, not on an understanding of the properties of the components, but a knowledge of

what the VCR was designed to do. A rival company invokes the *intentional stance* in attempting to reverse engineer the VCR to find out how it works:

They treat the artifact in hand as a product of a process of *reasoned* design development, a series of *choices* among alternatives, in which the *decisions* reached were those *deemed best* by the designers. Thinking about the postulated functions of the parts is making assumptions about the *reasons* for their presence, and this often permits one to make giant leaps of inference that finesse one's ignorance of the underlying physics, or the lower-level design elements of the object. (p 230)

I will make two statements which I won't defend here:

- (a) Isaac is right that the intentional stance is potentially productive in social contexts, that is, there are contexts in which higher level agencies than individual humans are at work, where there is no 'ghost in the machine', but where attribution of interest, of purpose, and intention still make sense.
- (b) The reasons for adopting the intentional stance go beyond Dennett's 'finessing our ignorance' of lower-level elements of the entity in question. Yes, what he says is true, but it is not just a pragmatic adaptation to lack of knowledge, or lack of computing power; on the contrary, even with complete knowledge of the micro level of an entity, it is still necessary to know what is happening at the macro level, at the level of the entity itself, if we are to understand the entity. Whatever we know about the physics, the biology, the chemistry and histology of the individual person, whatever we know about the mechanisms of the brain, if we don't understand the individual's experience of the world and himself, then we have not fully understood that person. The intentional stance is not a second best dictated by our fallibility, it is an essential component of our knowledge of the world.

In reference to Waterman's contribution (26 January), Paley's account is not in itself reductionist. So far as we are aware, there are no higher level social entities capable of experiencing happiness – and if there were, there may be no particular reason why we should concern ourselves with their happiness. Paley was a Christian – his Christianity informed his theoretical position. So everywhere he finds notions of public activity which will lead to human happiness, not on the fact that they will have that effect, but on appeal to divine authority: "what promotes the general happiness, is required by the will of God" (p33). So when Paley says that the happiness of a *people* is the happiness of the individual persons, this is compatible with a view that the happiness of the *world* is *not* just the happiness of the individuals – there is also the happiness of the higher-level entity, the deity. Moreover, this only touches on one aspect of the people. It is not perhaps inconsistent with a view that higher-level social entities exist, but do not feel happiness. It is true that he refers to interests and 'real existence' – and to the extent that this is taken seriously, this is certainly reductionist – but what is not clear from the passage, even in its original context, is the extent to which these are really part of the argument about happiness, or are to be regarded as indications of a broader stance. Whatever one may say about the Paley passage, what is abundantly clear is that *Waterman's* argument is thoroughly reductionistic. He uses the argument, which he explicitly identifies with Paley's as 'my (Paley's) point', to support a view of society such that we may "concede 'rationality' to the dogs ... not ... to the pack". This is the reductionist claim that the pack may not have interests and intentional actions of its own.

Pat Gunning (27 January) responds to Alan Isaac's analogy with the planks of a ship by asking what if the planks of the ship could think and choose:

Would the ship be a ship? Or would it be a construct of the thinking and choosing plank leader who employed the thinking and choosing planks for a wage? ... The firm ... is ... an employment compact between a thinking and choosing employer and a thinking and choosing set of employees.

This is an empirical question. If we imagine a naked society without such institutions and now a firm is started, then Gunning's view might have some merit. But in fact the world is full of replicators. Firms are vehicles of meme complexes. See Whitman (1998) for a compelling argument that Hayekian evolution of social practices can be identified with Dawkinsian memetic evolution.

Dennett (again) describes the importance of memes:

The meme's-eye perspective challenges one of the central axioms of the humanities. Dawkins (1976, p. 214) points out that in our explanations we tend to overlook the fundamental fact that "a cultural trait may have evolved in the way it has simply because it is *advantageous to itself*." ... The first rule of memes, as for genes, is that replication is not necessarily for the good of anything; replicators flourish that are good at ... replicating ... [T]here is no *necessary* connection between a meme's replicative power, its "fitness" from *its* point of view, and its contribution to *our* fitness (Dennett, 1995: 362-363).

So the firm can be a vehicle for meme complexes. The purpose of memes is to replicate. The DNA of the firm is shareholder value. (Dennett points out that it is a mistake to identify genes with their vehicles in DNA (1995: 353).) The purpose of the firm is to accumulate shareholder value; it is the vehicle, the organisational form, of self-accumulating shareholder value. The interest served by the firm is distinct from the interests of the persons participating in the firm. Even the directors and management are widely understood to be the agents of the shareholders, the owners, who are regarded as principals. It is necessary to employ various means to tie the interest of the directors and managers to the interest of maximising shareholder value.

It could be argued that the shareholder value cannot be DNA as it is a sheer quantity, a number of units of currency, a million dollars, etc. But that forgets that it is a social relation. A million dollars is a socially valid set of instructions to other agents to act in ways conducive to the interests of the holder of the million dollars by producing and supplying him with goods and services. It is that set of instructions which is being accumulated.

Alan Isaac's response (27 January) to Pat Gunning emphasises that it may be 'useful' to employ a teleological, intentional stance to discuss pre-seeking predators, heat-seeking missiles, and profit-seeking firms: "Indeed, for these purposes, most of us will have no more useful characterization". While the approbation of the intentional stance here is laudable, this does tend to make the ascription of intentionality and the use of macro-level ideas a pragmatic heuristic tactic, a place-holder until something better – real micro-knowledge – comes along.

Alan Isaac again (1 February): "[M]ethodological individualism is often more of an ideological commitment than an explanatory strategy".

Conclusions

The paper takes a stand on each of the three methodological positions which it claims seem to underlie various versions of MI. Firstly, the materialism implied by the view that the explanation of social behaviour must be consistent with the actions of optimising individual agents is endorsed. Attempts to reintroduce a covert idealism by hypostatisation of abstractions is to be resisted: as Mises (1978) puts it "The worst enemy of clear thinking is the propensity to hypostatize, i.e., to ascribe substance or real existence to mental constructs or concepts". Secondly, the identification of bottom-up methods as exclusively valid is rejected in favour of a pragmatic view that both bottom-up and top-down approaches are equally valid.

Finally, the reductionism implied by the view that that all social behaviour must be reduced to the actions of optimising individual agents is rejected in favour of the holistic, systems approach of Marx, Keynes and Hayek.

The paper suggests that clarifying these issues allows us to see a continuity in the methodology of heterodox economics, including Marxist, Austrian, Institutionalist and Post-Keynesian economics, standing in marked contrast to that of orthodox, neoclassical schools, such as Keynesianism, monetarism, new classical macroeconomics and analytical Marxism.

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Appendix: contributors to the HES discussion

James Ahiakpor
Roger Backhouse
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Samuel Bostaph
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Fred Carstensen
John Davis
Mohammad Gani
Pat Gunning
Rod Hay

Kevin Hoover
Alan Isaac
David Larkin
Robert Leonard
Harro Maas
Doug Mackenzie
Roger Middleton
Laurence Moss
Robin Neill
Kevin Quinn

Menno Rol
Eric Schliesser
Sumitra Shah
Peter Stillman
Martin Tangora
Nicholas Theocarakis
Paul Turpin
Anthony Waterman
Roy Weintraub
John Womack