

From Chick's 'duals' in theory to 'duals' in practice

Sheila Dow, 1985: "Dualism is the propensity to classify concepts, statements and events according to duals, as belonging to only one of two all-encompassing categories: true or false, logical or illogical, positive or normative, fact or opinion, and so on." (*Macroeconomic Thought*, p. 14)

Geoff Tily, Trades Union Congress
PKES at SOAS, 2 May 2024

Outline

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"[A] tendency among Post-Keynesians to avoid bringing disputes among heterodox schools into the open." (VC, 2012)

2. Duals in Chick's work

Theory of Monetary Policy, 1976: The simple dichotomy between Keynesians and Monetarists misses the point ... arguments are seldom truly joined; much of the 'debate' consists in merely talking at cross-purposes. (pp. 1-2)

- Monetary:
 - liquidity preference v. endogenous money
 - endogenous v. exogenous money
- Methodology:
 - Mathematics/formalism v. uncertainty
 - Microfoundations v. macroeconomics
 - Dynamics versus statics
 - equilibrium v. disequilibrium
 - Organicism v. atomism

3. Organicism v atomism fallacy of composition open/closed systems

2006: ... one must make decisions between the desirability of impeccably logical microfoundations and the logic of the whole. *Sacrifices* must be made; I have called them necessary compromises ... Sardoni is arguing up from the individual small firm, which vitiates the entire argument of the *General Theory*, namely, that it is only legitimate to argue about demand from the top down. (2002: 65)

2010: The fallacy of composition – the foundation of macroeconomics (2010: 2).

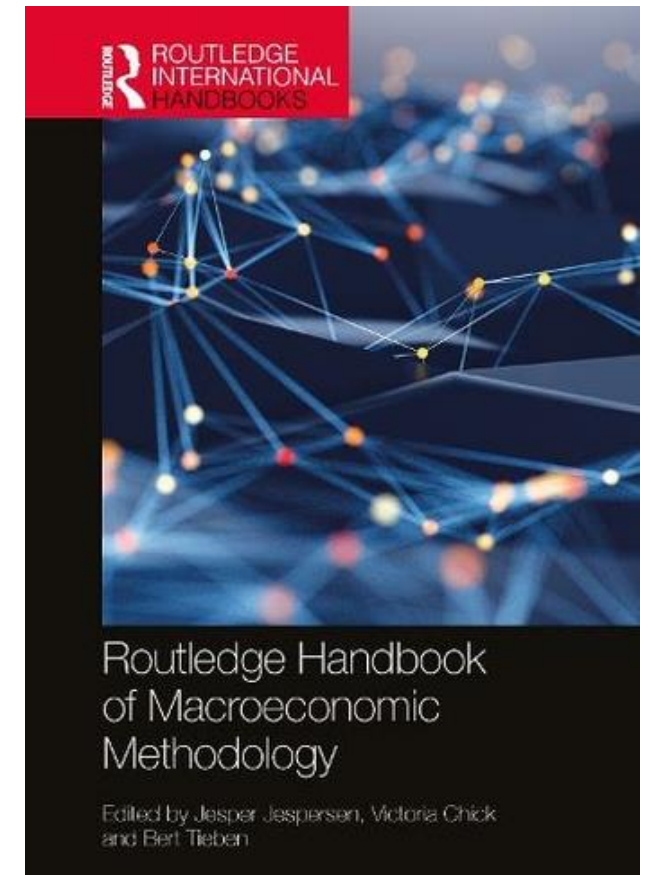
2011: Particularly clever is his [Lavoie's] little table of paradoxes, or sources of fallacies of composition (p. 13) which is fuller than I have seen heretofore ... (Review of Stockhammer and Hein, 2011)

3. Organicism v atomism ↔ fallacy of composition ↔ open/closed systems

2012: You and I can pay off our debts by cutting expenditure, but the government is too big a player; the government's argument commits the fallacy of composition (Gresham College) [belongs to policy duals]

2024, *Handbook of Macroeconomic Methodology*: 'In [the *General Theory*], Keynes claimed that the economy as a whole is different from the sum of its parts. This means that macroeconomics is in need of a specific methodological approach ...' (Jespersen, Chick & Tieben, 2023: xix)

Chick and Jespersen co-authored the *Handbook* entry on 'Holism and the fallacy of composition in macroeconomics'



3. **Organicism v atomism** ↔ **fallacy of composition** ↔ **open/closed systems**

1998 ('formalism' essay): 'atomism, which essentially ignores interactions or believes them to be random' ... 'Human interaction is obviously important in economics. The unexpected consequence of individual actions were demonstrated forcefully by Keynes, in the paradox of thrift, the idea of liquidity and the interdependence of firms' (1863).

2024 (Handbook entry on 'Open and Closed Systems'): The outcome of interactions between individual plans cannot be predicted unless we know the precise timing of all transactions – an impossible requirement. (150)

1998 ('formalism' essay): 'Instead of seeing atomic and organic systems as mutually exclusive duals (e.g. Winslow, 1989), atomic systems could be seen as comparatively isolated subsets of organic systems, in which closure can be appropriately and safely applied' (1866).

2024 (Handbook): "... Tak[e] first one element of the overall system, then another, as the object of analysis, using the method of ceteris paribus to provide a closure for each partial system and later removing it" (148).

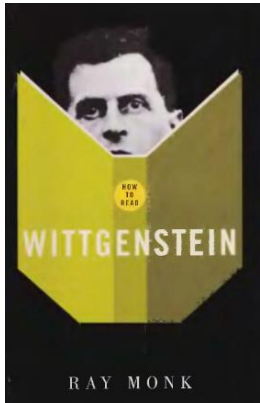
3. Organicism v atomism ↔ fallacy of composition ↔ open/closed systems

Jespersen, *Macreconomic Methodology*: The Keynes-inspired tradition, which concerns itself with the fact that uncertainty drives an epistemological wedge between individual behaviour and macroeconomic outcomes, because not even a super-rational actor can be all-knowing and act independently of the context ... 'individual actions if common to a large number of individuals, will generate an outcome different from what was intended by each' (Dow 1996: 1813-14).

Carabelli and Cedrini, 2018: 'The centrality of the "fallacy of composition" in Keynes's reasoning is not open to dispute, to the extent that it can be described as the "general theory behind the *General Theory*".

Lavoie, 'Essentials ...': I have never been able to convince myself of the usefulness of such a dichotomy [open/closed systems], even though some famous writers seem to approve of it.

4. What do the philosophers say?

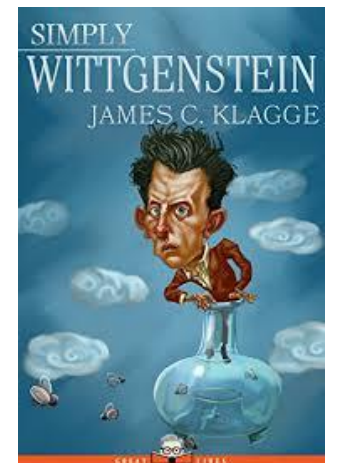


Ludwig Wittgenstein, *The Blue Book*: Our craving for generality has another main source: our preoccupation with the method of science. I mean the method of reducing the explanation of natural phenomena to the smallest possible number of primitive natural laws and, in mathematics, of unifying the treatment of different topics using a generalisation



James C. Klagge @jklagge · Feb 28, 2023

In TLP LW is a sort of objective atomist. By time of PI his view of atomism is much more pragmatic--what counts as simple/complex depends on the context.



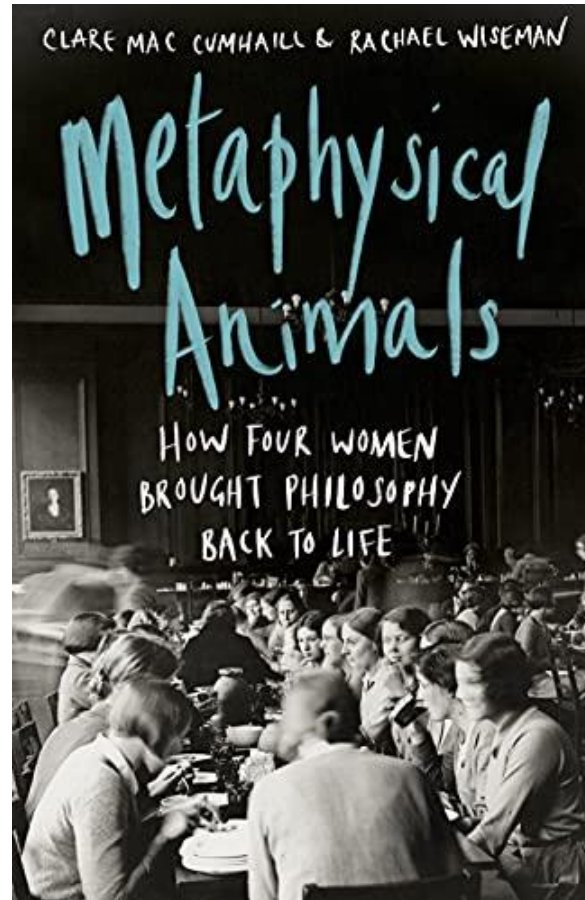
4. What do the philosophers say?

Elizabeth Anscombe

Philippa Foot

Mary Midgley

Iris Murdoch

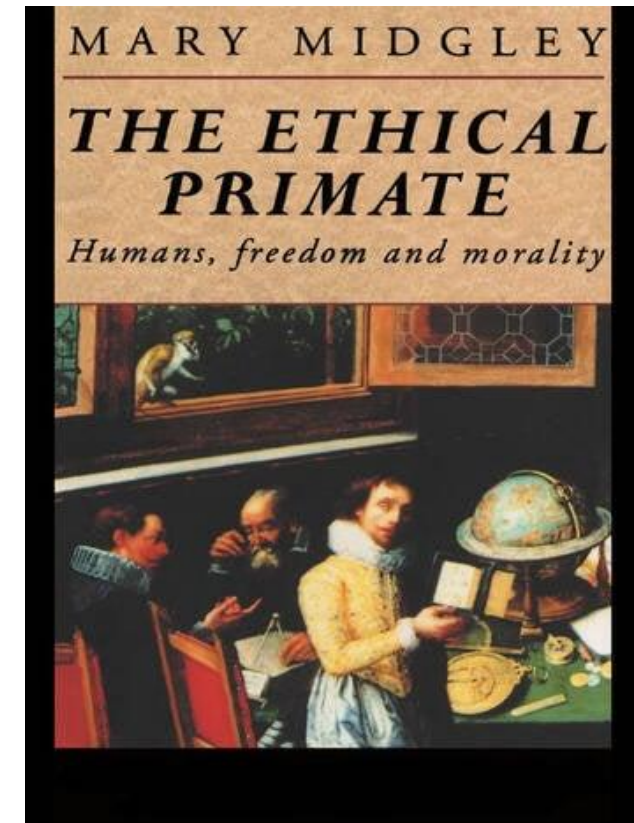


Western philosophy has tended to polarize, not only mind and matter but also reason and feeling – to treat these as separate aspects of life, not intelligibly related. (EP, 13)

DUALIST QUANDARIES ... This dualism, whether moral or metaphysical or both, blocks thought, (16)

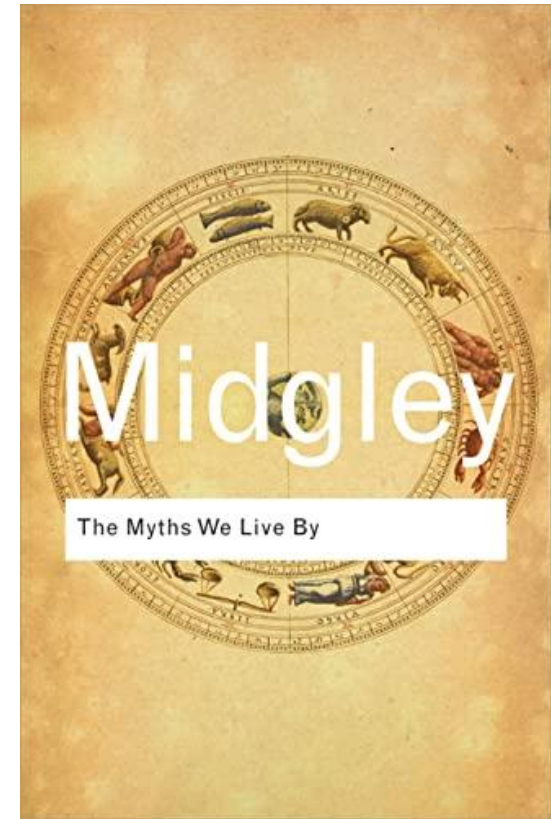
REDUCTION AND REALISM ... It is no use reducing A to B if you have to misrepresent A so much in doing it that your conclusions plainly don't apply to the world. (16)

But in the social sciences it is much more damaging. There, it has often grossly distorted complex social and moral patterns in order to support supposedly scientific reductive explanations. 32



1994

[R]eduction is never value-neutral, never just aimed at simplicity, ... it is always part of some positive propaganda campaign. 47



2004

**“[A] non-reductive, pluralistic kind of explanation”
(*TEP*, p. 63)**

Midgley, *The Ethical Primate*: “The object we are studying ... needs to be conceived as something vast, complex and relatively distant, perhaps something like a mountain. Different approaches show this mountain from different sides.” (p. 43)

Wittgenstein, *Philosophical Investigations*: “For this compels us to travel over a wide field of thought criss-cross in every direction.” (p. vii)

Dow, *Macroeconomic Thought*: “employ several strands of argument which have different starting points ...” (p. 14)

Simone Weil [pronounced: VEY] (1909-1943):
'Reflections concerning Technocracy, National
Socialism, the U.S.S.R. and certain other matters'
(**1933**)

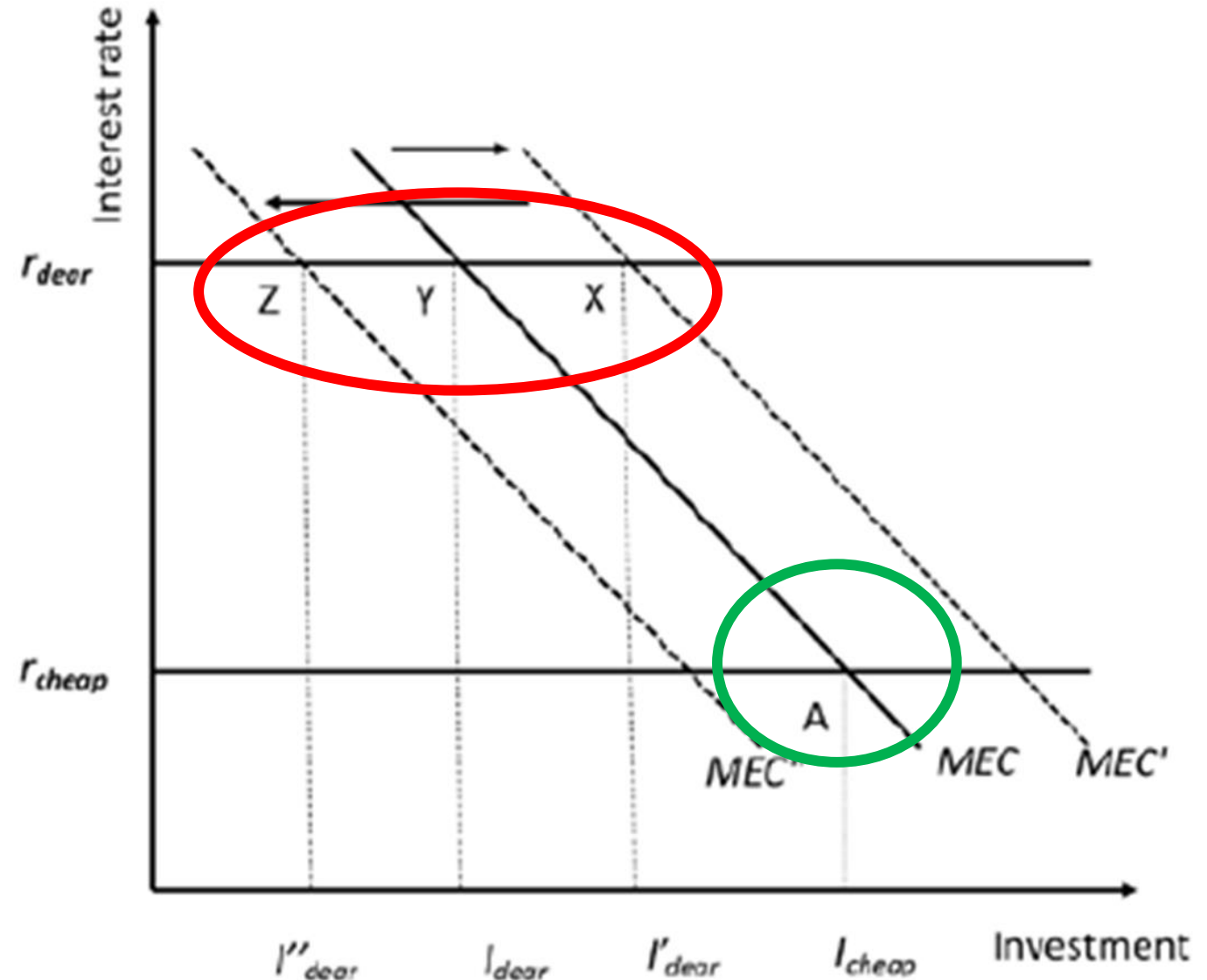
It is a question of making a synthesis of idealism and materialism ... The revolution can have no other meaning except to restore to the thinking subject his proper relationship to matter, by giving him back the **control** which it is his function to exercise over it ... [**my emphasis**]



5. Closures in the *General Theory* and ‘the three fundamental psychological factors’

- Liquidity preference
 - finance / households
- Marginal efficiency of capital
 - non-financial businesses
- Marginal propensity to consume
 - households

Chick, 2012: Where is liquidity preference or the marginal efficiency of capital, and where is the uncertainty so strongly associated with these concepts? (review of Stockhammer and Hein, p. 156).



6. Duals in practice: Market *versus* State

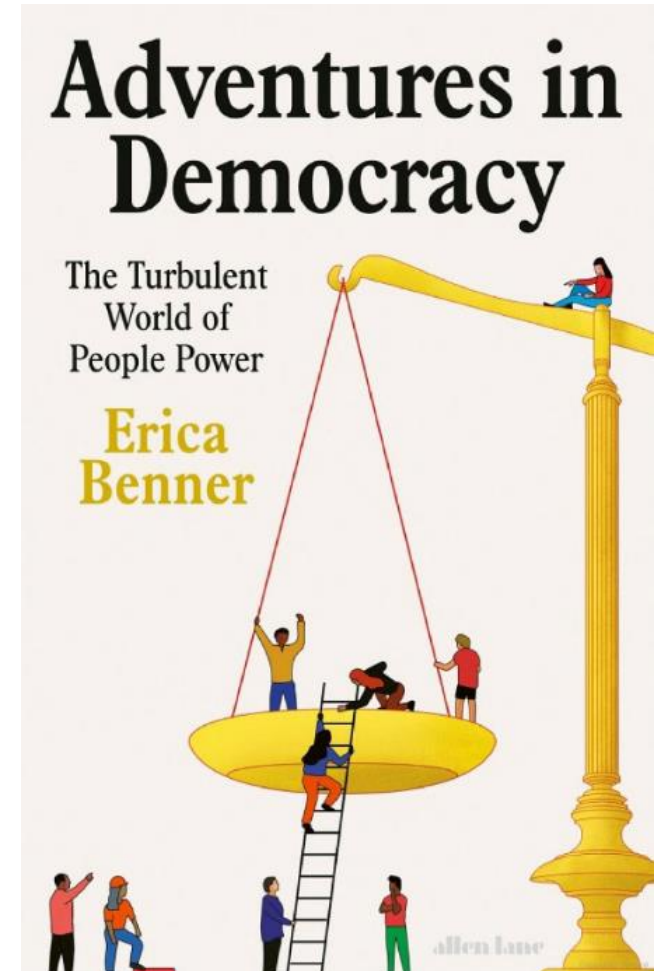
- **Handbook, 1923:** Indeed, [Keynes]favoured a general policy of low interest rates, as these would stimulate investment and, by making loans easier to pay off, prevent debt from accumulating. This is his characteristic policy conclusion (Tily 2009), far more than the policy usually associated with his name: fiscal stimulus. (193)
- **Keynes, 1935:** For there is an alternative, namely, to increase the output of capital goods by reducing the rate of interest and in other ways. (CW XIII: 490, my emphasis)

6. Duals in practice: *Capital versus Labour*

- **Hein and Krämer, 2024:** Kalecki focused on the conflict between capital and labour ... while Keynes highlighted the conflict between financial and industrial capital. (p. ii)
- **Bortz, 2017:** the opposition of the wealth-owner class to a fall in its income determinant, the call of the priests of sound finance.
- **Labour Party, 1944:** Blame for unemployment lies much more with finance than with industry. Mass unemployment is never the fault of the workers; often it is not the fault of the employers.

6. Duals in practice: Capital *versus* Labour

- **Chick et al, 2021:** Any attempt to pull Keynes into the socialist or capitalist camp is to simplify and distort his complex message' (607).
- **Erica Benner, 2024:** According to the Solon story, democracy was designed ... to stop the endless civil strife that came from gaps in personal and social security between richer and the rest. ... before the modern era introduced a sharp ideological divide ... between weakly and strongly regulated markets. (FT,)



ENDS

6. Duals in practice: *Capital versus Labour*

- **Hein and Krämer, 2024:** However, the current crisis of the neoliberal paradigm opens up the opportunity for a new interdisciplinary and political economy of international economic relations, which in our view should incorporate the important aspects of Keynes's and Kalecki's ideas.
- **Chick and Freeman, 2018:** In moving from the Economics of Excess to the Economics of Enough, our only loss will be the words “crisis” and “crash” — and possibly the word “economist” — from the dictionaries of tomorrow’ (157)

6b. Duals in outcome: Internationalism v. Nationalism

	Left	Right
EMU-positive:	New Keynesians	Moderate EU monetarists
EMU-sceptic:	Post-Keynesians	Orthodox (Anglo-Saxon) monetarists

	Internationalism	Nationalism
Capital		
Labour		

The diagram features three arrows: a red arrow pointing from the Internationalism column to the Nationalism column in the Capital row; a green arrow pointing from the Nationalism column to the Internationalism column in the Labour row; and a red arrow pointing downwards from the Nationalism column in the Labour row.

6c. Duals in outcomes: paradoxes and inversions

Table 1.4 Holism: some post-Keynesian macro-paradoxes

Paradox of thrift (Keynes, 1936)	Higher saving rates lead to reduced output
Paradox of costs (Kalecki, 1969; Rowthorn, 1981)	Higher real wages lead to higher profit rates
Paradox of public deficits (Kalecki, 1971)	Government deficits raise private profits
Paradox of debt (Fisher, 1933; Steindl, 1952)	Efforts to de-leverage might lead to higher leverage ratios
Paradox of tranquillity (Minsky, 1975)	Stability is destabilizing
Paradox of liquidity (Dow, 1987; Nesvetailova, 2007)	New ways to create liquidity end up transforming liquid assets into illiquid ones
Paradox of risk (Wojnilower, 1980)	The availability of individual risk cover leads to more risk overall
Paradox of profit-led demand (Blecker, 1989)	Generalized wage restrictions lead to a slowdown in growth even when all economies seem to be profit-led

INVERSIONS	
Low interest means high investment and high saving	“a useful shibboleth for distinguishing those who .. agree from those who ... differ”(CW XIV: 269)
High interest means high private debt	Not low borrowing
Government spending improves the public finances	Versus austerity doctrine

6d. Duals in outcomes: determinism and control

- My central thesis is that economic theory is always a creature of its time and place, and when the economy evolves ... theory must be adapted. Some aspects remain and others must be recast. (Chick, 'On the relevance of *The General Theory* at 80')
- The dogma of progress / What is there to prevent one imagining a cyclical succession instead of an uninterrupted straight line. (Weil, *The Need for Roots*, p. 227)