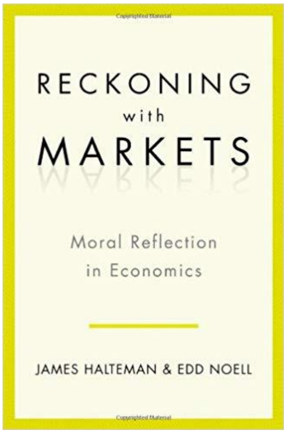
**James Halteman and Edd Noell. *Reckoning with Markets: Moral Reflection in Economics*. New York: Oxford University Press, 2012. Pp. xvi + 218. ISBN 978-0199763702. Hardcover $40.95.**




*Reckoning with Markets* attempts to reintroduce a broader approach to economics that faded with the rise of the neoclassical synthesis in the early-to-mid-20th century. By explicitly engaging moral questions, the authors push back against (narrow, scientistic) economics in favor of (broad, humane) political economy. But as we will see, there are some issues regarding execution that limit the force of the authors' arguments. Furthermore, it is questionable whether students of economics, who are this book's primary audience, can benefit from such a broader perspective unless they are already highly competent practitioners of rational choice.

Unusually for books in the social sciences, and in my view refreshingly, the Preface is not a mere preview of coming attractions. The authors describe their experiences attempting to craft market-friendly academic programs in post-Communist Russia, including their unfortunate failures. They believe this failed due to, in part, a lack of appreciation for the mutual impingement of moral values and economic forces. This impingement is the subject of the book. Chapter one explores how the greatest minds in the Western canon have thought about the relationship of ethical conduct to commercial life. The bulk of the chapter is written as an imaginary plenary session with debates between Aristotle, Thomas Aquinas, Adam Smith, Jeremy Bentham, Karl Marx, Milton Friedman, Friedrich Hayek, and other giants of political economy. The purpose is to show just how varied are the various theories and frameworks for exploring morals and markets, as well as to set up the detailed investigations into those theories and frameworks in the following chapters.

Chapter two focuses on moral reflection in the ancient Mediterranean world. The writings and philosophies of the ancient Greeks (Plato and Aristotle, with Hesiod playing a supporting role), the Old and New Testaments, and the Stoics are the three main traditions surveyed. The chapter outlines their basic thought, discusses how each relates to the other, and highlights differences with conceptions of human welfare in modern economics. Although I think there are some small mischaracterizations of F.A. Hayek and Adam Smith, this an informative chapter that lays important historical groundwork.

The third chapter covers the economic thought of the Scholastics. The bulk of discussion focuses, understandably, on St. Thomas Aquinas, but later thinkers such as Cajetan are also discussed. The themes receiving the most attention are justice and exchange and usury. The authors do a good job of showing how Scholastic thinking evolved as the medieval commercial revival spread throughout Europe. They conclude with a discussion of the 2007-8 financial crisis that shows how Scholastic moral reasoning about commerce can be applied.

Chapter four is on Adam Smith, the 'founding father of modern economics.' Unsurprisingly given the themes of the book, it is Smith's *Theory of Moral Sentiments* rather than the *Wealth of Nations* that receives the majority of the authors' attention. The chapter discusses the moral underpinnings of commercial society, including the importance of moral sympathy and impartial reflection. At times this chapter made me uncomfortable, such as when the authors repeatedly refer to Smith's positive theory of political economy as "mechanistic," without it being clear from the context whether this view is the authors' or that of scholars in the secondary literature. But overall it is a reasonable treatment of the evolution of economic thought in the Enlightenment era, and its Scottish manifestation in particular.

In chapter five we reach a crucial turning point: the transition of political economy from a humane study to a naturalistic and quasi-mechanical science. This is the era economic systematization, and the rise of concepts such as the "laws of the distribution of income." The authors do a good job of presenting the material, considering the brevity of the chapter in comparison to its surveyed time horizon. But there are certain times, such as in their discussion of Malthus and Marshall, where the authors' skepticism regarding this transformation comes through.

Chapter six explores moral reflection in heterodox schools of economics. The authors pick three thinkers who are frequently associated with prominent heterodox schools—Karl Marx, Thorstein Veblen, and Friedrich Hayek—and describe their contributions to social science, as well as how each treated ethical reflection in their systems of political economy. The chapter concludes with another interlude on the financial crisis but engages only the Marxian perspective on what went wrong in markets. I would have liked to have seen an Old Institutionalist and Austrian perspective on the crisis as well.

In chapter seven, the authors move beyond exploring particular thinkers or schools of thought. They turn their attention to the entirety of modern economics, by which they mean rational choice theory. Unsurprisingly, the authors find it wanting, and argue that rational choice theory cannot cope with important factors such as genuine uncertainty, entrepreneurship, and change in economic systems that is both sudden and radical. This chapter is simultaneously interesting and frustrating. While I am highly sympathetic to the motivations behind the authors' critiques, I do not think economically informed readers will find them persuasive. The authors acknowledge that economists usually defend rational choice on predictive grounds, rather than ontological, but then they proceed with critiques whose force depends on economists holding the ontological view. Objecting to rational choice by saying, "But people aren't really like that!" is neither insightful nor helpful. Furthermore, the authors completely neglect more robust and generalizable forms of rational choice. In particular, the work of economists such as Armen Alchian, Gary Becker, and Vernon Smith has provided a strong case for locating rationality at the systemic level, rather than at the level of individual psychological motivations. Economists rely on prices and incomes to explain *impersonal* phenomena, not personal. Furthermore, the authors' insistence that economics, at a deep level, is not truly a value-free science fails to appreciate that economists can occupy many social roles, such as scholar, policy analyst, and political activist, in which economics is certainly coupled with value judgments, but the essence of the economic way of thinking itself (*ceteris paribus* demand curves slope down) remains valid.

Both the troubling and promising themes from this chapter are expressed in the final two chapters. Chapter eight critically surveys the extension of rational choice analysis to non-market decision making, such as law, politics, religion, and the family. The authors still do not appreciate the difference between rational choice as a motivational assumption, and rational choice as engine of analysis. More promisingly, however, they do recognize the artificially narrow bounds economic discourse was forced to occupy due to the profession's predilection for scientism.

The concluding chapter outlines a broader approach to political economy, one more commensurate with the great political economists of the classical and early neoclassical eras. The authors conceive the individual as occupying a series of moral communities that range from high degrees of personality, such as the family, to high degrees of anonymity, such as the state. They then describe how the systems of moral discourse surveyed throughout the book can help economists understand individual choice depending on the particular moral community. This is not at all objectionable from the standpoint of applied economics, or economic history. But it still does not impugn rational choice, because rational choice is not about motivations.

Overall, I believe the book's goal is a noble one. The science of economics should be broadened once again into the science of political economy. Room should be made for moral discourse and reflection on how commercial institutions relate to virtuous living and human dignity. I am less satisfied with the project's execution, however. The book feels like it was written to be a compendium to an undergraduate course on economics and ethics. But aside perhaps from a senior-level elective or capstone course, such a course is more likely to do harm to students than good. The economic way of thinking is already bitterly resisted by scholars and policymakers, even by those who purport to be economists. An economics education should instill the fundamentals in students' minds through repeated, persistent, and thorough application of the first law of demand to all social spheres. This is precisely because students of economics far too often will use any excuse to stop thinking like an economist. Only for an economist who can explain the best arguments for hard-line rational choice is it safe to begin reflecting on these more complicated issues. For those who are only "nine to five economists," it is more appropriate to focus on the counterintuitive ways in which rationality, prices and incomes, etc. *can* explain so many disparate social phenomena. If students cannot pass a Turing Test as Gary Becker, it is probably not a good idea for them to start looking for excuses to ignore human purposiveness and the omnipresence of tradeoffs.

I share many of the concerns that motivate the authors' project. I think their approach to political economy is ultimately correct. But the road to the authors' desired destination is long, winding, and uncertain. Just as only Nixon could go to China, only a believer in the economic way of thinking can safely explore moral reflection in economics.

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