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**THE FORMATION OF ECONOMIC POLICY:  
A QUESTION FOR ECONOMISTS?**

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## THE FORMATION OF ECONOMIC POLICY: A QUESTION FOR ECONOMISTS?

### Introduction†

Economics is often described as a "policy science". What is normally meant by such a statement is that the implications of economic theory or the information generated by economic research can be applied and utilised in tackling problems of public policy. Although, economists consider their subject to have relevance for policy, the process of policy formation itself has not been of immediate interest to economists. The conventional justification for neglecting the study of the process of policy formation in economics is based on the principle of intellectual division of labour: The economic policy of any government is part of the general policy-making process. In order to understand how the policy-making machine operates and why certain policy options are adopted or rejected it is necessary to examine a wide set of factors, political, administrative, cultural (in addition to economic theory) which affect the formation of policy. The study of these wider influences on policy falls outside the scope of the discipline of economics. According to this conventional view, the type of questions raised in the discussion of how economic policy is actually being formulated, are best analysed by specialists in other fields, such as political science, public administration, sociology etc. This leaves economists free to concentrate on what is their major task, that of understanding how the economic system works. Naturally, on the basis of this understanding, economists may recommend policies on how society can achieve predetermined objectives, but it is not their job to study either the way the objectives themselves are established, or the actual design and implementation of policy.

In economics, therefore, policy questions are approached within a framework of a "given" policy-making system, in the sense that the workings of the system itself is not the object of study. Discussions of economic policy in economic text books usually begin with a description of the various "objectives of economic policy" followed by an examination of the various "instruments of policy". The formation of economic policy is seen as essentially political in that policy-makers determine the objectives of policy. The application of economic theory, however, is not seen as political but rather as a purely technical exercise of providing information on the best instruments to achieve given ends. An important distinction is, therefore, drawn between those aspects of policy which require values and are "political" and those that do not and are "purely technical".<sup>1</sup> Ultimately, all policies are inevitably based on values, but it is claimed that these are not the values of the technical expert, but of the political decision makers. The economist's claim for participation in policy-making is based on his/her ability to provide "dispassionate", "neutral" and "objective" scientific advice, which

although by itself insufficient to determine policy, it nevertheless helps policy-makers to assess the consequences of pursuing alternative objectives or select the best instruments to achieve predetermined ends. This view of policy-making and the relationship between scientific knowledge and public policy is usually referred to as the technocratic model.

### The Technocratic Model: Descriptive or Prescriptive?

The main features of the technocratic approach are (1) the insistence upon the separation of "facts" from "values" and (2) the "rational" nature of policy-making. We shall return to these features shortly, but first let us examine whether the technocratic model is a positive description of how economic policy is made, or a normative prescription of how economic policy should be made, or indeed both, as this is not always, made clear. Most economists would readily admit that the descriptive dimension is not the most relevant and would emphasise the prescriptive or normative dimensions of the model: Policy-makers should have clear objectives; values should be confined to the selection of ends; technical experts should be "neutral" i.e. not invoke their own value judgements in making policy recommendations. Nevertheless, many economists, especially when giving empirical accounts and assessments of economic policy recognise that this "text-book" technocratic view is inadequate, not only as a descriptive account of how economic policy is made, but also as a prescriptive-normative model of how economic policy-making should be made. As Blackaby explains:

"The clear distinction between 'instruments' and 'objectives' which appears in most models of economic policy is at variance with what happens in practice. In most models whereas the valuations put on different objectives are for the politicians to decide, the choice of instruments is assumed to be a purely technical matter. In real life, instruments are not neutral in this way, but are value loaded and both Chancellors and Parties have shown preference from time to time for particular types of instruments . . . . Indeed most of the most strongly expressed disagreements about economic policy have not been above objectives but about instruments."<sup>2</sup>

Blackaby goes on to argue that the reason why instruments are "value loaded" is due to "uncertainty" and "immaturity" in the present state of positive economic science.

"Economic policy models tend to assume that the workings of the economic system is known. If this had been so, actual economic policy in Britain would have been very different. If

there were an agreed body of economic knowledge . . . . there might be little reason for disagreement about policy. Such a state of knowledge did not and does not exist."<sup>3</sup>

Thus, economists simply do not possess sufficiently precise knowledge about the workings of the economy to be able to offer the kind of positive, instrumental and neutral advice, envisaged by the "text-book" technocratic model. An obvious manifestation of the immaturity of the subject is the frequent co-existence of rival theories, offering competing explanations about the causes of "economic ills" and therefore competing "cures" or policy prescriptions. This state of affairs allows economists, or indeed policy advisors in all the "immature" sciences, a much more active political role in policy formation.

The technocratic approach, therefore according to this view has serious shortcomings not only as a descriptive but also and more significantly as a prescriptive model of policy-making: Economic policy-making cannot be, as prescribed by the model, because economic knowledge is not as precise and therefore as value free as the model assumes.

This criticism might be accepted but it can still be argued that there is nothing *in principle* wrong with the technocratic model. A defender of the technocratic approach might respond to this criticism as follows:

Although it is useful to be reminded that the claims of the "text-book" model are premature and exaggerated and that the present ability of economists to provide objective, value-free instrumental advice is overestimated, it does not follow that the technocratic approach as a *normative model* must be rejected. Although policy disagreements are not confined to the selection of ends, but also to the choice of means, this is only due to limitations in the *current* state of knowledge. As the discipline of economics advances and matures and as the statistical tools and techniques of testing are refined and perfected, then the technocratic ideal can be approximated even further because, essentially factual disagreements about instruments will be reduced and eventually eliminated. As Lindbeck<sup>4</sup> points out such advances have already narrowed down the scope for subjectivity and increased considerably the "death risk" of erroneous theories, thus making it increasingly possible for the technocratic application of economic knowledge to public policy problems.

### Is The Technocratic Model A Sound One In Principle?

There are two claims implicit in the above argument. Firstly, that the social sciences in general and economics in particular can (and should) achieve the "status" of the natural sciences; and secondly that such status will enable knowledge gained in the social sciences to be applied

"technocratically" in public policy making. Even if the first claim was true, which is doubtful, the second claim is certainly false. All knowledge, whether in the natural or social sciences, cannot be entirely value free. It may be easier in the natural sciences to have more conclusive tests of competing hypotheses and therefore reduce the element of subjective bias in the selection of theories, but it does not mean that the theories themselves are value free. Whether scientific theories contain values does not depend solely on the extent of "maturity" or "sophistication" in testing techniques attained by a scientific discipline. Even in the most mature and precise sciences, knowledge is not completely free of subjective value and Katouzian provides a number of reasons why this must be so:

"First, facts in general and scientific facts in particular are not randomly observed. The observer – especially the scientific observer – is *looking for* them even before he succeeds in locating them. In other words, he uses certain criteria for *selecting the relevant* facts; and these criteria are themselves subjective, a priori, prior to the observation. Second once selected, such facts on their own normally reveal or prove nothing as they stand. They are *processed* by certain procedures which are not part of that, or any other observation; that is by analytical and/or empirical *methods* which are entirely products of the human mind. Third, the so-called observer would even have to *select the appropriate* analytical and empirical methods – including laboratory tests – from a wide range of possibilities".<sup>5</sup>

However mature and precise economic knowledge becomes, it will still be "value loaded". One of the central features of the technocratic model, the insistence upon the separation of facts from values and the identification of questions about means with factual questions and those about ends with value questions is in principle untenable. In other words, not only *in practice* economists are not in a position to provide value-free advice – chiefly because of limitations and uncertainties in the *current* state of knowledge – but also *in principle* value-free knowledge and therefore value-free advice is not possible. This is equally true of the "mature" natural sciences and the "immature" social sciences. In any case, Gouldner<sup>6</sup>, among others, has forcefully argued that, even if it was possible to have value-free knowledge, it will be undesirable for scientists, in advising policy-makers, to be ethically neutral. Similarly, Easlie, questions whether value neutrality should be a legitimate goal of social science:

"Of course, if a social scientist has transformed himself through mutilation into a computer, then clearly he no longer has values – or, rather, his "values" are, in each run, those of his programmer. However such a being would be regarded

by all his fellows as a psychopath – hardly a state to be desired. Yet it would appear that some social scientists do desire this state. For this insistence that scientific advice be called "value-free" suggests that social scientists should aim at achieving an attitude of moral indifference to the human situation (learning, in other words, to regard the rest of the human race as biologists learn to regard the greenfly) with the ultimate aim of being prepared to place their expertise unreservedly at the service of whoever commands or pays."<sup>7</sup>

Completely value-free scientific knowledge may be impossible or even undesirable, but there is still another line of defence of the technocratic approach that might be attempted: If rationality in public decision-making is considered desirable, then the technocratic approach, by insisting on the specification and clarification of objectives and the search of efficient instruments, offers a method of rational decision-making. Policy recommendations by scientists although admittedly, based on less than one hundred per cent "objective" knowledge can contribute towards the formation of a more rational public policy. In fact most economists would consider this as the most valuable contribution of economics to public policy, i.e. that the information provided by economists *could* be used to enhance the rationality and consistency of economic policy, provided that policy-makers have clear objectives and they seek advice on the best way of achieving them.

### Can Economic Knowledge Enhance The Rationality Of Policy?

The major contentious issue here centres around the meaning to be attached to the term "rational policy". The concept of rationality implicit in the technocratic approach is closely linked with the fact-value dichotomy: According to the "text-book" technocratic model, public policy issues are capable of "rational" resolution when an issue can be settled by an appeal to facts. Disputes about values cannot be rationally settled. As one chief exponent of this position puts it:

". . . . differences about economic policy . . . . derive predominantly from different predictions about the economic consequences of taking action – differences that in principle can be eliminated by the progress of positive economics – rather than from fundamental differences in basic values, differences about which men can ultimately only fight".<sup>8</sup>

Thus, according to this view of rationality, science in general and positive economic science in particular, by providing policy-makers with value-free, instrumental information narrows down the area of "irrational" controversy in public policy making to the selection of ends. Rational

individuals may "fight" over differences about values but it is irrational to "fight" over differences about facts. Once a consensus is established over values a positive science offers the opportunity for people to "reason" rather than "fight" over policy. Clearly, the science of economics, as practised now, cannot contribute towards the formation of a more rational policy, because – as Blackaby reminds us – instruments, as well as objectives of policy, are "value loaded" and, therefore, cannot be selected on a rational basis. Furthermore, since values, as we have argued above, are *inherent* in instruments, "irrationality" will always be present in policy-making. Rational policy in this sense seems unattainable. Of course, the technocratic conception of rationality is not the only possible interpretation of the term "rational policy". Often the term simply means that policies are consistent with objectives. More generally, rational policy is one which follows certain ideal steps or meets certain ideal conditions. According to Carley, the following five steps constitute the basic activities of rational policy:

- (1) A problem which requires action is identified and goals, values, and objectives related to the problem are classified and organised.
- (2) All important possible ways of solving the problem or achieving goals and objectives are listed – these are alternative strategies, courses of action or policies.
- (3) The important consequences which would follow from each alternative strategy are predicted and the probability of those consequences occurring is estimated.
- (4) The consequences of each strategy are then compared to the goals and objectives identified above.
- (5) Finally, a policy or strategy is selected in which consequences most closely match goals and objectives, or the problem is most nearly solved, or most benefit is got from equal cost, or equal benefit at least cost."<sup>9</sup>

Actual policy can be judged according to the extent to which it approximates this "ideal". Clearly, rational policy requires information, but the rationality of policy does not depend on the nature of this information. Policies which are based on "poor" or "inadequate" information will be "poor" and "inadequate" policies, but they will still be rational if they follow rational procedures. Similarly, even subjective and "value-loaded" information can contribute towards the formation of a rational policy in this sense. Scientific knowledge, whether in the "mature" natural sciences or "immature" social sciences can "enlighten" or "illuminate" policy decisions, but it cannot neutrally, i.e. without taking a moral position, determine in all circumstances what are the best instruments to achieve given objectives.<sup>10</sup> Scientific knowledge

therefore, can enhance the rationality of policy without the scientists being "detached" from the policy-making process.

If the assumption of value neutrality is abandoned, then the relationship between economic knowledge and economic policy must be redefined. Also the whole basis of the intellectual division of labour needs to be re-examined. Since the distinction between the "purely technical" and the "purely political" aspects of economic policy is rejected, the separate treatment of questions relating to the "politics of economic policy" from the discussion of "technical questions" involving instruments of policy must also be rejected.<sup>11</sup> The consequence of this separation has been, on the one hand, an inadequate treatment of the State and its economic behaviour in orthodox economic theory and, on the other hand, a certain compartmentalism of knowledge, a process whereby the results of analysis of problems demarcated as "political" "sociological" "psychological" etc. do not influence the analysis of "economic" problems and vice versa. This condition is nowhere better illustrated than in the treatment of the State in orthodox economic theory.

### **Towards A Theory Of Economic Policy Formation**

We have emphasised in this essay that due to the commitment to the technocratic ideal, economists have not been concerned with descriptive-explanatory theories of state economic behaviour and economic policy formation. Their major preoccupation has been with normative models attempting to define the "legitimate" areas of state intervention on the economy, given the overall objective of social welfare maximisation. However, comparatively recently there has been an attempt to provide a positive explanation of the actual behaviour of the state in terms of an economic theory of democracy on the one hand, and an economic theory of bureaucracy on the other.<sup>12</sup> Two points are worth making in connection with these theoretical developments. Firstly, the economic theory of government has had no significant impact on the core of economic theory and it still remains a peripheral subject. Secondly, the theory is based on a number of rather dubious assumptions. For example, the various agents in the political and bureaucratic process are assumed to be engaged in optimising behaviour: politicians aim at maximising the probability of their re-election and bureaucrats the size of their bureaus. The more realistic concepts of "incrementalism" and "satisficing" behaviour are completely left out. It should be noted that, Simon, the author of the "Rational Comprehensive" theory of decision making<sup>13</sup> argues that the rationalist ideal of optimising behaviour is Utopian. Instead in his descriptive work on organisational behaviour he introduces the notion of "satisficing", the idea that people and organisations do not seek to optimise or maximise anything, but rather to reach a "satisfactory" or "acceptable" outcome. Decision makers, typically, go through

alternatives until a satisfactory or adequate one is found and there the search ends, even though superior alternatives may exist. Similarly, Lindblom<sup>14</sup> has argued that "muddling through" and "partisan mutual adjustment" are more accurate descriptions of the actual behaviour of policy-makers than constrained optimisation.<sup>15</sup> Finally, the assumption that the political system is one of representative government in which the private citizen has direct influence on policy through his/her voting behaviour is also patently unrealistic. Since this is a positive theory attempting to explain actual policy-making behaviour, one cannot defend these assumptions on the ground that "policy-makers do not actually behave like this, but they ought to". Clearly, there has been little "intellectual trade" here and there is a conflict between the political assumptions of economic theory and those of political science.<sup>16</sup>

Orthodox economics has, quite wrongly in our view, ignored questions of economic policy formation. Even when some economists attempt to investigate economic policy formation, they tend to ignore the work of specialists in other fields, e.g. political science. This is contrary to the whole spirit of the principle of intellectual division of labour. We believe, however, that the explanations of public policy formation that exist within political science, although an improvement on the naive political assumption of orthodox economic theory, are nevertheless inadequate to fill the gaps in our knowledge of what determines the formation of economic policy.

The dominant tradition in western political science views the political process as democratic and pluralist: democratic because political power is widely dispersed and pluralist because a variety of different and competing interests have access to and influence on policy. Democracy guarantees pluralism and vice versa. It would not be possible to do full justice to the variety of viewpoints and perspectives that exist within the pluralist tradition, but its essential elements may be summarised as follows:

In a pluralist society public policies tend to result from and reflect the compromise and bargaining necessary to resolve the conflicting interest of the various participants in the policy process. Although only a relatively small group has formal authority to make public policy decisions (e.g. elected politicians and full time administrators), nevertheless, at any given time, a much larger and more diverse number of individuals, groups and institutions influence the initiation and modification of public policy. Pluralists make two important claims. Firstly, there is no evidence that public policies reflect consistently the interest of one dominant group in society or a "ruling elite". This is because elites are mutually restrained by competitive interaction and because the unorganised and inarticulate masses possess sufficient "potential power" so that policy-makers keep their interest constantly in mind. Secondly, conflicts of interest are dealt with in a way that does not

threaten the stability of society as a whole. This is because, on the one hand the wide diffusion of political power itself promotes the resolution of conflict and, on the other hand, the nature of conflict is seen as multilateral among a large number of groups, some of which can be bought off as a result of economic growth. Thus, irreconcilable conflicts such as those concerned with the redistribution of income and wealth can easily be managed in an affluent society with surplus resources.

A variety of criticisms have been directed against these pluralist claims. We may only give a brief summary of the major objections: Even if it is granted that a plurality of interest has access to policy-making, this does not necessarily guarantee either stability or democracy. On the contrary: to the extent that the various partisans have roughly equal power, this may result in stalemate rather than compromise, more conflict rather than less; to the extent that "compromise" solutions are found, this may be at the expense of the weakest interest. In fact the treatment of power and influence in the pluralist model ignores many other aspects of the problem. By concentrating on the exercise of *visible* power, it fails to take notice of how elites exercise *covert* influence e.g. through anticipatory consideration of elite interests by policy-makers, or through the power of non-decision. Also the values and the general cultural or ideological environment are, in fact, overwhelmingly biased in favour of the ruling, dominant class, so that even the disadvantaged themselves may subscribe to these values.

Finally, pluralists use double standards in their attitude towards indirect or covert influence. Parenti elaborates further on these double standards:

- "(1) Despite the fact that large corporation leaders and other economic notables control vast resources of wealth and property that affect the livelihoods, living standards and welfare of the community, it cannot be presumed that they exercise indirect, or potential influence over political leaders. Furthermore, it is unscientific to speak of political leaders as having anticipatory reactions to the interests of these economic elites. There must be discernible evidence of upper class participation and victory in specific conflicts. But
- (2) It may be presumed that the unorganised, less educated, lower-income voters exercise an indirect influence over decision to which they have no easy access and about which they often have no direct knowledge. They accomplish this by evoking in the minds of political leaders a set of "constant" but unspecified anticipatory reactions to the voters' policy preferences, preferences that are themselves frequently unspecified and unarticulated".<sup>17</sup>

It must be concluded that pluralist explanations of policy formation

present a rather distorted picture of the structure of power and influence in capitalist societies. Thus if one relies on the principle of intellectual division of labour for illumination on the issue of economic policy formation, there are no satisfactory answers either within orthodox economics or orthodox political science.

### The Theory Of The Capitalist State

There is of course an alternative approach based on the Marxist tradition of political economy, which has been ignored by both orthodox economics and political science. There has recently been a proliferation of Marxist writings on the theory of the capitalist state and, although there are significant individual differences, they nevertheless share considerable common ground to form a coherent alternative approach.

According to Gough:

"The common element in all Marxists' theories of the State which distinguishes them from all other theories, is the subordination of the state to the particular mode of production and to the dominant class or classes within that mode. In other words, the economically dominant class is also the politically dominant or *ruling class*".<sup>18</sup>

It is in the elaboration of this theme that the major difference both among Marxist writers and between them and the rival pluralist school is to be found.

The well known orthodox Marxist proposition that the behaviour of the state ("superstructure") in a capitalist society is a reflection of and is determined by the economic "base", has been challenged by more recent Marxist works on the state as a crude oversimplification. There have been a number of modifications and qualifications to the simple "economistic" or "reductionist" view of the capitalist state. One significant departure was the development of the concept of the "relative autonomy" of the state. The essential argument can be summarised as follows:

The capitalist class is not a monolithic entity with a single interest but instead it consists of several distinct elements or factions which may have common but also conflicting interests. The state therefore cannot be conceived of as a mere instrument promoting the interest of the capitalist class, since at any given time there are contradictory interests to be satisfied. The capitalist class has simultaneously short-term sectional interests and long-term general interests. The latter can only be promoted if the state is independent of the former. This is so because the nature of competition among individual capitalists is such that the

emergence of spontaneous co-operative action to further their collective interest is impossible. If the general interest of capital is to be served at all, it must be served by the state and if it is to be served effectively, the state must be autonomous, i.e. not in alliance with any sectional interests. It is this relative autonomy that gives the appearance of a "neutral" state, responding to the demand and pressures of a variety of groups in society. Indeed, some policies may even favour the work-class, if it is calculated to be in the long-term interests of capital.

Establishing the necessity of an autonomous state under capitalism is one thing. Demonstrating that such an autonomous state must be a capitalist state, i.e. it must necessarily act in the long term interest of capital, is another matter altogether. Put it differently: what is the mechanism that ensures that the "autonomous" state is not also a neutral arbiter in line with the pluralist conception of the state, but instead one that promotes the long term interest of the economically dominant class? Why is the appearance of neutrality only on the surface and not in essence? Once the simple "economic reductionism" is abandoned, the answers to these questions assume crucial importance.

One possibility is to show that the personnel of the state is drawn overwhelmingly from the economically dominant class with a fairly homogenous ideological cultural and political position. This however does not establish that the state would necessarily act in the interest of capital: Would the state's policies be radically different if the only thing that changed was the class background of its personnel? Another possibility is to demonstrate empirically the enormous indirect influence the whole of the capitalist class exerts. This is also subject to the same criticism as before: it does not show, as the theory requires, the necessity of the state acting in the interest of the capitalist class. Would a shift in the balance of power in favour of the working class by itself cause a change in the nature of the state's policies? If that is so then the theory would be virtually indistinguishable from pluralism.

Finally, it is possible to consider the operations of the capitalist economy, in particular the problems of capital accumulation in a world capitalist economic system, and examine whether it imposes certain imperatives on the policies of the nation state, imperatives which ensure that the policies adopted must serve the long-term interests of capital. It may of course appear that with such an approach we have come back full circle to "economic reductionism" a view rejected earlier as an oversimplification of a far more complex relation between state and economy. This is not quite so, however. Gough, utilising the idea of "structural constraints" presents a more flexible and less mechanistic view of why the state is a capitalist state:

"What distinguishes Marxist theory is not the view that a particular class dominates the institution of the state (though



this is the normal state of affairs) but that whoever occupies these positions is constrained by the imperatives of the capital accumulation process. But at the same time, separation and relative autonomy of the state permits numerous reforms to be won, and it in no way acts as the passive tool of one class. Within these constraints there is room for manoeuvre, for competing strategies and policies. There is scope for the various organs of the state to initiate policies, to reverse them, to make choices and to make mistakes".<sup>19</sup>

There are still significant problems to be resolved within the alternative approach. For example, Crouch<sup>20</sup> has criticised among other things "the complete asymmetry" in Marxist literature between the treatment of the interest of the capitalist class and the interest of the working class and the inadequate answer to the question of whether working class gains or "concessions" are in the long-term interest of capital or labour. Also Longstreth<sup>21</sup> has persuasively argued that, in the case of Britain the determination of economic policy this century has been dominated by one fraction of British capital, the finance sector, possibly to the detriment of the long-term interests of capital as a whole.

### Conclusion

It has not been our aim to provide a full assessment and evaluation of the Marxist and Pluralist theories of policy-making. The main aim of this paper is to challenge the traditional justification for excluding questions of policy formation from economic discussions of economic policy. We argued that the traditional case for such exclusion is based on the technocratic model, which distinguishes between the "technical" and "political" aspects of policy and on the principle of intellectual division of labour which insists that the two aspects must be studied separately. We believe there are logical and practical grounds for rejecting the technocratic approach to the study of public policy in general and economic policy in particular and therefore for abandoning the distinction between the "politics" and "economics" of economic policy. In the real world of policy-making no such distinction exists and economists now, as always, function as *political economists*. It is time that they stop aspiring (and often pretending) to be anything else.

### FOOTNOTES

<sup>11</sup> I would like to thank P. Arestis, C. Driver, G. Hadjimatheou, J. Harrison, P. Schlesinger, A. Skouras and N. Zafiris for valuable comments on an earlier draft.

1. Professor Peston draws a distinction between technical and political "concepts of solution" to a policy problem: "Economists, as would be expected, do place considerable emphasis on the technical solution to a problem. They are aware, however, that all policy-making takes place within a political and administrative context. It follows that another kind of solution concept would be a political one which, while it may be dependent on the technical economic one, is not identical to it" M. Peston "When is a problem of Economic Policy Solvable?" *Thames Papers in Political Economy*, Spring 1979.
2. F. Blackaby (ed. 6) *British Economic Policy 1960-74*, 1979, p.7.
3. *Ibid*, p.8.
4. A. Lindbeck, *The Political Economy of the New Left*, 2nd ed. 1977, p.27.
5. H. Katouzian, *Ideology and Method in Economics*, 1980, p.139.
6. A. Gouldner, *The Dialectics of Ideology and Technology*, 1976.
7. B. Easlea, *Liberation and the Aims of Science*, 1973, p.173.
8. M. Friedman, *Essays in Positive Economics*, Ch.1, 1953.
9. M. Carley, *Rational Techniques in Policy Analysis*, 1980, p.11.
10. Atkinson and Stiglitz come closer to this view than the technocratic position when they state that the purpose of their normative analysis "is not to provide definite policy recommendations but rather to examine the structure of arguments. It is a misunderstanding of the purpose of this literature to suppose that it can yield answers such as "the optimum tax rate is 35 per cent". . . The intention is to illuminate debate about policy rather than contribute to the formulation of policy itself". A. B. Atkinson and J. E. Stiglitz, *Lectures on Public Economics*, 1980, p.12.
11. Similarly, the issue of the communication of economic theories to policy-makers has been treated as a non-economic question and largely ignored by economists. For a recent attempt to discuss this issue see J. Kitromilides and A. Skouras, "On A Communication Aspect of the Relationship between Economic Theory and Policy-Making". *Kyklos*, Vol.32, 1979.
12. A. Breton, *The Economic Theory of Representative Government*, 1974.
13. H. Simon, *Administrative Behaviour*, 2nd ed. 1952.
14. C. Lindblom, "The Science of Muddling Through", *Public Administration Review*, 1959.
15. Simon considers satisficing behaviour as an undesirable property of actual decision-making systems and considers the achievement of greater rationality both desirable and possible. Lindblom on the other hand takes a diametrically opposite view. He argues that not only is it inevitable but also highly desirable that public policies are not and cannot be rational in the sense envisaged by the Rational Comprehensive theory. In a pluralist society, where almost every conceivable public policy involves some conflict of interest, there is not a single rational decision or "correct" solution for a problem. Social Science "solutions" to public policy problems are not necessarily superior to incremental, pragmatic solutions arrived at through the process of "muddling through". See Lindblom *op. cit.* Whatever the disagreements between "rationalist" and "incrementalists" at the normative level, both schools agree that rational optimisation does not in fact take place in actual policy-making.

16. The familiar reply to this criticism is that a theory should be judged by the success of its prediction and not by the realism of its assumptions. The economic theory of government can generate certain predictions. This theory should be judged in accordance with the success of its predictions in relation to those of any rival theory, rather than the realism of its assumptions. For a penetrating critique of this methodological position see H. Katouzian, *Ideology and Method in Economics*, 1980.
17. M. Parenti, "Power and Pluralism : A view from the Bottom", *The Journal of Politics*, 1970.
18. I. Gouch, *The Political Economy of the Welfare State*, 1979, p.39.
19. *Ibid.* p.44.
20. C. Crouch, "The State, Capital and Liberal Democracy", in C. Crouch (ed.) *State and Economy*, 1979.
21. F. Longstreth, "The City, Industry and the State" in C. Crouch, (ed.) *State and Economy*, 1979.

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