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# (Review) Social Limits to Economic Theory

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**Comments**
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Social Limits to Economic Theory. By Jon Mulberg. New York: Routledge, 1995. 200 pp. Paper $19.95.

Jon Mulberg writes as a knowledgeable outsider of economic theory, asking what economic theory can contribute to developing a new green political economy and a new market socialist movement. Mulberg's answer, perhaps not surprisingly, is not much. With the significant exception of the American Institutionalists, Mulberg finds little of use in economic theory for his program (traditional Marxist theory is not discussed).

Thus, Mulberg's approach is avowedly left wing and he writes from a political and sociological perspective. Mulberg seems to agree with Wesley Mitchell that "Economics has the moral purpose of obtaining rational control for societal welfare" (115). Hence, for Mulberg, "defining welfare is of course the central problem of economics" (ibid) and "without a definition of value or welfare, it is not possible ... to derive policy recommendations" (116). From this unusual angle, basically the search for some kind of operational social utility function which can effectively guide public policy makers, Mulberg has in effect written a brief idiosyncratic yet provocative history of economic thought covering the past hundred years.

The book has 6 chapters. Chapter One, "The Politics of Positive Economics" deals with methodological issues from a largely historical perspective. Mulberg concludes that economists generally subscribe to a positivist methodology. For Mulberg, the irony is that this methodology aims to provide objective knowledge of society, and tries to make predictions so that we can better control our environment. To the extent this succeeds, it suggests that policy makers can be effective. Yet, this very success would conflict with the laissez faire attitudes of so many economists. Throughout the discussion, Mulberg assumes that it is basically governmental advisers who would use economic theory to help control the social environment, rather than private individuals or corporations.

Chapter 2, "From Utility to Welfare: The Trajectory of Orthodox Economics" is the best in the book. In it, Mulberg sketches utility theory from Bentham to Jevons, Edgeworth, Marshall, Pigou, Pareto, Robbins, Hicks, Samuelson, and today's contemporary welfare economics with its emphasis on the conditions for Pareto-optimality. Mulberg stresses:

(a) With a cardinal utility of value and diminishing marginal utility of money one had a strong argument for egalitarian income distributions; perhaps this induced the shift to an ordinal theory of utility.

(b) The vacuousness of contemporary welfare economics with respect to policy evaluation due to the stringency of the conditions needed to satisfy the requirements for Pareto-optimality.

Chapter 3, "1930s Market Socialism" is a discussion of the debates concerning the economic feasibility of market socialism carried on by Fred Taylor, Barone, Oscar Lange, Mises and Hayek. The only real heroes in Mulberg's generally depressing story are in Chapter 4 "American Institutionalism" where he gives brief sympathetic sketches of the work of Veblen, Mitchell, Ayres and Commons. Chapter 5, "New Institutionalism" argues that the new institutionalists are basically complementary to orthodox microeconomics, "antipathetic" to the original American institutionalists (131) and largely "apologists for the status quo" (143). The final chapter, "New Social Movements" is not so much a conclusion reviewing the limited value economic theory has for Mulberg's purposes. Rather, it outlines Mulberg's vision for a new, greener, more socialistic world and is perhaps the first draft of an introductory chapter to a new book on the positive side of a potential socialist green economy .

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