

## All that glitters is not gold: the case of “mainstream pluralism”

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Starting from the 1980s debates about pluralism in economics stemmed from at least three different fields of study:

In chronological order:

- Economic methodology
- Heterodox (various) schools
- Mainstream pluralism

My contention here is that in *all* these cases advocacy (or, as more appropriate in the last case, practice) of pluralism arose from (**quite often unrecognized**) difficulties encountered in dealing with some fundamental problems.

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Concerning methodological pluralism this is openly admitted, for instance, by two of its prominent advocates, as in the following passages:

*My own path to methodological pluralism was prompted by the dual discovery of, first, disarray within the philosophy of science [...] and, second, an equally strange situation in economics, where it appeared that a dominant paradigm prevailed, but one which had very little in common with any account within the philosophy of science, a possible exception being Popper’s situational logic, which was then being ignored.* (Caldwell 1997, 100).

*The case for methodological pluralism ultimately rests on the necessity of choice in the absence of a single conclusive final methodological or epistemological principle. We have to choose between alternative methodologies each of which has its own internal limitations and there is no single unequivocal, conclusive meta-principle on which to make that choice.* (Samuels 1997, 67).

If we look over the more recent introductory textbooks and companions or handbooks on economic methodology, apart from many interesting analyses of particular methodological issues, it is difficult to deny that the same conclusions can be agreed today as well as twenty years ago.

The persistence of heterodox approaches within the discipline may be regarded, among other things, as one of the consequences of this situation. However, advocacy of pluralism by many heterodox economists appears to be somewhat instrumental (see, for example, Davis 1997, 209).

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More recently it has been suggested the materialization of a **pluralism within mainstream**.

According to Davis (2008a, 349) this kind of pluralism is due to the advent of new fields of research, including “*classical game theory, evolutionary game theory, behavioural game theory, evolutionary economics, behavioural economics, experimental economics, neuroeconomics and agent-based complexity economics.*”

For simplicity, let me refer to all them as “new” subfields.

My point of today is that, in comparison with traditional approaches, the recent literature on **both** these “new” subfields **and** the “old” ones exhibit at least two remarkable novelties, *i.e.*:

- **an unequivocal (more often implicit than otherwise) reliance on the appropriateness of partial equilibrium analysis;**
- **a comparatively intensified engagement in applied economics.**

Therefore, in my opinion, any appraisal of the (supposedly materialising) mainstream pluralism ought not to disregard the consequences of these two traits.

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### **Partial equilibrium analysis: what is the problem?**

Traditionally, the legitimacy of partial equilibrium analysis (Sraffa 1926, Samuelson 1971) aimed at singling out the **logically admissible** accounts of empirical situations to which it could be applied and those to which it could not.

In this respect the problem is to understand of which use such very strict conditions (of one kind or another) can be, because it is even too easy to note that they are plainly impossible to be satisfied for any real existing market, and so predestined to identify nothing but “empty boxes”.

Admittedly, a satisfactory solution for this unpleasant state of affairs is far from easy, but the solution cannot be to circumvent the problem by simply ignoring it is by no means an advisable rule of conduct (or, more bluntly, by putting it under the carpet).

My tentative suggestion in this respect is to try to rediscover the virtue of **approximation**, in the sense – for example – of Georgescu-Roegen (1968), who, with reference to the vexed question of the constancy of marginal utility of money in Marshall’s analysis of demand, made the following remarks:

*That Marshall did not have in mind a constancy in the strict sense of a function which has exactly the same value for every value of its argument, is beyond doubt. [...] The quasi-constancy of  $w(m)$ , he asserts, follows from the fact that the "expenditure on any one thing... is only a small part" of the budget. [...] Moreover, as he came to apply the idea of approximation to the theory of demand and of the consumer's surplus, his argument slides in a fallacy which, unfortunately, is concealed behind many an argument in economics: after observing that any regular function is quasi-constant over a small interval of the independent variable, one passes without any ado to the quasi-constancy over any interval.*

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### **Applied economics: the role of empirical research.**

It is factually true that “*The twenty-first century is the age of the applied economist*” (Backhouse and Cherrier 2016, 1), but I must confess that my scanty reading on these subjects makes me a bit less optimistic about what may we expect from this turn in economic research.

Let me offer you some examples of “applied research” that I find quite irrelevant in the sense that they do not add anything to what we should know even before doing such pieces of “applied works”.

By this I mean that, if someone asked me – possibly at the pub - what should be expected as a result, I would give the right answer simply relying on (economic) common sense.

Below are a few examples, on which I leave the reader to judge from herself (I quote the whole abstracts, that is the place where the authors usually try just to show why their results may be of some interest for the prospective

The first one deals with a traditional issue in international economics, while the second one is concerned with a topic that in some sense might be regarded as a fruit of economic imperialism.

*This paper examines the extent to which the destination of exports matters for the input prices paid by firms, ... We use exchange-rate movements as a source of variation in export destinations and find that exporting to richer countries leads firms to charge more for outputs and pay higher prices for inputs, other things equal. **The results are supportive of the hypothesis that an exogenous increase in average destination income leads firms to raise the average quality of goods they produce and to purchase higher-quality inputs.** (Bastos et al. 2014)*

*We consider the effects of student ability, college quality, and the interaction between the two on academic outcomes and future earnings using data on two cohorts of college enrollees drawn from the NLSY-79 and the NLSY-97. ... These patterns imply that, on average, students benefit from “overmatch” of the sort generated by affirmative action in admissions. We find little evidence of match effects on degree completion at eight years or on STEM degree completion, **but suggestive evidence of some complementarity between student ability and college quality in degree completion at four years and long-term earnings. Such complementarity implies a trade-off between equity and efficiency for policies that move lower ability students to higher quality colleges.** (Dillon and Smith 2017)*

The following two are taken from the field of experimental economics.

*The effect of expert opinion on demand for experience goods is difficult to quantify, ... Further, it is unclear whether a review-based demand effect is due to providing quality or existence information. Using a retail field experiment to overcome these obstacles, we find a significant positive average consumer response to expert opinion labels for wine. Demand decreases for low-scoring wines and increases for wines scoring average or higher. **Results indicate that expert opinion labels transmit quality information as opposed to solely shelf visibility.** (Hilger et al. 2011)*

*We conduct an experiment with a representative sample of the Dutch population to study whether trustworthiness depends on the ethnicity of the interaction partner. Native Dutch trustees play trust games with an anonymous other, who is either another native Dutch or an immigrant from non-Western descent. **We find that the trustees reciprocate trust up to 13% less frequently if the trustor is a non-Western immigrant than if he/she is native Dutch.** This percentage increases up to 23% for trustees who report disliking ethnic diversity in society in a survey that took place one year before the experiment. ... **The implication is that the return on trust is lower for immigrants from non-Western descent than for native Dutch.** (Cettolin and Suetens 2017)*

Finally, the last one is to confess that I myself am not entirely innocent in this respect.

*Many different carriers operating on the same route is usually regarded as a signal of a competitive setting [...]. Across different routes, however, the number of carriers depends also on the level of demand for each particular pair of destinations [...] We study the price policy during 2008 of the two main European low cost carriers, Ryanair and easyJet, with reference to one hundred of the least, and one hundred of the most, dense routes among those operated by the two carriers respectively. The systematic occurrence of **higher** (for Ryanair), **or at least no lower** (for easyJet), **average prices on competitive routes if compared with prices on routes with a single carrier by the same airline, ...** , supports the conclusion that a low level of demand is sufficient to impose low fares to some extent irrespective of the degree of competition. (Malighetti et al. 2014)*