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Review of Yahya M. Madra's *Late Neoclassical Economics. The Restoration of Theoretical Humanism in Contemporary Economic Theory*. New York: Routledge, 218 pp.

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At the turn of the century, Colander (2000) announced the death of neoclassical and the birth of the *new millennium economics*. The term neoclassical, Colander argues, is a good description of economics around 1900, but it no longer offers an accurate account of contemporary 'modern' economics. According to Colander, the term *neoclassical economics* died when (i) modern economics discarded six of its core attributes, and (ii) replaced them with the *new millennium economics*. This transition has taken neoclassical economics in two distinct directions: one direction is experimental economics and evolutionary game theory; the other direction is complexity theory. Similarly, Davis argues that these new fields "share relatively little in common either with each other or with neoclassical economics" (2006, 1).[1] Colander and Davis thus agree that contemporary mainstream economics is pluralistic.[2] In *Late Neoclassical Economics: The Restoration of Theoretical Humanism in Contemporary Economic Theory*, Yahya Madra (2017) counters these arguments and offers an alternative narrative of the past and present state of neoclassical economics. He also further examines the current state of neoclassical economics in relation to heterodox economics.

According to Madra, neoclassical economics has not been displaced—rather, it is thriving as it exploits recent challenges that re-affirm its core proposition, what he calls *theoretical humanism* (TH). TH is based on two fundamental presuppositions: the first concerns the status of the economic agent, which is a rational, autonomous, self-

[1] Davis (2006) has a slightly longer list with game theory, experimental economics, behavioral economics, evolutionary economics, neuroeconomics, and non-linear complexity theory.
[2] Davis (2006, 10) recognizes that there may be some selection bias (leaving out heterodox approaches from the new pluralism) but concludes "we might say that in recent mainstream economics, though selection bias is no doubt present in some degree, it does not seem sufficient to overcome the pluralist tendencies in the field at the current time".

transparent, and self-conscious individual; the second concerns the search for harmony between individual and social wholes as articulated in the concepts of aggregate rationality and equilibrium. Madra's main thesis is that the new fields that emerged from neoclassical economics (those listed above) also share these two presuppositions. Throughout the book, he identifies these new fields as *late neoclassical economics*, which is defined as the period which followed the post-war neoclassicism, circa the 1970s.

The present state of neoclassical economics is a reaction to the failure of the Arrow-Debreu general equilibrium (A-DGE) axiomatic approach to provide analytic foundations for the discipline. Such foundations were to arise from proofs of existence, uniqueness, and stability of market equilibrium, "from the ground up from individual rational agents" (13).[3] Specifically, late neoclassical economics has three identifying characteristics: (i) it is unified yet heterogeneous; (ii) it is a continuity of A-DGE in its attempt to reconcile individual and social rationality; and (iii) it is a response to the failures of A-DGE.

Madra builds his argument in four parts and ten chapters. Part I offers a summary of the argument and an outline of the Marxist perspective that he draws upon. Part II deals with the problem of structuralism in neoclassical economics (Chapters 3, 4, 5) whereas part III focuses on a selection of late neoclassical topics and how they re-affirm TH (Chapters 6, 7, 8, 9). Part IV concludes (Chapter 10).

In Chapter 1, Madra argues that although contemporary mainstream economics is diverse, it is a partial pluralism that ignores heterodox economics, specifically those approaches that reject TH. Before 1970, neoclassical economics encompassed theories that differed methodologically, ontologically, and politically from each other; however, below the surface, all were committed to TH. Madra argues that the failure of A-DGE—that is, the failure of the second TH presupposition—is misinterpreted by Colander, Davis, and Bowles & Gintis (2000) as a break between post-war neoclassicism and contemporary mainstream economics. He argues that this narrative is misleading because it conflates neoclassical economics with A-DGE and fails to account for other neoclassical traditions including the Marshall-Chicago pragmatic partial equilibrium approach.

Madra then describes how TH underlies neoclassical economics and some heterodox approaches (e.g., the radical political economy approach

[3] All references are to Madra's (2017) book, unless otherwise indicated.

of Bowles 1985). He contends that TH could only be challenged by a rival theoretical orientation, that is to say *structural humanism* (elaborated in Chapters 3 and 10). It is a truism that neoclassicism has changed over the latter half of the 20th century, but these changes, according to Madra, do not amount to a paradigm shift because TH has not actually been abandoned. In fact, neoclassical economics has never stopped cultivating internal heterogeneity, at least since its origins in the different conceptions of equilibrium in Walras and Marshall. What unites all neoclassical economics (early and late) is not a common object of analysis (the market or scarcity) or even a common methodology (mathematical modelling), but TH—it is present across all its economic incarnations.

Any variant of neoclassicism that abandons TH is pushed to the margin of the mainstream. The invisible hand, in the way it aims to reconcile the opportunistic individual with aggregate social harmony via free markets, epitomizes TH. Late neoclassical economics, however, studies market failures and the breakdown of the invisible hand. Rather than being perceived as a failure, late neoclassical economics re-establishes social harmony while acknowledging markets may not be sufficient to achieve the second presupposition of TH. In reaction to troubles in A-DGE, for example, late neoclassical economists have either relaxed axioms or adopted Chicago evolutionary themes. A key attribute of late neoclassical economics is the absence of a "mother structure" as such (95). However, A-DGE remains a point of departure for new fields such as transaction costs, asymmetric information, and game theory.

Chapter 2 starts with a critique of TH, specifically, its atomic anthropocentric element. This anthropocentric vision, inherited from the enlightenment, is not truly secular. A truly secular vision, Madra argues, can be found in the works of Foucault (1983), Althusser (1971), and Resnick and Wolff (1987). The atomic anthropocentric element in neoclassical and late neoclassical economics, better known as *homo economicus*, "functions as the concept of conscious and unified subject that holds together the discipline of economics around the hegemonic reign of the neoclassical tradition" (36). This conception of the agent eliminates the possibility of conceiving the subject as a "site of countless and contradictory influences" (36). While noting that there is general agreement in neoclassical economics on the meaning and definition of rationality, Madra contends TH is itself a point of contention for the various fields that form neoclassical and late neoclassical economics: it is "where the various forms clash with each other in defining the meaning of individual rationality, equilibrium, collective rationality, and efficiency and in determining the correct way to achieve social reconciliation" (38).

Chapter 3 marks the beginning of Part II of the book, subtitled *Neoclassical Economics Under the Shadow of Structuralism*, wherein Madra compares the Marshallian and Walrasian models of equilibrating markets. He argues that the ordinalist turn in neoclassical economics led to the structuralist drifts in A-DGE and the Chicago evolutionary selectionist models of the 1950s and 1960s. Late neoclassical economists preferred the Chicago approach which now forms the foundation of new institutional economics and evolutionary game theory. Madra explains why the Chicago approach was preferred while A-DGE was abandoned: the latter never questioned the efficiency of markets. The Chicago school also naturalized Marshall, generating an all-encompassing social ontology of markets which can be applied to any social phenomenon.

In Part III of the book, Madra focuses on the diverse fields that constitute late neoclassical economics and how they are a continuation of neoclassicism. For example, in Chapter 6, Madra claims that all variants of late neoclassical economics seek to reconcile the failure of the invisible hand, that is, the failure to achieve a harmonious social order. The defining theme here is the study of market imperfection: the continuities and discontinuities between neoclassical and late neoclassical economics are encapsulated in the following three theses: (i) *unity and dispersion*, which claims that late neoclassical economics consists "of a diverse group of economic approaches" that share a theoretical problematic (91); (ii) *continuity*, which claims that late neoclassical economics emerged from neoclassical economics and is not a radical departure from it; and (iii) *response*, which claims that late neoclassical economics is a response to the failures of A-DGE, a response motivated by a desire to rehabilitate TH.

The following three chapters then engage a selection of topics in the new fields of late neoclassical economics, including institutions and information asymmetries (Chapter 7), new ideas about human motivation and limited cognition (Chapter 8), and the proliferation of equilibrium concepts in game theory (Chapter 9).

Chapter 7 opens with the claim that neoclassical economics was criticized for lacking a theory about the internal organization of the firm. The introduction of non-market institutions (e.g., government, firms) in late neoclassical economics stems from three assumptions in neoclassical economics: that agents are unboundedly rational, that contracts are fully specified and enforced, and that a unique, stable equilibrium exists. More specifically, the late neoclassical literature weakens the assumption of fully specified contracts, which is achieved either through the introduction of transaction costs or information failures. While the former is related to the Marshallian-Chicago school, the latter is connected to the A-DGE tradition. Moreover, while both investigate particular conceptions of efficiency, they do not question global efficiency.

Chapter 8 focuses on the human subject, in particular, on motivational diversity and bounded rationality. Late neoclassical economics is a reaction to the cognitive minimalism that dominated up to the 1970s. It responds in two different ways to this minimalism: (i) by supplanting the assumption of opportunism (the "desire to improve one's lot" which leads, according to some late neoclassical economists, to market failures—118) with altruism and reciprocity; and (ii) by acknowledging the limits of human cognition and adopting bounded or procedural rationality. Madra contends that both (i) and (ii) do not constitute a break from neoclassicism, but rather, a rehabilitation of it. The integration of motivational diversity, therefore, does not undermine TH—the individual remains a rational unified, autonomous, and self-conscious. Madra contrasts the literature on motivational diversity to the Chicago pragmatism of Becker (1962) who, without behavioral assumptions, derives downward slopping demand curves from budget constraints. The idea that markets "discipline" re-appears in Vernon Smith (1991) and Charles Plott (1990) where experimental markets are shown to be efficient, notwithstanding the existence of irrational agents. As acknowledged by Madra, Smith and Plott are late neoclassic economists that reject motivational diversity. With respect to limited cognition, Simon's procedural rationality offers a solution to the problems of infinite regress that plague models that assume unbounded rationality or constrained optimization of information à la Stigler. However, Madra argues that since Simon's procedural rationality defines itself by juxtaposition to Cartesian rationalism, it is unable to escape the bounds of TH (in contrast to say Shackle's (1972) *structural uncertainty* where optimization cannot be employed).

Chapter 9 considers the late neoclassical pursuit of equilibrium, the harmonious reconciliation of individual and aggregate rationality. The use of evolutionary arguments in late neoclassical economics is most explicit in game theory where the Nash program faced challenges. To salvage classical game theory, evolutionary game theory deployed Hayek's (1967) concept of spontaneous order. While evolutionary game theory offers causal explanations for motivational diversity, it also reduces the set of plausible Nash equilibria.

Since Austrians reject the second presupposition of TH, Madra inquires whether the introduction of a heterodox concept undermines the TH problematic in late neoclassical economics, or whether, instead, if late neoclassical economics engulfs it in its "gravitational center" to reformulate its TH problematic? Madra favors the latter possibility. Late neoclassical economics can thus "account for the non-coincidence of efficiency and equilibrium without abandoning the normative force of equilibrium even if it is not Pareto optimal" (166). There is only one class of games—disorder games (e.g., rock/scissor/paper)—in which reconciliation is not possible but which are sidelined in late neoclassical concerns. Evolutionary game theory thus reproduces TH to the extent that it models individuals having pre-determined interests that can be reconciled.

Chapter 10 offers an epilogue and contains two sub-sections: the first sub-section explains why the 2008 crash will not generate sufficient criticism of TH in late neoclassical economics; the second offers a non-essentialist Marxist theory of power, one which does not depend upon TH. Madra considers that, given all the investments—intellectual, financial, and institutional—poured into neoclassical economics, its growth and increasing sophistication is to be expected. In its late period, neoclassicism had reached a mature stage from which it is difficult to dislodge, as it strategically employs internal diversity to overcome crises. Neoclassical economics has, in fact, been in crisis since its inception and has shown an ability to absorb criticisms and reformulate its tenets around its TH postulates. Much of the historical critiques of neoclassicism are still effective today. They reappear in the divide between behavioral and experimental economists, whereas the social calculation debate of the first half of the 20th century still divides macroeconomics. The resurgence of Keynesianism after the 2008 crash is further evidence that the old tensions are still present. Neoclassical economics, reborn as late neoclassical economics, is, however, no longer just an intellectual tradition—Madra states that it has turned into "a design for living, a new mode of life, a new governmental rationality, a new model of subjectivity" (178).

Madra's final remarks indicate that his objective is not to challenge the empirical adequacy or logical consistency of neoclassical economics. Instead, he criticizes the claim that there was a paradigm shift between neoclassical and late neoclassical economics, that late neoclassical economics is genuinely pluralistic. Any new synthesis between heterodox and contemporary mainstream economics, at least from his Marxist perspective, is impossible (unless non-TH presuppositions are integrated). His vision distinguishes itself from other heterodox critiques in so far as it is committed

> to produce a knowledge of the social from a perspective that analyzes the different forms of performance, appropriation, and distribution of surplus labor in their irreducibly contradictory and overdetermined relations with each other and with the rest of the social totality. TH is radically opposed to this anti-essentialist Marxian surplus perspective (179).

The Marxist surplus vision does not posit an essentialist subjectivity, nor does it posit micro-foundations for a harmonious social order. Madra's book is rooted in a heterodox tradition which believes that economics is not reducible to, nor able to be reconciled with, TH. *Late Neoclassical Economics* is ultimately concerned that the heterodox critique of the mainstream was undermined and rendered irrelevant by the late neoclassical critique of pre-1970 neoclassicism. It also provides an alternative to appeals made by other heterodox economists commending "a less combative approach than hitherto when trying to win over mainstream economists" (Earl and Peng 2012, 451).

Madra raises many questions that contemporary mainstream and heterodox economists, philosophers of economics, and historians of economic thought will need to ponder and evaluate. While this is beyond the scope of a single book review, I will focus on Madra's identification of TH with neoclassical economics. To make my case, I introduce an illustrative example and then proceed to discuss its implications, which I argue has consequences for Madra's demarcation between contemporary mainstream and heterodox economics. It should be noted that Madra does not contrast 'heterodox' with 'orthodox' but 'heterodox' with 'neoclassical', 'late neoclassical', and 'mainstream economics'.[4]

In the opening pages of the book, it is argued that "heterodox economists are defined by their criticism of mainstream economic theories" (7). It is further argued that some heterodox economists are critical of, at least, one of the tenets of TH (such as Austrian and Sraffaian economists). What defines neoclassical economics is the adoption of the two core presuppositions of TH (a rational, autonomous, self-transparent, and self-conscious individual, and the search for harmony between individual and social wholes articulated in the concepts of aggregate rationality and equilibrium). It is the adoption of these two presuppositions that "distinguish the [neoclassic] tradition from … other, non-mainstream or heterodox traditions in economics" (5).

However, this definition of neoclassicism faces difficulties, as the following example illustrates. The book neglects an emerging late neoclassical field that explicitly abandons the human subject as its atomic agent. This field refers to machines, algorithms, automata, and insects as the ideal neoclassic agents (Binmore 1988; Ross 2005, 2012). Its most vocal spokesperson, Don Ross, rejects "individualism, both methodological and ontological, altogether" (2005, 28). Ross offers arguments that resemble those made by Madra. For instance, Ross asserts that "how neoclassicism (in the version I would call "mature") came to be associated with individualism [is] based on a single philosophical error—taking people as the prototypical agents" (2005, 29). Ross's interpretation, to the extent that it too offers an "anti-anthropocentric view, uniting core insights of neoclassical economics with evolutionary cognitive and behavioral science" (Ross 2005, 19), does not fit Madra's definition of neoclassical economics since it is both anti-anthropocentric and neoclassical. Instead of studying the claims made by Ross and Binmore, Madra focuses on Simon's cognitive economics as well as Davis's (2003) arguments on cyborg economics, and takes Arrow as the exemplar cyborg economist. All of this does little justice to Ross's idea. Instead of confronting Ross's anti-anthropocentric neoclassic synthesis, the cyborg project is dismissed as "a highly contestable proposition" that fails to "liberate" preferences from their anchor in mental entities (55). Madra does not spend much time explaining what is contestable about this proposition. However,

[4] Excluding quotations from other authors, the term orthodox is only used once (179).

since Ross removes any ambiguity about the real aims and ambitions of the cyborg project, the question is whether Ross should be classified as a heterodox or neoclassical economist?

Given his rejection of the first TH presupposition, we could classify Ross's work as heterodox. But this leads to the problematic outcome that Ross's position is not neoclassicist, while he claims it is. So, either Ross is a heterodox economist marketing his view as neoclassical or he is a neoclassical economist that does not satisfy the definition of neoclassicism advanced by Madra.

I will end the review with a thought on pluralism. I am not convinced that contact between heterodox and contemporary mainstream economics ought to be limited to the question of adopting or rejecting TH. A dialectic that, dare I say, fosters multidisciplinary pluralism within economics, that encourages contact between paradigms in terms of the TH problematic but also beyond it, can enrich the discipline.

This was a challenging book to review and I may, in places, not have fully captured the complexity and nuance of the author's view. The period it took to write, over ten years, gave Madra the necessary time to mature his ideas. The breadth of knowledge deployed is impressive and he must be praised for offering a rare detailed analysis of neoclassicism and its subsequent resurgence. Madra ably deploys a critical lens that is both powerful and convincing. I hope it gets the attention it deserves from all quarters of the field.

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