The Dissenting Economist

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J.L. Ford, *G.L.S. Shackle: The Dissenting Economist's Economist* 1994, (Aldershot: Edward Elgar) pp xiv + 543, ISBN 1 85278 652 3, £49.95

This weighty volume was five years in the writing and George Shackle, who died on 3 March 1992, in his 89th year did not live to receive it, as originally planned, as a 90th birthday present from Jim Ford, one of his former pupils and closest friends. Ford has done a superb job of giving those who did not have the pleasure of meeting Shackle a good insight into the man and his career yet he does not lionise his subject in the process. Shackle's Christian humility and absent-minded preoccupation with his work are delightfully recorded but so, too, are the sometimes questionable rhetorical strategies he stubbornly used to deflect criticism of his theory of choice under uncertainty. Lapses in his coverage of relevant literature are tactfully pointed out, as is the repetitive tendency of his work in the four main areas in which his research is concentrated: time and economic methodology; surprise and decision-making under uncertainty; expectations and investment behaviour; and the economics of Keynes. Each of these areas of Shackle's work is examined in depth before the book ends with a careful assessment of history's possible verdict on Shackle's contribution. In each area, there is striking contrast between sheer scale of the literature that Ford calls upon and the amount of referencing we find in Shackle's own work, despite the latter's fame as a scholar. Perhaps it is no wonder that, while Shackle's contributions are seen by Ford as having potentially revolutionary implications for how economists think about resource allocation processes in the face of an unforeknowable future, he sees the revolution as still largely waiting to happen.

I do not think we should just blame the impermeability of mainstream thinking for this situation: Shackle could have done far more to advance his causes had refereeing processes prevented him from publishing so much output involving repetition and a failure to integrate his ideas with relevant literature. If modern-day refereeing and bibliographic standards had been in place in the 1950s and 1960s, Shackle's impact within economics would not have been achieved by his intoning a limited set of messages until the profession finally recognised their significance in relation to other works, but rather it would have been Shackle himself whose brilliant mind would have been forced to build such connections into his own writing. It needs to be said that, despite the scale of his own scholarship, Ford himself does not attempt to analyse precisely which dissenting economists have been influenced by Shackle's contributions and precisely how they came to be influenced. For example, there is no discussion of how far Shackle's work has affected the development of scenario planning methods in companies such as Shell, where his critique of probabilistic and certainty-equivalent modes of thinking was certainly known by some staff (such as Jefferson, 1983). Worse still, Brian Loasby figures nowhere in the book despite his probably having made the biggest single contribution towards getting younger generations of scholars to read Shackle's work and relate it to works of kindred scholars who were also in danger of being unjustifiably ignored and who likewise were not inclined to engage in copious referencing. (Loasby first did this via his 1976 book *Choice Complexity and Ignorance*, whose dust jacket served as an advertisement for many of Shackle's books, some of which were discussed in its text.)

Limitations in Ford's discussions of the impact of Shackle's ideas may be relatively excusable given that this book is, after all, primarily a critical examination of the nature of those ideas and in this respect it should prove invaluable, for Ford's work is painstaking and of very high quality; his judicious use of lengthy quotations not only enables us to see his arguments more clearly but also to sample Shackle's literary skills. It is surprising, however, that he spends little time in trying to pin down when and how Shackle achieved particular insights - though he does (p. 15) give very useful pointers to the relationship between Shackle's Christian perspective on free will and his non-deterministic view of choice.

Since many of Shackle's books are out of print I would suspect that this book is going to be used frequently as a substitute by scholars whose personal or institutional libraries have gaps in their Shackle collections. A particularly good example of this is Shackle's first (1938) book *Expectations, Investment and Income*, based on the first of his two doctorates and hard to obtain secondhand despite having been reprinted in 1968. Ford examines this work at length and presents simulations based on Shackle's pioneering, expectations-driven model of business cycles. He argues persuasively that this is a remarkably under-explored contribution. Shackle was writing hot on the heels of the publication of the *General Theory*, and his work includes ideas such as innovation clustering and investment bunching rather similar to those of Schumpeter (to whom, he notes, Shackle makes no reference) and a ratchet effect of income on consumption (note that this pre-dates Duesenberry, 1949). Shackle's model centres upon business decision-makers' reactions to disappointed expectations and is in sharp contrast to mechanistic, accelerator-based models that became popular shortly afterwards. I very much hope that Ford's book prompts Post Keynesian economists and historians of economic thought to explore in depth this area of Shackle's work.

The analysis that Ford provides of Shackle's 'kaleidic' view of Keynesian macroeconomics will be particularly appreciated by those who have found Shackle's (1974) *Keynesian Kaleidics* frustratingly difficult to obtain. However, Ford does not attempt to explore why, after his work in the 1930s and his 1940s consideration of the relationship between interest rates and investment, Shackle took until the late 1960s to get back to writing about Keynesian macroeconomics. He also might have stated more forcefully Shackle's critique of the idea of money market equilibrium - if bulls and bears believe incompatible things, someone is likely to be taking an expensively incorrect position and will soon have a need to make an expectational adjustment. However, Ford (pp. 431-6) makes a convincing case against Shackle's well-known claim that it was in the classic 1937 article in the *Quarterly Journal of Economics* that Keynes finally arrived at the essence of his theory of employment, a view related very much to the problem of the future being unknowable before its time. By quoting at length from the *General Theory* Ford demonstrates just how well aware Keynes was of the potential for instability in the investment schedule and also of the possibility for conventions to provide a firm foundation on which decisions might be based. Ford's verdict is that Shackle exaggerates the fickleness of expectations and underplayed the role of conventions (pp. 466, 478-9) and that 'Shackle was not articulating "Keynes's ultimate meaning', but rather his own interpretation of what that meaning should have been if we were to have a respectable macroeconomics' (p. 463).

The analysis of Shackle's 'potential surprise' model of choice under uncertainty is, inevitably, the most technically demanding piece of the book, particularly when Ford attempts to show, in contrast to the suggestions of many of Shackle's critics, that the model can accommodate diversification beyond two assets. Ford's discussions of philosophical difficulties with the probability concept will be of great interest to methodologists and historians of economic thought because, in addition to drawing comparisons between Shackle's perspectives and earlier, well-explored work by Knight, Ramsey and Keynes, he examines related thinking of writers such as Von Mises and, at length (pp. 150-6), Karl Popper. Shackle's surprising failure to make more than a single reference to the psychology literature when developing his theory of choice under uncertainty is noted by Ford (pp. 80-1). More peculiar still, is just how little attention Shackle gave to Knight's (1921) earlier work on enterprise and the distinction between risk and uncertainty. Ford's interesting discussion of this lapse (pp. 72-4) would have been even better if he had examined Knight's discussions of the firm in organisational terms as a kind of sampling device, much of whose success depends not just upon which leaps into the dark its strategists take but also upon the ability of managers, when delegating tasks and hiring workers, 'to judge with a high degree of accuracy the capacity of a human individual to deal with the sort of irregularities to be met with in the occupation [since] it is a function of the operative in industry to deal with uncertainty as a matter of routine' (Knight, 1921, p. 295). Knight's concern with the relationship between uncertainty and routines obviously has an overlap with Keynes's thinking on conventions, that Ford discusses later in his book.

The book is probably at its weakest, in terms of its exposition and critical analysis of Shackle's writings, on the subject of creativity and the use of powers of imagination in decision-making. In this connection there were a couple of points (pp. 68-9, 259-60) at which I had the unnerving feeling that I was being addressed personally by Ford, over the question of why some Shackle scholars have sought to draw connections between the work of Shackle and that of the founder of the 'personal construct' school of psychology, George Kelly (1963). I have seen two kinds of connections beyond the basic subjectivist starting point that decision makers have to decide for themselves what kind of a situation they face and how the world might change in the future. First, Shackle and Kelly both take the view that the mental models of the world that decision-makers construct are formed from limited repertoires of elements. Creative choices often may therefore be rather more predictable, within bounds, than Shackle seemed willing normally to concede. Secondly, Kelly argues that people arrange their ideas in an hierarchical manner, and that the structure of a person's way of looking at the world will be more permeable to some new ideas than others (an idea rather similar to the Lakatosian notion that scientists may be open to changing ideas in their research programme's 'protective belt' but not in its hard core). This line of thinking suggests that the fluidity in people's expectations in response to changes in the 'state of the news' may also be rather less than Shackle liked to stress, and also that if we understand how people organise their theoretical frameworks we may be able to see which new notions will be warmly received and which will be rejected out of hand. The Kellian perspective would have been useful in Ford's conventions-focused discussions of whether Shackle's rhetoric on expectational instability was overdone. More than this, we may say Kelly's perspectives on the evolution of knowledge offer a way towards a new kind of subjectivist research programme (see Loasby, 1991) and away from the nihilism towards which Shackle's work sometimes seems to lead

The scale of this book is something which most full-time academics would have a hard time emulating in the present stressful age when long blocks of quality time for scholarship seem so hard to create. Jim Ford has managed to produce the work after taking early retirement and he consequently also found himself for the first time mastering work processing and the production of camera ready copy. At times I felt that in a shorter work some of the more intricate sentences might have been polished rather further but in general he has done an admirable job on the production side, particularly given that this task would have been complicated by his extensive and very worthwhile use of long, bottom-of-the-page footnotes. As well as showing that a determined novice's camera-ready copy can emulate professional type-setting, Ford treats his readers to an index which is very close to being as useful as the wonderful indexes that grace Shackle's own books. This will be invaluable for readers who, unfortunately, cannot spare the time to read the entire book.

It would be wrong to conclude that this book deals a comprehensive death-blow to all future proposals for doctoral work or monographs on Shackle's ideas. Certainly, Ford's book leaves no room for further descriptive/critical works of intellectual biography on Shackle's career as a whole. But it opens up all manner of intriguing lines of inquiry. As I noted earlier, Ford emphasises that Shackle's work on business cycles has been greatly under used, so we may expect to see it providing the basis for some Post Keynesian macroeconometric modelling once this message is registered. For myself, the most intriguing question is what may be revealed by examining Shackle's personal library, now deposited at Cambridge University. Ford (p. 14) notes how Shackle meticulously recorded the dates on which he read particular sections of his books and journals, often pencilling in remarks and sometimes even writing longer pieces and inserting them as leaves at the appropriate point. This being so, there is considerable scope for exploring issues such as: the gulf between Shackle's reputation as a scholar and the referencing in his work; which ideas he did encounter and nonetheless chose not to take up, and why; and what he really had in mind in respect of issues of policy.

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