I also wonder what Floro and Yotopoulos can do with their distressing equity conclusion Should we be concerned about protecting small farmers from aggressive, large farmer-lenders? How great is this problem, and what are the controls on it? Small borrowers in some countries pool their resources and obtain the means to set up their own lending institution Of course, these small borrowers have the information that allows them to avoid adverse selection of risk when lending to themselves Do these pooling arrangements give us any insight?[2] Floro and Yotopoulos took us most of the way in good style Their good book would have been even better if it had closed with their reflections on the equity problem they raise

Why Aren't More Economists Rich?

If You're So Smart. By Donald N McCloskey Iowa City Univ of Chicago Press, 1990, 190 pages, $17 95

Reviewed by Clifford Dickason

In this, his most recent book, University of Iowa economics professor Donald McCloskey sets out anew to support his contention that rhetoric is critical to both applied economics and establishing the validity of economic hypotheses Economists are peculiarly vulnerable to a common American query, "If you're so smart, why aren't you rich?" Most economists are not rich They are presumed to have achieved a thorough understanding of economic phenomena, especially markets Yet, the question implies that competent economists would have a steady flow of income, gained from their informed speculating in real estate, commodities, and the stock market

McCloskey singles out as especially flawed those modernist economists who employ only precise mathematical logic and purely objective data He believes that they are not sufficiently critical of their own tendency to dismiss what may be best described as the numerous institutional and psychological forces that affect a nation's economy He is not implying that modernist economists are incompetent Rather, they fail to divine the results of continual change among institutions, producers, investors, and consumers Precise mathematical conclusions easily fall victim to the vagaries of institutions and the psychology of human beings He advises us that lucrative economic predictions are more in the realm of art than science and wisely reminds us that it is futile to pretend that humanity is predictable within the modernists' context of objective data and flawless mathematical logic

McCloskey demonstrates that the era of modernism, or pure logical positivism, has ended for several sciences, replaced by scientific convention that employs rhetoric Philosophy, which had experienced a modernist phase, led the way Physics, astronomy, and other sciences followed The author persuasively argues that economic hypotheses, even if ostensibly tested by strictly logical analyses of purely objective data, have usually been judged by their proponents' rhetoric and the torrent of opposing discourse and debate before a rhetorical consensus is reached The debaters have been economists who were familiar with the subject matter

The author demonstrates that the rhetorical consensus process for judging the realism of economics generalizations usually and justifiably includes a tetrad of basic rhetorical components objective data, logic, metaphors (that is, models), and storytelling Storytelling is defined as describing economic phenomena in an eclectic manner, which usually brings together objective facts and constraints based on logic, institutions, conventions, history, and psychological factors The story narratives usually take the form of extended, multifaceted generalizations based on established economic theory and common features of similar historic occurrences

McCloskey commends the modernists' fascination with the perfection of abstractions, but to behave and write as though no legitimate research can be done beyond the realm of objective facts and precise mathematical logic is to perpetuate a methodological dogma Economists can provide more utility to society by including messy realities and "*un*sterilized" data in their analyses

An analogy from the phenomenon of falling objects illustrates McCloskey's theories on how modernist economists go wrong Sir Isaac Newton discovered

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[2]This issue has been debated in the context of Indian agriculture For a survey, see P K. Bardhan (ed), *The Economic Theory of Agrarian Institutions*, Oxford Oxford University Press, 1989

through a careful, mathematical process how gravitational attraction influences the trajectories of celestial bodies, artillery shells, and satellites Still, objects like parachutes, feathers, and gliders tend to reach terminal velocities when falling in air Shortly after they head downward, they virtually ignore the Newtonian formula governing acceleration from gravity Their paths are governed mainly by rather complicated forces and resistances that slow the descent Predicting their paths' orderly or chaotic randomness is only roughly possible and even then is based upon repeated trials and observations

The changing forces and resistances of institutions and other human behaviors mirror the complex phenomena that govern how an object falls through air Although all firms strive for high profits, enterprises are affected differently by changes in consumer and investor thinking and by institutional changes Business fortunes are analogous to the flight paths of somewhat different gliders which alter course from one temporary thermal updraft to another, singularly buffeted by lift, turbulence, and downdrafts

The author persuasively contends that economic analysis should be rigorous, but that "rigor" need not necessarily mean "quantitative exactness" and should not mean ignoring some of the key evidence that is available He correctly believes that subjective survey response data have an important place in applied economics and that researchers who shun subjective data needlessly handicap their research To describe this handicap, he uses the apt simile of a drunk who always searches for lost car keys beneath a lamppost because the light is better there

If You're So Smart constitutes a wake-up call for economists to recognize explicitly that most of their group, in daily analyses and predictions, make use of more than the mere facts, metaphors, and logic that professional economics journals commonly display To all economists who suspect that exact-science pretentiousness dominates current academic economics publishing, McCloskey's thesis will seem refreshing, like the remark of an observer who unselfconsciously points out that his emperor has been sold an imaginary suit of clothes

This book is a compendium of historic economics wisdom that can add greatly to an economist's recognition and use of the storytelling that is essential to economic analyses

In summary, McCloskey argues that economics, like other sciences, is destined to remain dependent on that tetrad of rhetoric if it is to be a provider of useful information He believes that modernist economists, with their pristine mathematical abstractions, tend to studiously assume their way out of practical applications The changeability of human motivations and institutions must be included within the economic framework McCloskey's clear writing style elucidates this compelling argument

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