

Review of Stephen Engelmann’s *Economic Rationality: What is Political Economy?* Cambridge, UK: Polity, 2022, 144 pages.

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It is the subtitle of Stephen Engelmann’s *Economic Rationality: What is Political Economy?* which provides the first inkling of what it is the author is after. While the book at hand is part of the “What is Political Economy?” series by Polity Press, the author is interested in deriving the tensions between diverging conceptions of the discipline: economics on the one hand, political economy on the other. Any well-versed student of the history of economics will be aware of the semantic shift which occurred within—and for—the discipline in the 19th and 20th centuries: from political economy to economics. The move coincided not only with increasing specialization concerning its subject matter, but also with a re-orientation of the discipline from examining relations between the economy and broader society to more narrow dynamics occurring within economic systems or amongst calculating individual agents.

At the heart of this move, Engelmann argues, lies the concept of economic rationality. Engagement with the concept occurs in a way that is outside of the toolbox of most microeconomists. There is neither talk of reflexivity or transitivity in agents’ preferences, nor does the author focus on the independence of irrelevant alternatives in utility theory. Rather, economic rationality is itself about the emergence of a new, allegedly instrumental logic to assess means-ends relationships: trying to achieve objectives most efficiently given the constraints agents encounter. Its development is based on a specific kind of logic—the “microeconomic mode”, borrowing the term from Jane Elliott, which “makes both economic and political problems [...] into matters, at base, of choice and rationality” (11). Yet, in contrast to the value freedom and neutrality most modern-day economists invoke, the author insists persuasively that economic logic *does*, in fact, exhibit political and normative significance. “It is worth

alerting readers to, or reminding them of, the political and ethical costs and consequences” (10) of such a focus. The science economists practice is not value-free—nor should it be.

Engelmann is interested in how, over the course of its historical trajectory, economic reasoning has lost something political. All the while, it has simultaneously assumed something subliminally political. In short: in its move from political economy to economics, the discipline has cast off its classical moorings and with it its inherently ethical and political embedding. Yet, at the same time, the adoption of instrumental rationality *necessarily* entails—in contrast to economists’ putative denial—imbued normativity.

There is hardly a better place to start for Engelmann than what is largely agreed upon in the contemporary canon of economics: the analysis of economics textbooks. And it is where he begins, in the first of three substantive chapters (chapter 2), illustrating by choice of Gregory Mankiw’s best-selling *Principles of Economics* that it is rational choice on which economists focus. Modern challenges to the rationality postulate—most notably by behavioral economists—actually serve to reinforce and extend the paradigm. In what is arguably one of the most persuasive parts of the book, the author highlights how despite the real-world documentation of economic agents’ limited rationality—‘humanity’s fallenness’ (32), to invoke the author’s apposite quip—the concept of rationality can be extended to impact the choice setting to “help us make optimal decisions [... and] redesign those architectures in a way that better serves our welfare” (33). Engelmann proceeds in underscoring his fundamental thesis that rationality is therefore neither descriptive nor explanatory, but rather “prescriptive, although each prescription is ostensibly one that an individual would give themselves, if only they were capable on a regular basis of understanding and following it” (33). In so doing, economic rationality purports to save us from undeniable human inconsistency.

After setting the scene regarding the current state of the discipline, chapter 3 then takes the reader back to the world of classical political economy. Whereas, Engelmann instructs us, normativity is more concealed in modern economics; it is explicit in political economy. In fact, “economic rationality descends from a virtue well known to Smith and his contemporaries: from economy, or the careful administration of resources, which is recommended by the ancient virtue of prudence” (39). Efficiency is important for Smith, albeit in a more capacious sense: it is but one of many concerns in his analysis of political economy, and “good

economy may be a necessary condition for the exercise of other virtues such as liberality or generosity” (53–54). The liberalism of Smith’s era is not only aimed at improving substantive equality in a hierarchical world in which domination is present, but it is also concerned with the practice of virtue. The theme, Engelmann reminds us, is adopted by John Stuart Mill, whose “broader art and science of government, of which political economy was a part, aimed at the development of virtuous characters” (67).

Few will disagree that the discipline has lost its explicit value-ladenness in its transformation from political economy to economics. The more controversial part follows in chapter 4, which focuses in-depth on Lionel Robbins’ *Essay on the Nature and Significance of Economic Science*. Its move to place *choice* at the center of economic rationality seeks to “purge ethics and politics from economics proper, [and its goal is] to outline a purely positive science of human behavior” (82). Engelmann dissents. It is the main contribution of his book that instrumental economic rationality, as we find it in Robbins’ definition, is anything but value-free. He describes it as an “antipolitical political theory” (79), in which efficiency itself becomes virtue. “By working to purify economics as a value-free science”, Engelmann notes, “and thus not frankly acknowledging the very virtue lodged in its name—economy—as a value, he [*i.e.* Robbins] rendered efficiency the only value left standing in a moral science with a long history of political and ethical reflection” (96). To conceive of modern economic rationality as reductionist in its normative vacuity is therefore misguided; it is, along this line of thought, reductionist insofar as it reduces analysis to this *one* value.

The book is a *tour de force* in its historical mastery of the subject matter, and the author succeeds in contrasting shifting perspectives on economic logics and their impact on the development of the discipline. Engelmann points out correctly that the emphasis on choice in modern economics paves the way for the discipline to become a policy science: the economist as social engineer. Much more could—and should—be said about economic rationality in the history of economics in the second half of the twentieth century, as it would only buttress Engelmann’s main argument. Yet it also raises the question of the distinction of, and the relationship between, economic rationality as a logic and modern economics as a discipline. Despite the purported monism of a term such as “mainstream economics”, the state of the discipline is more pluralist than many critics maintain. The (renewed) recognition of the importance of

institutions and culture, to name but two examples, are well-established in the discipline, and they have led to a (partial) re-politicization of economic relations in line with Engelmann's thinking. In consequence, the reader should not be tempted to interpret Engelmann's criticism as casting a shadow over the discipline *as a whole*; his focus is a too restrictive understanding of economic rationality, which makes it necessary to point out that not all economics relies on the microeconomic mode.

The political theorist ultimately shines through in the conclusion, with his emphasis on and concern for the manner in which economic rationality circumscribes the potential for collective action. An excessive focus on choice appears to enable technocratic governance. And yet many of our societal troubles are difficult to tackle by means of managerial administration. Indeed, an emphasis on efficiency neglects the struggle over ends. It is a problem because "economic rationality is only apparently instrumental; it channels action with little if any regard to what is called for" (108). The deficit Engelmann sketches is a practical one, animated by the promise of democratic politics. It is an entirely defensible conclusion, even if a further, more ambitious verdict is also possible: that economics as an academic discipline requires conceptions beyond rationality-as-efficiency for its analysis of the social world. It will imply considering economic rationality pluralistically, or at the very least focusing increasingly on the interaction between conceptions of rationality-as-efficiency and competing non-economic logics. Yet it is a merit of *Economic Rationality* that it makes us aware of what is at stake, and Stephen Engelmann has done us a great service in spelling it out so clearly.

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