institutions as solutions to knowledge problems. I wish, though, that Boland had given an example of the sort of argument his view of institutions leads to. Without such an example, one cannot really know what he means by saying 'All social institutions exist to solve social problems' or 'The sole job of a concrete institution is to represent a given particular consensus institution' (p. 120). Thus, while I found little to object to in Boland's theory of institutions, I did not find much meaning in it either.

As any good Popperian should know, it takes a theory to beat a theory. One wonders, then, why a Popperian methodologist would be unwilling to suggest a competing theory. In this regard, of course, Boland is not alone. It is old hat that too much methodological discussion goes on in abstraction from the competition between theories. But this fact does not relieve Boland of guilt for criticizing various theories without offering an alternative to them.

There is much in the book I have not yet commented on. But the main outlines of his argument are clear: if we dislike neoclassical economics, we should be willing to engage in a Popperian criticism of it. The obvious strategy of criticizing the maximization assumption does not really work. While we might not believe people are maximizers, the assumption that they are is non-falsifiable. It is better to criticize what the neoclassicals assume about the conditions of maximization. Of such criticisms, the most telling concern the impoverished, archaic, and false notions of knowledge animating neoclassical practice. Thus, Boland's argument goes, good Popperians should criticize the way knowledge is handled in neoclassical economics.

The general nature of Boland's approach to thinking about neoclassical theory is very good indeed. Many of the most difficult issues in economics and many of the greatest limits of 'neoclassical' theory concern how knowledge is produced and distributed in society. Unfortunately, the particular arguments made under the banner of this general approach fall short. Some of them are grossly erroneous, others mostly empty, and none satisfying or insightful.

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Brian McCormick, *Hayek and the Keynesian Avalanche* (New York, St Martin's Press, 1992) p. 289, ISBN 0-312-08359-9.

Brian McCormick's book is of intrinsic interest to readers of *The Review of Political Economy*. It attempts to deal with one of the high points of economic theory of the twentieth century—the 1930s and the debate between Cambridge and the LSE. New ideas were being developed, and the weight of current affairs pressed economic theory into the forefront of practical discussion. Impressively gifted personalities were at the center of the controversies. It is unlikely, for example, that there has been in this century a more charismatic economist than John Maynard Keynes. There were elements of 'class' conflict—the 'Oxbridge' establishment challenged by the upstart LSE. There was, from Robbins and Hayek, the 'foreign' invasion of Austrian ideas which challenged the British orthodoxy. Swedish ideas on expectations were imported to both Cambridge and LSE, but were interpreted differently in the two locations. All the elements of an exciting tale of intellectual history are there. Unfortunately, despite all this going for it, McCormick's book fails to live up to the challenge. Instead, the book is disjointed, and even fundamentally confused. There is a lot of information in the book that will be useful to readers who will perhaps—in their own work—be able to utilize this intellectual 'data' in a more fruitful manner. But McCormick's argument does not advance our understanding of this crucial period in the intellectual history of economics.

Like everyone, I have my own biases (Austrian) and these have influenced my assessment. But I think the standard on which I am basing that assessment could be agreed on by most other readers of this journal, independent of their position on the fruitfulness of Hayek's approach. Although McCormick's book is supposed to be about Hayek's theories, there is no evidence that McCormick is aware of the interpretive work on Hayek that has been done in the past 20 or so years. (If someone wrote a book about Keynesian ideas and paid no attention to the work of post-1960 interpreters of Keynes, the result would surely be subjected to severe intellectual criticism.) McCormick's work was seemingly written in complete ignorance of the resurgence of Austrian scholarship since 1970. Most egregious in this regard is his failure to cite Gerald O'Driscoll's *Economics as a Coordination Problem* (1977), a detailed examination of the maturation of Hayek's work during precisely the period with which McCormick is dealing. A second glaring omission is Don Lavoie's *Rivalry and Central Planning* (1985), now the standard scholarly reference on the socialist calculation debate of the 1930s and 1940s. McCormick evidently wanted to address just the original literature, unmediated by subsequent clarifications and interpretations. But his unfamiliarity with the Austrian subjectivist tradition does not permit him to do this job with competence.

McCormick claims, for example, that many Hayekian ideas were carried forward in the neo-Keynesian synthesis! On methodology McCormick gets the chronology of intellectual events wrong: if Hayek ever was a Popperian, then it would have been after his early Misesian period (pre-1937). McCormick, though, believes that the early Hayek was Popperian, while the mature Hayek shifted away from the Popperian philosophy of science (p. 261). It is true though, as McCormick hints, that Popper becomes more Hayekian, and it is not Hayek who became Popperian; but this is a very controversial thesis on the relationship between these two thinkers, and has been advanced by Bruce Caldwell. Another fault is that McCormick insists that Hayek won the Nobel Prize for contributions beyond technical economics; while this may be true in spirit, in actual fact he won the prize (as did Myrdal), according to the citation, for his contributions to business cycle theory—precisely the areas that McCormick denies.

There are so many nagging problems with the book from the Austrian side, that the contribution of the book is minimized. This, of course, has been a problem in the Keynesian-Austrian discourse for years. One hopes for a better dialogue. The section of Robert Skidelsky's second volume on Keynes, dealing with the Hayek–Keynes debate, seems to offer hope that a better dialogue on these fundamental issues is possible (Skidelsky, 1992, pp. 454–459). McCormick's book falls short of that standard. McCormick is so intent on demonstrating that Hayek was asking the wrong questions in the 1930s, and that therefore, Hayek himself was largely responsible for the Keynesian avalanche, that he fails to understand the questions Hayek was asking.

Hayek's theory of the trade cycle was never sold by himself (or its originator Mises) as an overinvestment theory; it was a malinvestment theory. Hayek did not believe (or assume) that money is neutral; money by its nature is non-neutral or a 'loose-joint' to use the language Hayek employed in *The Pure Theory of Capital.* Neutrality is a goal of public policy, not a theoretical assumption. The whole Mises–Hayek cycle theory is predicated on a rejection of the mechanical interpretation of the quantity theory and with that a strict interpretation of the classical dichotomy. The cycle theory demonstrated that changes in a nominal variable can have real effects on the underlying distribution of resources in the economy. The whole monetary injection mechanism and the inflation process through relative price adjustments is anthema to the neutrality hypothesis; thus the discussion of neutrality in the 1930s at the LSE found in McCormick (see for example, pp. 94–95) must not be confused with the concept of neutrality in later macroeconomic models, especially the class of new classical models developed in the 1970s. All of this adds up to a challenge to McCormick's claim that Hayek was simply asking the wrong questions in the 1930s. He was asking an entirely *different* set of intellectual questions than the ones attributed to him by McCormick; this does not make them wrong or uninteresting or irrelevant, as McCormick suggests.

The chapter on the socialist calculation debate is particularly muddled because McCormick (though he does cite Vaughn's (1981) *Economic Inquiry* paper) misses the crucial point about how the Austrian terms of the debate were different from those in which Lange and Lerner chose to argue. The failure to deal with Lavoie's work is particularly damaging to his project at this point, as is the failure to cite the more mainstream work of Janos Kornai over the past ten years or so, which has basically followed Lavoie's line of reasoning on the debate. Another candidate for a particularly poor reading of the intellectual situation is the chapter on the neoclassical synthesis, and in particular, McCormick's assessment that Hick's ISLM apparatus and his *Value and Capital,* along with Lerner's *Economics of Control,* were attempts to synthesize Cambridge with LSE. If LSE, under the direction of Hayek and Robbins, was supposed to represent the Austrian variant of neoclassical economics, then this is not accurate. Those works represent attempts to combine Keynesian ideas with a conception of neoclassical microeconomics that Hayek did not share. Hayek had a different conception of the microeconomic foundations and market theory. O'Driscoll's study would have provided McCormick with an alternative reading of Hayek that may have clarified these matters.

I do not want to give the impression that the book is wholly lacking in merit. It conveys some important new information; for example, McCormick has reproduced the syllabi from the various courses taught at this time. Fascinating! He raises some very important interpretive questions. Many more theorists of the time are brought into the fray than is usual in other treatments of the subject, and this will provide subsequent historians of ideas with ample avenues to pursue. But, ultimately, unless the reader is already deeply familiar with Hayek's arguments (in which case he or she will be sorely disappointed in the presentation), he or she will not be able to discover from this book what Hayek's theoretical views were. Without understanding the fundamental clash of *visions* and *analysis*, and in particular the differences in *analytical* tradition that existed between Keynes and Hayek, then the Keynesian avalanche remains unexplained, and McCormick's book fails to accomplish what it sets out to do.

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