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Evaluating Competing Explanatory Games in Economics

by **Jonas G. Lipski**

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Edward Elgar Publishing presents readers with an interesting edition called *New Thinking in Political Economy*. The Series Editor is Peter J. Boettke, a well-known representative of Austrian Economics. On the book's cover is a small Venn diagram bringing together Philosophy, Economics, and Politics into a single whole. This speaks volumes about the orientation of the edition, which we welcome as a significant endeavor. It goes without saying that launching new ideas is important, but that continuous work in the field of Political Economy, which has often been neglected, is also of essential importance. So, we await the future outcomes of this edition.

The book I present here reflects the announced efforts of the edition. Jonas G. Lipski's text belongs to the domain of the philosophy of science – with the author addressing significant moments concerning economics. Thus, it is no accident that the title draws attention to “explanatory games” but within the domain of economics.

Accordingly, it can be said immediately that economists willing to engage in self-reflection can gain important stimuli from this book. After all, if the first part of the book focuses on general questions with a philosophical stamp, the second part already considers robust economic issues, albeit based on the analysis of two selected case studies.

The book's structure is linked to a series of general questions: what does an economist do while treating/analyzing their chosen subject? Or more precisely: *how* do they do it? How, further, to find an “evaluative standard” concerning engagement with scientific practice? How to determine that same standard in an epoch that swears by plurality in all segments – in the practice of science, as well as in terms of developing economic science? How will the academic community, in intersubjective communications, conferences, journals, affirm any measure? Formulated somewhat differently and following the author's own efforts: how to identify an evaluative standard that has normative power, that does not fall into the abyss of relativism which equalizes everything – with the logic of equivalence? Not by chance, Lipski begins the book by emphasizing the goal pointing to the key importance of normativity for his endeavor;

“... contribute to the solution of a normative problem” (p. 1). Or later it is said that “my general aim is to develop a normative theory that is useful in solving normative problems to economics” (p. 25).

All this, therefore, is stated because emphasizing pluralism immanently carries the danger of regression into relativism, which could be polemical in relation to authoritarian patterns in science. But relativism also contains within itself the possibility of dogmatism. That the author of this book seriously considers the far-reaching implications of pluralism is evidenced by the fact that he intentionally refrains from recognizing one universal adequate method that could be applied in the economic sphere. That is, his distancing from a general method that could be operationalized in economic procedures reveals an intention to carry pluralism as a meta-value to its conclusion. Therefore, economists should not be forced to adopt such a method to be applied as a *mono*-pattern for attaining truth. Perhaps what this means for economic theory, which can be described through the prism of the conflict between orthodoxy and heterodoxy and which, despite the breakthrough of heterodoxy, still remains significantly attached to orthodox conceptions regarding equilibrium, rationality, or economic subjectivity, need not be explained.

Therefore, Lipski will advocate for “plural evaluative standards”, as well as for a “comparative approach”, and for “general fallibilism”. Because of all this, he denies an “ideal normative theory” (p. 34) that would be universally applicable. The figure of the “game” here actually signifies the interrelationship between different competing explanations that follow their immanent criteria. Of course, by doing so, Lipski enters a discussion that has been ongoing for a long time, both in the philosophy of science and in the domains of economic theory. This is a debate that is, however, interminable. The dynamics of capitalism constantly create new dimensions that force theorists to continuously deepen the debate itself.

In fact, Lipski, following the essence of the procedure briefly outlined here, tailors the argumentation in the book accordingly. He presents the ideational corpus of various authors, enters into debate with them, recapitulates results, and finally attempts to draw consequences in order to, nonetheless, walk his own path.

As suggested a moment ago, the book has two large blocks. In the first part, the author inclines towards, that is, favors the “procedural approach” of Chrysostomos Mantzavinos, which represents the basis for challenges regarding evaluative standards. Of course, this is no accident either: Mantzavinos authored a book (*Explanatory Pluralism*) that could have served as inspiration for the claims in this book. Lipski thus follows the thread of the argumentation of the Greek philosopher of science, and much is received from his opus. The philosophy of science is not superior to the practice of those who practice the sciences – rather, it listens to what scientists, or economists, do in order to transform that into appropriate reflections. Lipski was able to take this over from Mantzavinos.

Furthermore, the reader learns about processes leading to the formation of choice, routines, social norms: the author of the book generally prefers concepts that are intensely present in evolutionary economics (selection problems, etc.). Even the accentuation of “social components” regarding explanation belongs to this type of economic reasoning. Mantzavinos (see here p. 25), on the one hand, acknowledges the

profound influence of social processes on scientific procedures; science cannot be separated from the social dynamics that surround it. On the other hand, he relies on the possibility that embeddedness in sociality does not produce relativistic consequences, that it is possible to arrive at “rationality” as the goal of the scientific procedure. It seems this is a goal that can be applied to *Evaluating Competing Explanatory Games in Economics* as well.

At the same time, despite Lipski appearing in the book as a reader-interpreter of Mantzavinos’s ideas, this is not a slavish adherence but rather a desire to derive his own reflexivity. Thus, he finds it appropriate to engage in discussion with other theories as well, although they are not guides for his reflexivity. The reader will find valuable discussion with the theory of Carl Hempel, Bas van Fraassen, Philip Kitcher, Wesley Salmon. This should indeed be understood as an extensive discussion involving the presentation, but also a critical examination, of the aforementioned theories.

After that, Lipski continues his paths concerning various discussions, now on the field of “alternative approaches” (p. 71). In this way, the reader (through the discussions) gets a sufficiently comprehensive spectrum of views from different opinions on contemporary trends in the philosophy of science. Thus, besides the reflexive effects of the book, we can also speak of its informative aspects. Here, the author confronts theorists such as Thomas Kuhn (his concept of “paradigm” opposes Mantzavinos’s idea of the possibility of evaluating “specific rules” (p. 75). The author also confronts the philosophy of Paul Feyerabend, which is traditionally described as anarchistic. The author respects it for its drive to criticize “ultimate standards of evaluation” (p. 82). At the same time, he will not agree with all aspects of the same philosophy, especially with the rejection of the possibility of constructing rational standards of evaluation. Furthermore, the assumption that in the competition of different explanations the “winner” carries traits of irrationality is also subjected to criticism.

Lipski obviously believes that despite pluralism reigning in the stated sense, this does not come at the expense of rationality. It is possible to connect rationality and the plurality of evaluative standards. Lipski similarly clashes with the philosophy of methodology shaped by Imre Lakatos, or Larry Laudan. Moreover, Laudan’s thoughts will help him in his efforts to correct Mantzavinos’s theory, which, according to Lipski, suffers from a “hierarchical model of evaluation” (p. 104).

Thus, reflexivity in this book is calibrated. It is acknowledged that the processes (“choice”) leading to valid standards are subjective in character. Namely, it is impossible to eliminate the subjectivity that is integrated into the aforementioned process. By this, Lipski confirms that he is not concerned with attributing some kind of objective teleology to scientific practice, that is, treating science from the perspective of its presumed “objective aim”. On the contrary, quite in line with the above-mentioned “social component”, he emphasizes the indispensability of “subjective interest” that also appears concerning evaluative standards.

At the same time, Lipski is convinced that from this understanding of subjectivity, paths still lead towards objectivity. In other words, paraphrasing his stance: no arbitrariness is advocated here that would muddle the possibility of objectivity. On the contrary, Lipski believes that procedural rationality that respects pluralism can be normative and can set rational demands on participants in any possible debate. This does

not close the paths to criticism and possible revision of formed views, nor does it undermine the principle of plurality. Lipski sees coherence in the derivation of his principles here.

In the aforementioned second block of the book, Lipski tests the bearing capacity of his reflexivity, which aims to combine procedurality, normativity, and rationality. If the first block was directed towards discussing philosophical issues concerning scientific explanation, here we find the analysis of two concrete examples that have a clear economic determination. Both cases have long been known to the professional public, but it can be said that they are treated here from a special angle and thus acquire special meanings.

Thus, the first example is *The Socialist Calculation Debate*. As is known, this takes us back to the 1930s. It is interesting that the same debate can be revived again, but now from the perspective of discussion considering processes of explanation in science. Of course, the debate could be revived in different ways – for example, today we could renew that discussion given the increasing dominance of artificial intelligence and its calculation capabilities. Thus, it is not at all an outdated problem, despite being a debate from nearly a century ago.

It can be stated immediately that Lipski intends to reveal the reflection of his reflexivity concerning the fact that the conflicting parties are players in different games of evaluation. Their confrontation is of a political character (capitalism *versus* socialism, Austrian economists *versus* socialist-oriented economists), but it is also a clash of “explanatory games”. Moreover, the author of the book is convinced that the relevant moments actually went unnoticed both by the participants and by the numerous interpreters of the debate (p. 113). In other words, Lipski intends to present the reader with a non-routine interpretation of the debate that illustrates what was derived in the first part of the book.

Lipski proceeds by choosing two main representatives of the conflict, Ludwig von Mises and Oskar Lange. Through them, the role of the conflicting games can be shown.

Thus, the general position of Mises, who criticizes the socialist belief that the transformation of the property regime towards planning and de-individualization of the property subject enables greater economic efficiency, is first considered. In doing so, Lipski finds it appropriate to particularly emphasize Mises’s monetary theory, which significantly frames his reflections. The relationship of the Austrian economist to the phenomenon of calculation and the possibilities of individual calculation in capitalism regarding effectiveness is also specifically treated. All with the aim of dismantling the socialist belief in the superiority of collective subjectivity concerning property, which should supposedly ensure greater economic efficiency than that achieved under capitalism.

Then, the contribution of Oskar Lange, is thematized. Of course, we know that Lange attacks Mises and wants to demonstrate the superiority of planning regarding economic coordination, as well as to prove that planning eliminates various losses. But Lipski now argues that the critical analysis bypasses Mises’s arguments, that the arguments and counter-arguments do not meet. Dialogue would presuppose a common denominator regarding the explanatory game, but here there is none. Lipski finds that

Mises's point is to recognize the importance of the "intellectual division of labour" (p. 122), which is enabled precisely by the existence of monetary prices in the market under capitalism.

Lange, therefore, deviates from the dialogical path and apostrophizes Mises's glorification of competition. Obviously, this avoids a real confrontation. Lipski then embarks on an evaluation of the debate. Are we forced only to note the failure of the encounter, or are we able to also evaluate the relevant dimensions, that is, the outcomes of the debate?

First, we see the relatively common derivation that Mises's argumentation follows the tracks of Austrian marginalist and subjectivist thought. The situation with Lange is different: he is an economist who holds to Karl Marx but draws his methodological patterns from neoclassicism. Interestingly, Lipski actually sees many convergences regarding the methodological procedures of Mises and Lange. Thus, the "explanatory game" is framed by different rules (p. 132).

One is "constitutive roles"¹: it determines what will figure in economic analysis as an "explanandum" (such as what are "presupposed" "metaphysical beliefs"). Regarding this point, we do not note major differences between these economists.

Nevertheless, Lipski identifies a significant difference in a phenomenon he calls "idealization", or more precisely "idealization as means of representation" (p. 129). He even claims that Lange repeats a standard path in economic discourse here – he specifically mentions Milton Friedman's famous article on positive economics. Moreover, Lipski assigns great importance to this point in the development of economic theory (p. 135). Thus, he confirms a certain advantage for Mises (who can emphasize the "dynamic" character of capitalism) over Lange, who falls into the trap of excessive idealization by postulating the model of competitive markets. This can also be derived as follows: Mises is guided by the idea of rules that logically connect "representational statements" with "observational statements and historical facts" (p. 138). Thus, one can speak of the "inconsistency of Lange" concerning his own criteria and derive a normative evaluation that criticizes his adherence to methodological generalizations. Lipski prefers Mises, because the Austrian procedure corresponds to his idea of the immanent possibility of establishing an "evaluative standard" in the process of scientific explication of economic reality. *Mutatis mutandis*, Lipski does the same regarding growth theory.

Summarizing: we have read a scientifically based, interesting work that deserves attention. The philosophical argumentation is deep, the examples are relevant. Nevertheless, I will note that the "social component" indicated several times (for example, regarding the embeddedness of scientific procedures in social determinations) hangs in the air. That is, it is not articulated. It remains to be seen (even from beyond New Institutional Economics) how moments of power, determinations of capitalism, become entangled in these processes.

¹ There are other rules as well: "competing rules of representation", "rules of interference", "rules of scope".

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