

Referee's report: M. de Vroey, Lucas on the relationship between theory and ideology

In my view this is a very good paper indeed, brilliant at times. The author enters a maze of ideas and, threading his way carefully, finds his way out while contributing much to our understanding of Lucas's position and his place in the thought-systems of economists. His title suggests something simpler than what he has undertaken, for the discussion also includes issues of methodology and the relationship of theory to policy.

The analysis is based on research amongst Lucas's unpublished work, now housed at Duke University, as well as published writings. To have unearthed as much as the author has of Lucas's thought on methodological issues in scattered places and reconstructed a coherent picture is itself a contribution, but there is far more.

The author organises his paper into four sections: (i) on Lucas's concept of 'theory'; (ii) on his 'non-interference' principle, that ideology should not affect theory; (iii) on his 'non-exploitation' principle, that theory should not be used to give policy advice using policy conclusions which were built into the premises of the model; (iv) on the author's perception of a tension (contradiction?) in Lucas's methodological stance, which he attributes to a conflict between Marshallian and Walrasian methodologies.

In (ii), he concludes that Lucas's division between theory and ideology is not only not accepted by most methodologists but also defines theory too narrowly, in effect restricting it to mathematical models. Anything else, to Lucas, is ideology. Models, Lucas argues, are imaginative constructions; their relationship to an actual economy is one of 'analogy'. In (iii) the author ponders the meaning of this and its implications for the relevance of policy conclusions, against the fact that, for Lucas, theory (=models) must generate policy conclusions to be at all interesting. Lucas maintains that the analogy is rather the same as the relationship between one country's behaviour and another's, e.g if you wanted to predict the effect of, say, a tax in country A, you could compare country A with a model or with the experience of country B. The unsatisfactory nature of this 'analogy' proposition is recognised but not resolved in this paper.

More to the point, if models must generate policy conclusions to be interesting, and models are internally consistent, the policy conclusions must follow from the premises, which rules out *any* policy advice – so what, exactly, is the point of models having policy conclusions?. This point is hinted at but not fully exploited in the paper. Perhaps the author is being polite. It is one element in the 'tension' which is the subject of (iv).

In (iv) the author uses a framework which he has previously developed to explain the tensions in Lucas's work. He has found contradictions in Lucas's use of both the 'non-interference' and 'non-exploitation' principles, but principally in his welcoming the importation of empirical work into the Walrasian framework. This section will undoubtedly be developed into a

separate paper on its own at some stage. It is not fully developed at the moment. The editors might conclude either that it does no harm to put a marker down at this stage or that this theme interferes with the clarity of purpose of the rest of the article and should be omitted. My own preference would be the first option.

Recommendation: Accept with minor changes.

Minor points, typos etc.

1st line: insert 'ideology' (methodology?) after 'between'. *Is this a test to see if the referee is awake?*

p. 2 para (a): Insert at end of para: 'For Lucas these microfoundations must be choice-theoretic.'

p. 2, 3rd line above heading: insert 'himself' after 'proclaiming'

p. 3, 2nd line " : omit comma after 'me' and insert comma after 'troublesome'

p. 5, 5th line after heading: for 'quotes' read 'quotations'

p. 6, italic sentence in 1st quotation: should be 'have we' rather than 'we have'? Check original.

p. 10 *: no Keynesian ever said that government intervention was costless

p. 10, n. 4: delete hyphen in 'well-developed' (only takes hyphen as compound adj., not as adv. and adj.)

p. 11, line 2 after heading: for 'non-intervention' read 'non-interference' (an interesting Freudian slip)

p. 14, para 3 line 3: for 'foregoing' read 'forgoing' (fore- refers to time, that which went before; for- should be used for opportunity cost). And it would help the reader to set off 'for the model-builder' with commas.

p. 14, penult. Line: delete 'and'

p. 15, end of line 6 of text: insert s at end of 'methodologist'

p 15, para 1, line -4: delete comma before 'and'

p 16, penult line: please phrase in a less offensive way

p 17, para 3 line: 2 delete comma before 'and'

p 18, 2nd line: delete 'this'

p. 18, penult. line of para. after heading: insert 'which' after ';

p 19, line 1: for 'have each' read 'each have'

references

Akerlof: for 'lemmons' read 'lemons'

De Vroey (1) for >> read "

(2) Maki should be a umlaut

Klamer: should Totowa be Ottawa?