

# Mackenzie's Defense of Neoclassical Economics

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(Please note this was turned in late)

Chapter 3 from MacKenzie's, *Knowing Meaning*, strongly clarified my understanding of the Actor Network Theory (ANT). I agree with absolutely everything he proposed *except* his arguments and conclusion; and I feel he strongly validated neoclassical economics (NE). These statements may seem incongruous, so allow me to clarify.

Mackenzie claims that a NE firm would “choose production technology so as to maximize [its] rate of profit,” (Mackenzie, 50). He then gives examples where hard- and fast- numeric and financial data is not available to make these decisions of this sort in such a “flexible market. He concludes via massive conjecture that if hard data is not used to make the decision, it is not a capitalist decision – it may be “profit- oriented” but not profit- based.

Mackenzie then counterproposes alternative economics (AE) which “provides a different vision of economic activity. In this alternative economics, actors follow routines, recipes and rules of thumb while monitoring a small number of feedback variables. As long as the feedback of these variables is satisfactory...the routines continue to be followed. Only if they become unsatisfactory will they be reviewed. But *the review will not be an unconstrained evaluation of the full universe of ideas in search of the best: it will be a local search*, given direction by the perceived problem in need of remedy and using heuristics” (Mackenzie, 51, emphasis mine).

This argument is great, but not a counterproposal. It is simply a change of terms. Mackenzie claims (and everyone owns) that technology is constantly in flux. It is equally agreed is that once a technology is accepted and develops a

market trajectory (Moore's Law, automation), the market accepts that to be a true. His logic and insight reflect brilliant analysis when he discusses how firms use a heuristic to predict the future based on these trajectories, but poorly concludes that this is not for profit.

If the industry agrees that 1) its market changes rapidly, 2) can not fully predict the future, and 3) a constant full-scale analysis of all technological factors is incredibly expensive, then it must determine the most cost-effective method to so.

I agree that companies are using a heuristic model, but are doing so with a capitalist mindset. They have determined that it is too expensive to do a "universal" evaluation all the time and have chosen to do so during market "closure" points (where a new patent or industry changing technological change has taken place). Otherwise they accept the market trajectories as benchmarks to shoot for, use market feedback techniques to determine if a trajectory is changing or a closure point has been reached, and will not pursue expensive research unless a closure point has been reached. The market commonly agrees that doing so will keep them in the competitive market without excessive cost in research.

They know they can not predict the future, but they also know they must predict something. They know they must do evaluation and research, but they also know they must carefully pick the time and place to do the universal evaluation. The market has chosen that outside of a major technological shift, it will pursue the established trajectories.

Until Moore's law is proven wrong, it will be pursued. Once it is proven wrong, massive evaluation will take place and a new trajectory will be established. Automation will be assumed to be more profitable in the long-term. Once this is proven wrong a new trajectory will be established.

Mackenzie believes that more analysis and research is required in these arenas, but why? This level of analysis is not profitable to the market given its cost. It will cost them significantly with no predictable level of success. The market has a system—not perfect, but accepted and functional—that allows firms to make evaluations based on accepted benchmarks and subsequently minimize their budgets, i.e. less cost, more profit.

Ultimately, this level and direction of research most benefits sociologists. It would be “profitable” for them: increasing their status, research and understanding. It should be noted that much of this is social capital, another greatly overlooked issue in this chapter.) They would want it pursued/performed because they are capitalists. But it is not required in the market. Once it is complete and can shed light on the market, it will then become cost-effective to utilize.

Yes, a heuristic is being used, but because of the flexibility of the market; and given this flexibility NE has chosen to use the heuristic model because it is the most cost-effective and profitable means of deciding what to pursue.