

## **Introduction to the Special Issue Celebrating the Contributions of Karl Mittermaier (1938–2016) to Economics**

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Following the first Mittermaier Symposium in March 2019 at the University of Johannesburg, a second, equally successful Mittermaier Symposium was held in August 2022 at the same venue.<sup>1</sup> International and domestic scholars convened to explore the provocative statement in Mittermaier as presented in the call for papers, “If Philosophy of Economics is to be worth doing at all, it must be done in an attempt to gain new insights that will allow one to do better economics” (1989). The editors of the *Journal of Contextual Economics* and the conference organisers thought it a valuable project to help larger audiences become aware of the work of this South African philosopher-economist by publishing a special issue containing refereed versions of several of the presented papers.

This introduction has two parts. Part 1 provides a brief account of the published papers. These engage with various aspects of Mittermaier’s work, either by building upon and extending his ideas, or applying similar methodologies to additional topics and expanding the scope of his contributions. Part 2 then offers, for those unfamiliar with Mittermaier’s thought, an overview of his two published book-length contributions and their discussions of economic theorising, the philosophy of economics, and economic methodology.

### **1. The Contributed Papers**

The five papers draw on Mittermaier’s work to discuss a range of current issues. Bridel’s paper, “The Hand(s) behind Walras and Pareto’s Invisible Hand,” highlights the evolution of, and differing perspectives on, general equilibrium theory (GET). First examining the works of Walras and Pareto, Bridel then contrasts their foundational views with modern interpretations. Mittermaier (2020) assists deeper inquiry into the philosophical underpinnings of GET and the “visions” guiding these two the-

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<sup>1</sup> These two seminars resulted in the publication of two of Karl’s unpublished manuscripts, Mittermaier 2020 and Mittermaier 2023, respectively.

orists. Walras viewed GET as an idealised, logical-deductive system aimed at achieving social justice through competitive markets, and stressed its ontological truth. By contrast, Pareto approached GET empirically, focusing on its pragmatic application and recognising its limitations in capturing the full complexity of social phenomena. Bridel's article also argues that contemporary economists have become more dogmatic. In prioritising mathematical logic over social insight, they depart from the more cautious and comprehensive views of Walras and Pareto, this reflecting Mittermaier's distinction between dogmatic and pragmatic approaches to GET. Bridel argues that modern theorists would gain much by revisiting the broader, more integrative perspectives of these foundational figures, a proposal aligned with Mittermaier's call for a scientific understanding of the role of the so-called "invisible hand" in economic theory.

Harris's paper, "Ex Ante Facts, Ex Post Facts, Causal Structures and Prediction," discusses Mittermaier's distinction between these two kinds of facts, highlights the presence and predictive power of underlying structures in economies, and references later work by prominent modern philosophers. John Searle's concept of institutional facts and Nancy Cartwright's concept of nomological machines, both of which also identify stable causal relationships, could have drawn on, and been enriched by, Mittermaier's economic thought had it been published earlier.

In "Economic Analysis of Institutions: Nominalism and Definition by Effect," Stettler uses Mittermaier's conceptual framework and its distinctions between (a) nominalism and realism, and (b) *ex-ante* facts and *ex-post* facts, to argue that neo-institutional economics defines institutions by their effects as against explaining these effects as consequences of institutional *ex-ante* facts. The neo-institutional approach is viewed as having a parallel with revealed preference theory in economics, where the effects of human agency (the choices made) are rebranded as causes in the form of preferences. Both neo-institutional economics and revealed preference theory disguise *ex-post* facts as *ex-ante* facts.

"Between Social Philosophy and Technical Execution: Policy Advice by Economic Scientists" by Freytag and Schuhmann explores the important interface between science, expert knowledge, and policy-making, as exemplified by the German Council of Economic Experts. While highlighting the role of science in policy formation by providing standardised and reliable knowledge, they also note the potential pitfalls of politicised advisor selection, and trade-offs between specialisation and transaction costs in policy advisory processes. By examining the interplay between scientific expertise and policy advice, their paper sheds light on the challenges and opportunities for economists to inform policy decisions more effectively.

Mbeki's paper, "A Kaleckian firm-based perspective on the persistence of oligopoly," follows Mittermaier's framework by viewing oligopoly as an *ex-ante* fact, that is, a structural feature of the economy that shapes various key variables. She argues that the growth of production scale leads to structural oligopoly and monopoly, the central feature of "monopoly capitalism." Oligopolies significantly reduce competition and rivalry, safeguard profits by erecting barriers to entry, and determine profitability and real wages via market power. Theories of monopoly capitalism integrate micro and macro elements, and focus on the modern corporation in oligopolistic industries

where fictional perfect competition is absent and it is firms themselves that impose stability in unstable environments.

We sincerely hope readers will benefit from Mittermaier's works, their wider discussion, and the contributions in this special issue. As always, foundational research aims to understand the past and present state of economics with the aim of assessing its strengths and weaknesses so that we can create better theorising and policy-making in both the present and future. Mittermaier devoted his academic life to these tasks, leaving us with a legacy of penetrating insights, new perspectives, and valuable conceptual frameworks.

## 2. An Overview of Mittermaier's Contributions in his Published Books

For those unfamiliar with these books and their relevance to current and future economic thought, we offer a brief summary of his approach to economic theorising and philosophising.

His contributions not only present critiques of currently dominant economic paradigms but also frameworks for better, that is, realistic and contextual, approaches. Two books have now been published – *The Hand Behind the Invisible Hand: Dogmatic and Pragmatic Views on Free Markets and the State of Economic Theory* (Mittermaier 2020), and *A Realist Philosophy of Economics* (Mittermaier 2023). A third, *Subjectivism in Economics and Philosophy*, is planned to appear in early 2025, but since this book has not yet appeared and might be the subject of a third symposium, it is not discussed here.

At the heart of Mittermaier's work is the principle that economic theorising must be grounded in the real world, and not on idealised assumptions and predetermined outcomes. Economists must thus attend to the social, political, and institutional contexts in which economic activity occurs with assumptions and theories capable of explaining the complexities of reality. Above all, what is required in economic theorising is a reflective attitude that avoids the optimal, pre-determined, outcomes prevalent in much of economics, but does not fall into nihilism or into hocery. More generally, his work has relevance for science (both natural and social), and for philosophising about science.

Karl's interests reflect key concerns of the *Journal of Contextual Economics*, and its earlier incarnation, *Schmollers Jahrbuch*. The late 19th century/early 20th century witnessed the *Methodenstreit*, the clash between the older German Historical School of which Gustav von Schmoller was a leading member with *Schmollers Jahrbuch* its chief scholarly organ, and the newer Austrian School of which Carl Menger was a leading exponent.<sup>2</sup> In theorising, the former championed an inductive, empirical and historical approach, while the latter pursued an abstract, idealised approach.

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<sup>2</sup> In 1913 the original journal, *Jahrbuch für Gesetzgebung, Verwaltung und Volkswirtschaft im Deutschen Reiche* (Yearbook for Law, Administration and Economics in Germany) changed its name to *Schmollers Jahrbuch für Gesetzgebung, Verwaltung und Volkswirtschaft im Deutschen Reiche* (Schmoller's Yearbook for Law, Administration and Economics in Germany) (see Grudev and Kolev 2021, 279).

Mittermaier sought to transcend the dispute by constructing a theoretical framework in which empirical reality and context directly informed theory construction. The former were not just treated descriptively, but were given vital roles as inputs in a new approach to creating theories relevant to the explanation of past facts and of future facts outside current historical records. This new framework was grounded on his key distinction between *ex-post* facts and *ex-ante* facts; see Mittermaier (2023) for a fuller explanation.

The distinction may be illustrated using an analogy with legal precedents in common law. These precedents have two aspects. As *ex-post* facts, they represent past cases and the historical facts that established the precedents. As *ex-ante* facts, they influence and guide future decisions so helping to retain or change the legal landscape depending on whether current cases do or do not establish new precedents. Both kinds of facts underpin the institutions of the legal system.

Four main components characterise Mittermaier's research agenda for economics. First, it is essential to develop a deeper understanding of the *Methodenstreit*, both in its historical context in the late 19th century and in its contemporary variants. It requires an examination of the fundamental issues at stake in the debate, and how they continue to shape today's approaches to economic theorising and policy-making.

Second, it involves recognising the significance of contexts and their specific economic facts, as highlighted by the historical school. But instead of embracing a purely historicist approach, the focus needs to shift to *ex-ante* facts, such as institutions, which exhibit greater durability than the *ex-post* facts that arise due to their presence. What is needed is a thorough examination of *ex-ante* facts, and avoidance of the common conflation of *ex-ante* and *ex-post* facts in economic analysis. Here economics can build upon the insights gained from legal precedents and the common law, which also point to the importance of distinguishing between these two types of facts. The distinction helps clear the way for new understandings of economic phenomena and their underlying structures.

The third component acknowledges that it is not just any theory which is relevant to and necessary for good economic analysis, but theory based on interpretive and reflective approaches that deliver reality-based abstractions, and hence conclusions that can embrace ranges of possible outcomes.

The final component involves applying this realist economics approach to policy making and implementation. Economic understanding needs to be applicable to reality, and hence capable of suggesting actions that can actually produce desired outcomes, this requiring an understanding of the complex contexts in which economic phenomena occur. By integrating these four components, Mittermaier's research agenda offers a comprehensive approach to economics capable of producing better economic theory and policy, and hence better economic outcomes.

## References

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