

# INTERPRETIVE ECONOMICS

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**Series Editors:**

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**Arjo Klamer**

Department of Economics  
George Washington University  
Washington, D.C. 20052

**Don Lavoie**

Department of Economics  
George Mason University  
Fairfax, VA 22030

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Jane A. Betar  
Publishing Assistant  
Basil Blackwell, Inc.  
Three Cambridge Center  
Cambridge MA 02142

Dear Ms. Betar:

Arjo and I have talked about David Ellerman's book manuscript *On Property and Contract*. The current version is a vast improvement over the previous one, and I now believe we should try to publish it as is, except for one minor thing. My only suggestion is to eliminate the appendix. To make a convincing case for an alternative formalism would require a much longer argument than this, and would not belong in this book, which covers plenty of ground already. The general orientation of this book series, unlike most of economics, is not looking for arguments that find it necessary to dress themselves up in formal mathematics. The appendix does nothing to support the argument of the main text, and has the look of a gratuitous gesture to the theorem-proving mentality of mainstream economics. What little formalism that gets conjured up looks rather mickey-mouse to me, and certainly doesn't strengthen the book's central arguments. The typical reader who would find the rest of the book of interest will not be at all moved by it. The author should save the formalisms for another book where he could do a more impressive job and talk to a rather different audience.

The book's radical re-interpretation of property and contract is, I think, among the most powerful critiques of mainstream economics ever developed. It undermines the neoclassical way of thinking about property by articulating a theory of inalienable rights, and constructs out of this perspective a "labor theory of property" which is as different from Marx's labor theory of value as it is from neoclassicism. It traces roots of such ideas in some fascinating and largely forgotten strands of the history of economics. It draws attention to the question of "responsibility" which neoclassicism has utterly lost sight of. It is startlingly fresh in its overall approach, and unusually well written in its presentation.

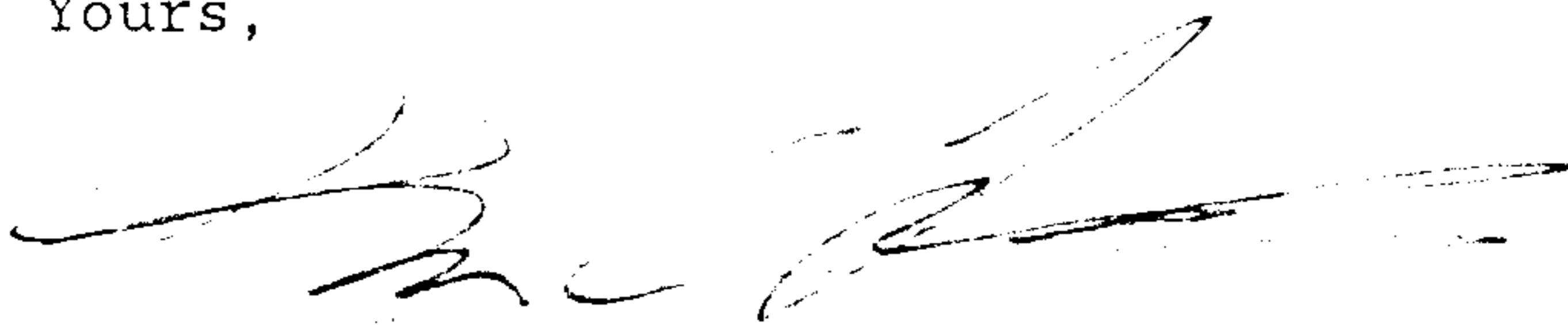
The main complaint of the referee the last time was primarily stylistic, but it was a matter of

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substantive importance. There was something in the tone of that version that was unnecessarily aggressive against mainstream economics and that seemed, to the referee and I, to seriously cripple the message. That distracting problem has been solved in this draft. It still leads to no less a radical challenge to mainstream economics, but it puts its challenge in a much more palatable way.

I cannot resist mentioning that I am not convinced on many important points by his argument. Its identification of serious shortcomings in neoclassicism persuades me, but not its own alternative approach. There are other alternative theoretical frameworks and policy directions which could do better, in my own view, to correct the problems with neoclassicism. But this book's argument is powerful enough to make me feel the need to go to work on responding to it. It constitutes a better case for its economic-democracy viewpoint than anything else in the literature.

Yours,

A handwritten signature in black ink, appearing to read 'Don Lavoie', with a long horizontal flourish extending to the right.

Don Lavoie

cc: Arjo Klamer