It is both gratifying and somewhat confusing to be the object of comments as acute and diverse as those made in the July issue of *Theory and Society* on my “Marxism, Functionalism and Game Theory.” To some extent the discussants demolish each other’s objections. Thus Roemer and (more ambiguously) Van Parijs support my view of functional explanation against Cohen, while Giddens defends it against Berger and Offe. Yet this does not relieve me of the task of replying more directly to the critics. Rather than deal with the comments one by one, I shall organize my reply under five general headings: methodological individualism, functionalism, structuralism, game theory, and Marxism.

**Methodological Individualism**

This view is criticized both by Berger and Offe and by Giddens. The former do so in a very explicit statement that microeconomics and macroeconomics “can and must be methodologically isolated from each other.” The example is an interesting and historically important one. Schumpeter— who invented the term methodological individualism¹— was always skeptical about Keynesian economics because it keeps analysis on the surface of things and prevents it from penetrating into the industrial processes below, which are what really matters. It invites a mechanistic and formalistic treatment of a few isolated contour lines and attributes to aggregates a life of their own and a causal significance that they do not possess.²

I believe this observation remains sound, and so do the many economists who for some decades have been engaged in providing microfoundations for the aggregate relations of macroeconomics.³ Because Berger and Offe actually cite an “example for such nonreducible laws,” viz., the “neo-Ricardian formulation of an inverse relation between the rate of profit and the real wages,” I may perhaps be allowed to show how it can be reduced to microeconomic terms.

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Consider a simple model of an economy that produces only one final (consumption) good with the help of one intermediate or capital good. To make one unit of the capital good one needs $a_{11}$ units of the capital good and $a_{12}$ units of labor. To make one unit of the consumption good one needs $a_{21}$ units of capital and $a_{22}$ units of labor. We set the price of the capital good equal to 1 by convention. The real wage (in units of the consumption good) is $w$, the rate of profit is $r$, and the price of the consumption good is $p$. We assume that the capitalists do not calculate profits on the advance for wages, only on constant capital. We can then lay down the following equilibrium conditions:

$$a_{11}(1 + r) + a_{12} \cdot w \cdot p = 1$$
$$a_{21}(1 + r) + a_{22} \cdot w \cdot p = p$$

Each equation says that capital + profit on capital + wages must equal price. The underlying postulate of an equal rate of profit in the consumption sector and the capital sector follows from the microeconomic postulate of profit maximization and the assumption of unrestrained competition, and can be justified in no other way. Given these equations, one can derive $r$ as an explicit function of $w$, and obtain the downward-sloping curve cited by Berger and Offe. Much more sophisticated treatments are of course possible. They all rest on the same basic idea: given the technical production data, one can specify in microeconomic terms the equilibrium conditions from which the macrorelations can be derived.

I find Gidden's strictures on methodological individualism hard to grasp, and his own alternative virtually impenetrable as presented both in his comment and, more elaborately, in the version offered in his "Agency and Structure." So let me latch on to the most tangible part of his argument, viz., that the structural properties of linguistic... systems cannot be expressed as qualities or descriptions of the conduct of either individual or collective agents. Syntactical rules, for example, are not attributes of individual speakers, speech acts, or of texts. They are instantiated in, and reproduced through, speech and writing, but that is something different.

I agree that language is the most plausible-looking example of a supra-individual entity instantiating itself in individual behavior. Yet the very fact of (structural) linguistic change shows the need to anchor these rules firmly in individual usage. It is the strain and conflict of rules in individual usage that set up a pressure for change, and relative stability is similarly explained by the (temporary) attenuation of such strain. The unfortunate legacy of Saussure is to set up a methodological dichotomy between synchronic and diachronic linguistics, with the concomitant view that the synchronic struc-