The prominence of the economics profession owes much to the development of macroeconomics. In tandem with its development in the 1950's and 1960's, economic policies in general and demand management policies in particular came to be held to be inevitable, and economists pretended to know the models on which such policies should be based. Economic developments in the 1970's have undermined this pretence by raising serious doubts about the effectiveness and practicability of demand management. In this respect doubts have also been raised about the explanatory and predictive power of macroeconomic models. Among macroeconomists these doubts have created much uncertainty. In the light of this uncertainty much attention has been given to the question of whether macroeconomics is consistent with, or reducible to, the conception of market economies as being governed by the interaction of individual optimising economic agents, that is, to put it more briefly, whether macroeconomics can be founded on microeconomics.1

Many answers to this question are closely related to the neo-Walrasian research program. In this paper we will discuss why and we will criticise this relationship. In particular, we will argue that it obscures the historical relationship between macroeconomics and the study of monetary economies, and that it implicitly attempts to underpin a pretence of knowledge, which, in our view, can never be justified. Basically, we focus on three arguments in support of this claim: neo-Walrasian analysis [a] still assumes too much perfection; [b] suggests proposals for future research which are unlikely to be fruitful and [c] owes its

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** Banque Paribas Nederland N.V., Amsterdam. Snippe contributed to this article on personal title. Accordingly, Banque Paribas Nederland N.V. does not bear any responsibility for the contents of this paper.

We are indebted to H. van Ees, J. de Haan, M.C.W. Janssen and to Professors S.K. Kuipers, A. Nentjes and J. Pen for their valuable comments and discussion on an earlier version of this article. Of course, they cannot be blamed for any remaining errors.

1 Although the uncertainty of macroeconomics has given much impetus to the search for its microeconomic foundations, it should be noted that some attempts to provide such foundations have already been made earlier. For examples for earlier work in this respect see e.g. Brumberg and Modigliani (1954), Ando and Modigliani (1963), Baumol (1952) and Jorgenson (1963).
justification to its ignorance of the abstract nature of macroeconomics. In summary, our argument will be that the uncertainty of macroeconomics cannot be resolved, as neo-Walrasians have suggested, by incorporating several aspects of uncertainty into macroeconomic models, but should rather be considered as a consequence of inadequate abstraction.

Our argument will be organised as follows. Section 1 deals with the argument underlying the relationship between the microfoundations question and neo-Walrasian economics. In section 2, we will argue that the neo-Walrasian view obscures some important aspects of uncertainty. Our criticism in this respect is closely related to our second objection, which is the subject of section 3: neo-Walrasian models are unlikely to be appropriate for a study of the role of money in the economic process. In sections 4 and 5 we claim that, independently of its inadequate treatment of uncertainty and money, the neo-Walrasian research program is likely to lead research to unfruitful questions. Finally, in section 6 we briefly present our view on the proper place and role of macroeconomics in economic theory and our view on the relation between microeconomics and macroeconomics.

1 MACROECONOMICS: A QUESTION OF MARKET IMPERFECTIONS?

A simple solution to the quest for microeconomic foundations for macroeconomics might be derived from the following comparison. Modern microeconomics is based on Walrasian general equilibrium analysis. General equilibrium theory deals with the economy 'as a whole.' So does macroeconomics. But whereas general equilibrium models involve the behaviour of disaggregated individual units, macroeconomics is concerned with aggregates. Such a simple comparison would seem to suggest that microeconomics and macroeconomics differ only in the degree of aggregation involved; a suggestion which implies that microeconomics might be used as a source of modelling techniques potentially applicable to the aggregate level and as a constraint on macroeconomic models. It also means that consistency with this constraint can be achieved by solving the aggregation problem, so that macroeconomics might be grounded in microeconomics by analysing under which conditions aggregation is possible and whether these conditions are consistent with microeconomics.\(^2\)

Such a simple conception of the microfoundations question is unacceptable, however, since there are important differences between microeconomics and macroeconomics that cannot be reduced to differences of aggregation. In fact, they often focus on different kinds of economic problems. For example, whereas Walrasian general equilibrium theory is based on models which either assume or produce coherent outcomes, much of macroeconomics is concerned

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\(^2\) On aggregation problems see Van Daal and Merkies (1984), Green (1964, 1977) and Lancaster (1966).