

sanity, humanity and science

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When social physics becomes a social problem: economics, ethics and the new order

Juan Pablo Pardo-Guerra (Mexico)

In an official speech just a few weeks ago, Inacio Lula Da Silva, the polemical and ever so intriguing President of Brazil, threw hunger and poverty into that fashionable category of 'weapons of mass destruction.' Mr. Lula's words were uttered not in a time of worldwide prosperity but in the midst of an international crisis of pandemic proportions: while global resources become increasingly endangered, the global governance system stands on the verge of collapse as some of the most powerful nations of the world disdain collaboration over intervention, concordance over imposition and dialogue over unilateralism. On the economic side of this dire picture, an important sector of the world's population has been driven to take to the streets to manifest its discontent with the surge in global inequality, often attributed to the malformed policies of organizations such as the World Bank and the International Monetary Fund. In contrast and following the long tradition of economic thought that has permeated the West for generations, the heads of these same global organizations blame countries like Brazil, the home of Mr. Lula, for not adapting their domestic policies to the demands of these liberal times we live in. If this were only an inoffensive divergence in worldviews, nothing important would be at stake. However, at the core of this discussion lies the fate of millions of people, from the marginalized citizens of Michael Moore's suburban USA to the famished refugees in Sudan. The destiny of global security lies not only in the proliferation of weapons of mass destruction or in the expansion of terrorist activities; the real peril lies in the increasing gap that inexorably divides the people of our world, the rich from the poor, the informed from the uninformed, the armed from the disarmed.

But who is to blame for the constant growth of this gap? Who is ultimately right: the alterglobalists¹ that took to the streets in Seattle or the high management of the Bretton Woods offspring?

Concerning the Two Chief Systems of the World

It is virtually impossible, if not political suicide, to identify a single cause for the widening socioeconomic gap that divides our world. The alterglobalists often blame 'the system' that lies on the other side of the barricades, whilst those who work for 'the system' often blame the alterglobalists for being blind to the benefits of living in a global village. The fundamental problem here lies in the fact that, in some sense, both parties see the world from different perspectives and epistemological backgrounds, therefore making dialogue among them a monologue in two voices. It is an outspoken clash of two radically different cultures.

The economists and policy-makers who work in one of the myriad institutions devoted to putting some order into the global economy grew up in a world that tagged them and their jobs as eminently rational in nature; most went to colleges where they studied the rationality behind choices; they were taught that economics is a science, specifically a science of society; they read Adam Smith, John Maynard Keynes, Paul Samuelson, John Stuart Mill, and even Karl Marx. They believe they are following the right track simply because they are implementing the very things they were taught to do. Activists, on the other hand, grew up in a world where the premises that economists and policy makers defended were simply not real; they saw the demise of the economic policies of the last three decades; they've seen the poverty of those affected by an uncontrolled globalization; they understood that economics is not as scientific as it claims to be; and they know that rationality is far from being carvings on a stone. The tools they have for understanding the world, both learned from theory and from practice, usually are at odds with those of mainstream economists.

There are countless examples of this philosophical divergence in the vast literature on both activism and globalization that one can find in any average bookstore. Take, for example, one of the central referents of many alterglobal activists, Naomi Klein. Consider the following paragraph extracted from a column published during the first days of the World Trade Organization's 2003 ministerial conference in Cancun, Mexico:

[the brutal economic model advanced by the World Trade Organization is itself a form of war] because privatization and deregulation kill--by pushing up prices on necessities like water and medicines and pushing down prices on raw commodities like coffee, making small farms unsustainable. War because those who resist and "refuse to disappear," as the Zapatistas say, are routinely arrested, beaten and even killed. War because when this kind of low-intensity repression fails to clear the path to corporate liberation, the real wars begin. (Klein, 2003)

These words, even at a rhetoric level, are in sharp contrast with those of Robert S. McNamara, former president of the World Bank, who in an interview with *New Perspectives Quarterly* mentioned:

Ninety-eight percent of the protesters are young people who are extraordinarily highly motivated, desiring to improve the welfare of the disadvantaged in the world, particularly in the developing countries, in China, the Indian subcontinent or sub-Saharan Africa. But they are totally wrong in their judgment that globalization is somehow the cause of poverty or standing in the way of reducing poverty. They are just totally wrong intellectually. (McNamara, 2003)

There is simply no immediate form of bridging the positions of the pro-globalists who believe in the predictions of the theory and the *in situ* practitioners who live the reality of the policies. And as countless news reports show, the combination of these two discursive worlds generates an explosive mix: thousands of protestors, clashes with local security enforcement agencies and—as was so terribly demonstrated during the 2001 G8 meeting in Genoa—even fatal outcomes. But despite all, there is a fundamentally simple way to defuse this deadly cocktail, one which is rather well-known but seldom referred to.

Perhaps the biggest obstacle that prevents these two rather distant worlds from establishing a steady dialogue can be traced back to the way in which economists are trained. I have chosen economists as the focal point of this assessment for they, in general, occupy positions that give them a more formal and official validation than that given to alternative social movements. Focusing our attention on economists is therefore following the track of political power and the channels that have a higher impact on the construction of history. But to understand and change the practice of economists one first has to comprehend their trade and this in turn requires understanding the complex web on which the modern economic discourse was built.

Building the ivory tower

Economics has suffered a series of dramatic changes over the last 200 years. From emerging as one of the strongest arms of moral philosophy, it has now come to resemble a formal, axiomatic dictum tailored with the patterns of physics and mathematics rather than with those of sociology and culture studies. In some sense, economics became an embodiment of the positive dream of a "social physics," a discipline capable of finding the general laws that rule our societies and our lives (Comte, [1830] 2003). This is not at all coincidental. As Philip Mirowski (1989) showed, the development of modern economics was closely linked to the evolution of 19th century mechanics, a deterministic and materialistic vein of thought that remains entrenched in the very fabric of many sciences.

With the dawn of the 20th century, economics became ever so mathematical. The fast advancements in the formalization of mathematics along with developments such as the game-theoretical construction of Von Neumann and Morgenstern set the stage for a new economic discourse designed to fit the many industrial, social and political convergences of the 20th Century. The original moral character of economics consequently became enclosed

by a sea of mathematical concepts, from Arrow and Debreu's theory of value, to Stiglitz's asymmetric information. Very few escaped the mathematization of the discipline; most of the survivors were old school economists of the type of Frederick Hayek and, to some extent, John Maynard Keynes. But today, decades after Bretton Woods and the institutionalization of economics as the basis of the world order, it is rare to find an economist who conceives mathematical formality only as a limited tool and not as the core of modern economic theory.

In the process of merging economics and mathematics two fundamental things were left behind. On a theoretical level, and repeating to some degree the path taken by physics, systemic complexity became something that could not be handled *within* the mainstream theory. Economic systems, just as ideal gases, were now seen as regulated by a small set of rules (utility maximization, cost minimization, benefit maximization, informational efficiency, general equilibrium and so forth) all of which were immutable, additive and universal. Even today, in a time where complexity studies have been present in academic circles for decades in areas such as technological innovation and financial economics, standard texts such as Hal Varian's *Intermediate Microeconomics* (1999) still contain deeply reductionist ideas such as the one quoted below:

Economics is based on the construction of models of social phenomena. By a model, we understand a simplified representation of reality. [...] The power of a model comes from the suppression of irrelevant details, which allows the economist to focus on the essential characteristics of the economic reality which he tries to comprehend.

Furthermore, and on a purely discursive level, the association between economics and mathematics allowed for a quick dissociation from ethical discussions. What had originally been in words of Kenneth Boulding a 'moral science' transmuted, due to the force of positivist influences, into a 'hard science' (Averly, 1999). Along with compacting complexity, this shift in worldviews allowed economists to isolate themselves from ethical issues through the same arguments of universality and value-independence that granted physicists a certain degree of immunity when they were involved in questionable research programs. One can still find amongst many mathematical economists the same arguments of beauty and cognitive purity that were seen in the physics community during the development of atomic weapons in the Cold War. From the time economics became fortified with the tag of 'being scientific', the global economic agenda was set beyond the boundaries of ethics, from a domain where the only acceptable dictums were those of the factual laws of our societies.

Living in a pluricultural world

We now start to see a familiar terrain. The 'ethics and science' debate is part of an important tradition that criticises the administration of scientific resources and the consequences of research on our lives and the future in general. However, and for the most part, this debate has been concentrated on the role of hard sciences. Physicists are seen as the creators of nuclear weapons; chemists are seen as the developers of mustard gas and other deadly agents; and biologists and biochemists are associated to a vast array of bioweapons that pose a great danger to all of humankind. But rarely does anyone mention the other 'weapons of mass destruction,' namely poverty and hunger, overall far more critical than any of the weapons used so far in armed conflict. If we are to blame economics for this construct, then how should we confront the challenge of the 'ethics of economics'?

The answer is not necessarily simple, though as a first step we could think of using the same strategies as the ones used in other disciplines (such as physics) but adapted to a primordial social context. This can be done by means of two different though not contradictory paths:

1. By strengthening the debate on the theoretical limits of economics and the impossibility of existing mathematical techniques to describe with no uncertainty or loss of complex phenomena, therefore opening an avenue for an 'economic precautionary principle'.

2. By eroding the division between theory and practice in such a way that ethics becomes a necessary tool for coping with complex economic issues. In this sense, cultural environments should be thought of as the key element in the ethical debate: is it ethical to export economic structures to regions of the planet that have a different cultural background? How do we deal with inequality from an ethical perspective? This is, in itself, an educational pathway, one that is not present in most of the current curricula in economics.

The reason for establishing these two paths is simple. Firstly, they both have a certain degree of appeal that might draw important groups of non-economists into the debate, for example activists, politicians and the general public. Hence, it is important to see that, if incorporated into the educational process of economists and policy-makers, ethics could potentially serve as a bridge between the two worlds in which our planet is divided. Additionally, ethics serves as a conveyer of the local needs of a specific population, being capable of translating the local reality onto a variety of perspectives. This results in a better communication between groups, one that might help alleviate the problems of a vast sector of the world's population. Secondly, they open new areas of research and expand the current possibilities of theoretical studies. Though complete awareness of our social universe is impossible, such a shift in views might create the need for new methodologies and analytical techniques not considered in the past. This is, in itself, an immensely valuable expansion of economic theory.

Independently of the choice, it is important to remember that ethics has the potential of being the ideal communication scheme across cultures and borders, including between the advocates and the opponents of the current economic model. Therefore, it is important to incorporate the 'ethics and economics' discussion into the 'ethics and science' debate.

A final note

How does all this affect the Post-Autistic Economics Movement? For one, it opens the possibility of collaborating with a whole new set of movements, that is to say, with those involved in the study of ethics and science. But more importantly, it presents itself as a concise policy recommendation: economics cannot be without ethics if our real objective is to help the world evolve into a better, more equal state, and not to perpetuate the divide that segregates our citizens, keeping them eternally confronted.

Note

1. The term alterglobalist comes from the Spanish word "altermundista" which categorizes all the movements that are against the current mainstream economic trend. However, it is a much broader term than "anti-globalists." For example, the Pugwash Conferences are an alterglobalist organization because they believe in a world free of nuclear weapons (something far from being the global trend over the past 50 years). However, Pugwash is not against globalization *per se*; instead it is seen as a potentially beneficial force.

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The Political Economy of Destructive Power

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1. Destructive power: a new field of study

From its inception, Political Economy has been interested in analysing the value that agents, individually or collectively, can produce or exchange at national or international levels. According to Say, Political Economy has to be “confined to the science which treats of wealth” and “unfolds the manner in which wealth is produced, distributed, and consumed” (Jean-Baptiste Say, [1821] 1964, p. xv). The main object of Political Economy is thus the *productive power* of human beings. But what about their *destructive power*? This latter question is not less important than the traditional central question of Political Economy, since it is easier to *destroy* than to *create*. In fact, we are able to destroy a hundred or even thousand times more than what we can create.

The *creative power* of an ordinary healthy high-school graduate may amount to no more than four or five thousand dollars of value per year. This creative or positive economic power refers to the graduate’s capacity to produce or to exchange. But that is not the only economic power that he possesses. As an extortionist, for example, he can destroy a hundred times more. Furthermore, extortion can be used by a criminal, a brigand, or a revolutionary. Whatever the extortionist’s motive, it is *destructive power*, the power to destroy use values or exchange values, that he uses. Is the question *how much can an agent destroy* irrelevant to Political Economy? Neoclassical economists say that it is.

Neoclassical economics rejected social disequilibrium and conflict, and assumed a sustainable harmony among individual agents through a market economy. Consequently, revolutions or radical conflicts undermining the social system are considered to be “unnatural” or irrational, and thus treated as actions resulting from passions and emotions and not from reason. Since by definition Neoclassical economics was the study of “rational behaviour”, the study of this type of irrational behaviour was, as Pareto urged, delegated to sociology, politics, psychology and history. Of course, Pareto ([1902] 1966) acknowledges that “The efforts of men are utilized in two different ways: they are directed to the production or transformation of economic goods, or else to the appropriation of goods produced by others”. However, since the appropriative activity does not come within the scope of free choice, it can not under the Neoclassical view concern the economist.

It is true that elementary textbooks frequently introduce the production possibilities frontier between “guns” and “butter” (as Samuelson’s favourite example describes the optimal allocation of resources in his *Economics*, 1948) to illustrate the nature of the economic problem and the concept of opportunity cost. It is noteworthy, however, that they never consider the question of how “guns” might be used in a *destructive* manner to appropriate resources from neighbouring peoples or states, and thus push out the production possibilities frontiers of the society.

I propose an alternative approach to Political Economy, one that considers both the *creative* and the *destructive* power of human beings. This requires that a new field of study, namely *destructive power*, be explored by economists. This field consists not of fragmented and specialized studies regarding the military sector, criminal activities or the economics of warfare. Instead it embraces the *destructive power* of human beings in all its diverse forms. Federating existing fragmented studies will not achieve a general comprehension of destructive power, because these studies are based on standard and inappropriate economic assumptions and methods, such as maximizing and rationality behaviour, and individual cost/benefit analysis. In this paper I am going to explain what I mean, in an economic context, by destructive power.

2. Definition of destructive power

To understand destructive power, we must distinguish between destruction as an integral part of “creation” (or what Hegel calls “specific, limited or definite negation”) and destruction as the antithesis of creation (or what Hegel calls “abstract negation”, [1807]1977, pp. 359-60, 567-68).

2.1 Destruction as an integral part of creation

In a sense, *destruction* can be considered as the very act of *creation*, since all production involves what might be called “destructive transformation”, like wheat being ground into flour, or flour baked into bread (Boulding, 1989, p. 239). To produce a chair, we need to use, consume, and thus *destroy* wood, and the destruction of wood in a particular way leads to the construction of the chair. Final consumption can also be viewed as a form of destruction. Destroying a product through consumption is the counter part of creating utility. In this sense, destruction is part of creation.

In a similar way, innovative activity can be considered as *creative destruction*, as Schumpeter referred to the process of capitalist development (Schumpeter, 1951, chapter vii). This kind of destruction is the direct outcome of innovation, namely the *destruction* of old products, past processes of manufacturing and archaic forms of organisation through the introduction of new products, ways of producing, and organisational methods.

The process of learning is also a kind of *self-destruction*, namely the reshaping of our knowledge framework, the rearrangement or reconstruction of our data and mental representations, and through which biases can be removed or replaced by new ones. Science can be defined as a form of *destruction*, or a process of permanent destruction of certain ideas, concepts, or paradigms. The negation of past knowledge is *mental destruction*, which like *material destruction*, may give birth to the construction of something new, in this case new knowledge.

The accumulation of capital involves concentration and centralisation of different forms of capital (such as industrial, financial, or commercial capital) which results in the elimination of small property owners. Property rights are not limited to *holding things for oneself*, since through capitalist development, they result in *withholding things from others* (Commons, [1924] 1995, pp. 53-54). Thus this process of capital accumulation generates *bankruptcy*, i.e. the destruction of certain firms and the creation of new firms, *job destruction* and *job creation*, as well as mergers and acquisitions in financial markets with their direct consequences in terms of *value creation* and *value destruction*. Competition as a natural selection mechanism of capitalism brings into play forces necessary to weed out elements which can hinder capitalist development. Budget, monetary and financial constraints provide economic sanctions through which competition exerts its full power as a selection mechanism. In all these cases, destruction is an integral part of the creative process. Overconsumption and overproduction are part and parcel of economic crisis. Karl Marx clearly speaks of the “destruction of capital” through crises (Marx, Part II, [1861-3]1978, pp. 495-96) and distinguishes two different meanings of *capital destruction* during crises, namely *destruction of real capital* (use-value and exchange value) and *destruction of capital* defined as *depreciation* of exchange values. Destruction of capital through crises constitutes a necessary moment of the capitalist reproduction process. In this respect, destruction of values is an integral part of value-creation. Nonetheless, the *destructive power* of crises is a “spontaneous” or an “unintended” destruction which does not result from strategic decisions of individuals or social groups.

2.2 Destruction as the antithesis of creation

To differentiate destruction from creation, we have to focus on *abstract* destruction, for which destruction is not just a moment of the creative process, but constitutes a moment in itself: it means *destruction for the sake of destruction*. This is what Boulding refers to as “the dark

side of destructive power”, which goes back a long way, as shown in the story of Cain and Abel (1989, p. 22). This brings us once again to *threat power* which is different from *creative power*. The remainder of this paper will focus on this particular sense of destruction and *destructive power* rather than on destruction as an integral part of creation.

Strictly speaking, destructive power is threat power that may lead to the destruction of use or exchange values or even human beings and nature. This *instrumental* definition of destructive power is free of value judgments. I do not necessarily consider a destructive action to be a “bad” or Mephistophelian one. By the same token, a creative action is not necessarily a “good” action. In other words, my distinction between destruction and creation, as well as destructive and creative value is not based on an *ethical* criterion. It does not mean that the ethical or legitimising aspects of any recourse to destructive or creative power are denied, it simply implies that in this definition, the value has a purely *instrumental* character, and does not contain a *judgmental* value.

Moreover, destructive power should not be reduced to *violence* (revolution, civil war and war, terrorism, hostage taking or other criminal type of activities). It also includes *non violent* activities (strikes, demonstrations, or deliberate exclusion). Among different non-violent forms of destructive power, exclusion plays a key role. Exclusion is the supreme mechanism available to a dominant institution (academic, religious, political, economical or cultural) or a social group, caste, or nation, enabling it to exert its destructive power against opponents.

Destructive power is both physical and moral or spiritual. The earliest civilisations were allegedly based on priesthoods. Priests established social rules and threatened disobedient people with social exclusion or divine punishments. Non-believers were told they would be punished by preternatural powers and should expect to endure excruciating pains after their death by going to an awful place like hell, while believers were promised a blissful life in a beautiful place like paradise. *Moral destructive power* can be carried out through moral threat. However, there exist other forms of this power that cannot be reduced to moral threat. For instance, gossip is not a moral threat. But it can spread scandals against certain targeted people, put them down, exclude them from collective action or groups, and even morally lynch them. If in gossip, destroying one’s reputation is not necessarily based on the truth, in blackmailing, the non-revelation of the truth can be a source of power.

Lying and historical forgery are other forms of destructive power that can destroy individual or collective memory or identity. This sort of behaviour cannot be reduced to a situation of asymmetrical information. It may be deployed by a dominant group that tries to impose its “truth” by every means, including destroying facts, historical forgery and excluding non-believers. As Napoleon justly remarked: “What is history but a fable agreed upon”.

Finally, destructive power can be *individual* or *social*. When a child “cries” or “breaks things” and throws a tantrum to impose her/his desire on its parents, s/he is using her/his individual destructive power. But the power of a community to exclude or to sanction is its social destructive power. Destructive power has a strong integrative power. Its importance in social integration is such that the etymology of “society” gives credence to the idea that “society” was historically perceived as a *military alliance*. Let us examine the etymology of “society”. It derives from the Latin word *societas*. This elaborated *socius*, meaning a non-Roman ally, a group willing to follow Rome in War. Such a term is common in Indo-European languages, deriving from the root *sekw*, meaning “fellow”. It denotes an asymmetrical alliance, society as a loose confederation of stratified allies.” (Mann, 1986, p. 14). The recourse to destructive power is not only a symptom of crisis or disequilibrium, but a constant dimension of collective action.

3. Two different functions of destructive power

Destructive power has two different functions: *appropriative* and *rule-producing*. Although these functions are inextricable, I treat them separately for theoretical clarity. For example, the war of the Bush administration against Iraq is being waged to pirate Iraq’s petrol and to control its economy. In this sense, war as a form of destructive power has an *appropriative*

function. But this colonialist war also has a *rule-producing* effect, since the United States tries to establish its sovereignty over Iraq, its hegemony in the Middle East, and perhaps to draw a new map for the whole region in co-operation with Israel. These two different functions are present in other forms of destructive power. A revolution is for changing rules, but it also has an appropriative aspect. In the case of strikes, the *appropriative* function is straightforward, since their targets are usually to increase salary, reduce working hours and so on. Nevertheless, strikes also decide on the way an enterprise should be run. For workers' trade unions, striking is a very strong means that allows them to negotiate with employers concerning workers' participation in the management. Even the right to strike is an important political question that involves the *rule-producing* function of destructive power. Criminal activity, as another form of destructive power, has both types of function. Its pirating or *appropriative* function is obvious, but it has a more enduring effect, namely a destabilising or *rule-disturbing* effect which implies disorder, anarchy, and insecurity.

3.1 Destructive power in its appropriative function

The difference between these two functions is crucial. Destructive power in its *appropriative* function is a means, whereas in its *rule-producing* function, it is an end in itself. In the former case, destructive power can be defined as an alternative means of reallocating resources. It can be dubbed "rent-seeking", "predation", "appropriative" and be integrated in a rational expectation or general equilibrium model of individual agents choosing between creative and destructive activities in accordance with their *private* costs and benefits. In a perfect world of fully informed agents with no randomness, and devoid of radical uncertainty, it can be shown that the *appropriative* function of destructive power may be realised with no real destruction or violence (See Grossman and Kim, 1995, 1996). All strands of the Neoclassical approach, such as rational conflict theory, general equilibrium models of violence, and socio-political instability models of new political economy lead to this result. *Money neutrality* in a general equilibrium model of creative activity is analogous to *violence neutrality* in a general equilibrium model of appropriative activity. In both cases, money and violence are considered to be the means to achieve a particular end. In Neoclassical theory, money neutrality is related to the role of money as a means of commodity circulation, or *fiat* money. By the same token, violence neutrality is related to the role of destructive power as a means of appropriation. In both cases, money and violence disappear in equilibrium. Agents are regarded as self-interested and calculating individuals endowed with *ex ante* rationality and maximising behaviour.

3.2 Destructive power in its rule-producing function

Destructive power in its *rule-producing* function resembles money as a *store of wealth*. Money in its function as a store of wealth is required for its own sake, for its *liquidity* and can be regarded as an end in itself. What determines the *liquidity preference* of people? "Our desire to hold Money as a store of wealth is a barometer of the degree of our distrust of our own calculations and conventions concerning the future [...] The possession of actual money lulls our disquietude; and the premium which we require to make us part with money is the measure of the degree of our disquietude." (Keynes, 1937, p. 216). Uncertainty about conventional judgements resulting from a multitude of agents' anticipation about the state of the market in the future, and their distrust about their own calculations are the sources of *liquidity preference*. Money can serve as an insurance against uncertainty because of its *social* or *universal* value. *Liquidity preference* is thus decided not by *individual* agents but by conventional judgements, which are formed through a *social* process. In this process, the dominant opinion of the leading deciders in financial markets determines the *social norm*.

Destructive power in its *rule-producing* function is most likely required for its own sake, since it is the foundation of law or legal order. Destructive power as the last resort to maintain a desired order can overcome or mitigate our distrust about the possible violations of order by others. While the *appropriative* function of destructive power may be dealt with in an individualistic framework, the *rule-producing* function of this power can only be grasped in a social context. Keynes's famous phrase "in the long run, we are all dead" reveals an important

aspect of economic reasoning. Any individual is concerned first and foremost by economic interests during her/his personal lifetime. Individuals do not behave as species or dynasties with regard to their short-term economic interests. However, it is true that in war as well as revolutionary action "individualism is the first to disappear" (Fanon, 1968, p. 47). In such cases, one can observe a kind of group coherence which is more deeply felt and shared by large masses of people and shows a much stronger, but less enduring, attachment than all other varieties of private or civil friendship. Individual self-consciousness thus turns into a collective consciousness and the immortality of the species takes the centre stage of our experience. Nonetheless, it is not only in wars, revolutions, or other violent forms of action implying death that we are confronted with this sort of behaviour. In almost all protestations undermining the existing order, individuals become conscious of their role as part of a species or a dynasty. Broadly speaking, if economic reasoning leads to Keynes's motto that "in the long run, we are all dead", political reasoning results in the opposite motto "in the long run, we are all alive". The time horizon of economic reasoning is different from that of political reasoning.

Destructive power in its *appropriative* function follows economic or *private* reasoning, whereas destructive power in its *rule-producing* function complies with political, social groups' (classes) or *public* reasoning. This explains why the *appropriative* function of destructive power is consistent with an individualistic Neoclassical framework, while the *rule-producing* function of this power is in contradiction with such an approach.

Conclusion

Integrating both functions of destructive power into Political Economy is a new challenge for economists who think that economics should extend its traditional frontiers as a science of creative power of human beings. My objective is to bring together the question of sovereignty with that of property, which is more in tune with what Adam Smith (1776) considered to be the main concern of Political Economy: "The great object of the political economy of every country is to increase the *riches* and *power* of that country". In doing so, I must emphasise that my intentions are free from economic imperialism for two reasons. First, I do not find the application of the present standard assumptions of economic analysis such as rationality and optimisation appropriate for my goal. Second, the integration of destructive power in economic analysis requires economics to come closer to other social sciences, such as philosophy, political science, psychology, sociology, and military science. Nevertheless, I think that in analysing the *value* of *destructive power* economists have something to say, since they have been dealing mainly with the issue of value over the last three centuries. As a student of social science, I have tried elsewhere (Vahabi, 2004), to take advantage of all social sciences that are relevant to my subject in order to contribute to the *Political Economy* of destructive power. This effort comes within the scope of an approach that regards Political Economy as a discourse both on the creative and destructive power of human beings.

Note

1. Contact address: Mehرداد.vahabi@wanadoo.fr. This article draws extensively on a book I have recently published: Mehرداد Vahabi, *The Political Economy of Destructive Power* (Edward Elgar, 2004).

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Symposium on Reorienting Economics

Irrelevance and Ideology

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There are plenty of interesting ideas in Lawson's book about how economic theory and practice need to be "reoriented". I agree with him that economics must start from observation of the world where we live. I must say, however, that I do not see why Lawson needs the special word "ontology" to designate an "enquiry into (or a theory of) the nature of being or existence" (p. xv). Nor am I convinced by his "evolutionary explanation" – in Darwinian terms – of the "mathematising tendency" in economics (Chapter 10)¹. But I do not want to discuss these complex subjects here. I am only going to consider Lawson's main criticism of neoclassical economics: its "lack of *realism*". I think that it is not the appropriate objection: *all* theories lack realism, as they take into consideration only some aspects of reality. Everyone agrees on this, even neoclassical economists. The real problem with neoclassical theory is not its 'lack of *realism*' but the "ideology" (a word Lawson never uses) that it smuggles in and carries with it.

Lack of realism and *homo oeconomicus*

If economics needs to be "reoriented", it is because its present orientation is wrong. What precisely is wrong with its orientation? If you read Lawson's book, it is wrong partly because of the assumption about man that it adopts. Man is assumed to be "rational", "omniscient", "selfish without limit" and so on. For example, in the section called "Fictions", in the first chapter about modern economics, Lawson writes:

Assumptions abound even to the effect that individuals possess perfect foresight (or, only slightly weaker, have rational expectations), or are selfish without limit, or are omniscient, or live for ever (p. 18).

Or, to quote him again :

Just as a class of assumptions, such as rationality or total greed, always appear in order to render the human agent atomistic, a further set of assumptions, like a given number of agents or three goods and two periods, are always in place serving to fix the boundaries of the analysis, to isolate the set of atoms on which the analysis focuses. (p. 19).

According to Lawson then, the fundamental "lack of realism" consists in considering individuals as "atoms", and as "isolated":

The reasons for the fictitious nature of modern economics, then, are clear. To the extent that human beings as well as society are, in reality, complex, evolving and open, a methodology which necessitates that the subject-matter addressed is everywhere atomistic and isolated is likely very often to throw up accounts of human individual and collective behaviour that are fictitious and rather superficial, to say the least (p. 19).

The problem with this objection is that a neoclassical theorist would agree with it. He would argue that he is considering only a special aspect of human behaviour: the fact that people try to pay less (rather than more) for a given good, or try to get more satisfaction (rather than less) from given resources. They then try to derive or to "deduce" (to use a word that Lawson doesn't like) certain *ceteris paribus* consequences from this assumption.

Actually, almost all economists, classical, neoclassical or others, agree that humans are not completely selfish, or greedy; but they say that this is not the aspect of human behaviour they

are reasoning about. It is the other aspect they are focussing on, and who can deny that self love exists? Even Marx supposes that the capitalists' motive is profit², and that workers try to get a better life. This is all that is meant when neoclassical theorists assume that people are rational.

On the other hand, neoclassical theorists *do not* assume that people are 'omniscient', because this would be nonsense (consequences of my decisions depend of others' decisions which depend, at least partly, of my decision³). Sometimes, not often, they suppose that people have an infinite life. This is an approximation that can be accepted: in general, when we take a decision concerning present and future, we do not think about death (we suppose that we will still live a long time). This is 'unrealistic', for sure, but not enough to say that the theory is irrelevant, or without interest.

Actually, the main problem with "modern economics" (neoclassical theory) does not stem from the type of man (the infamous *homo oeconomicus*) that it supposes, but from the type of "social structures" that are supposed or implied. The problem with these social structures is not exactly that they *lack realism* but that they are *totally irrelevant*.

"Modern economics" and social structures

Tony Lawson also insists on the importance of what he call "social systems", or "social structures", or "structured processes of interaction" (p. 43), and he is right in doing so: human (rational) action can be determined – for *logical reasons* – only if rules and context are unambiguously defined. One of his main objections to "modern economics" is that it is "atomistic" – that people take their (optimal) decisions in an "isolated" way; it would seem then that for Lawson, no "social structures" are implied in neoclassical models (one more example of their "lack of realism"). But social structures *are implied*, and it is a pity that Lawson never mentions them, as they are the real Achilles' heel of neoclassical economics – and, more generally, of methodological individualism. This is because it is not enough to say that people are rational, and that they "optimise". Even in the simplest model - bargaining - it is supposed (as a minimal requirement) that people don't use force (that trade is voluntary). But bargaining results depend on a lot of factors, such as bargainers' psychology, resources, impatience, etc.. To obtain a determinate result (or prediction), more "social structure" is needed. Consider the neoclassical benchmark model, perfect competition. It supposes a very special and strange "social structure": households and firms are *obliged* to "take" prices, given by an auctioneer, and to inform him of their supplies and demands at these prices; they *are not allowed* to bargain and trade directly among each other, even if the auctioneer has found equilibrium prices. Now, one could say that this model "lacks realism". But, wouldn't it be more appropriate to say that it describes a completely different kind of reality, or social structure – that it describes not a market but a centralised economy, with specific rules and institutions?

Neoclassical economists (and, unhappily, almost all heterodox economists) *never* present perfect competition in this manner: they speak, as Lawson does, of "atoms", "many agents", and so on. They prefer to discuss the lack of realism of *homo oeconomicus* rather than about the total irrelevance of the social structures *implicitly assumed* in their models.

What about ideology ?

Lawson also discusses econometrics, especially the "Lucas critique". But here again, the problem *is not* with econometrics – or the "realism" of its *statistical* assumptions; it is with the "social structure" that Lucas and others suppose, in their models, as they reduce the whole economy to a "representative" agent's choice – or to a "young" choice in an overlapping generations model. This obviously is *nonsense*, as it is also to discuss econometric tests about these models (even if you obtain $R^2 = 0,99999$). The same can be said about "Real Business Cycle" and "Computable General Equilibrium" models. The question is, again: how such intelligent people can propose – and endlessly study – such *stupid* models? I only see one reason for that: *ideology* (intuitive beliefs which render them blind). Here, the belief

alluded to is that “market mechanisms” (whatever that may mean) produce “efficient” results – if you abstract from “frictions”, “failures”, etc. (ignoring these “imperfections” being, for neoclassical theorists, the principal reason of “lack of realism”). As there is a strong link between competitive equilibrium (that is, with auctioneer, etc.) and efficient states – link given by the two Welfare Theorems –, then competitive equilibrium *must be* identified with “perfect market” (as both are supposed to be efficient). In some books (especially those on growth, in the “macro” mood – as those of Romer and Barro & Sala-I-Martins), perfect competition and an “omniscient” “representative agent” (or planner) choice are presented as giving the same results. How can a normal person make any sense of this ?

Identifying the real reasons why the standard, dominant theory is *totally irrelevant* is an unavoidable first step, before proposing some other – completely different – alternative theory, whatever theory one may wish to propose. For that, you do not need complicated “methodological” or “epistemological” or “ontological” debates.

Notes

1. Quite curiously, Lawson refers to Richard Dawkins' theory of evolution, which seems to be inspired, at least partly, by neoclassical theory (the title of Dawkins' popular book is *The Selfish Gene*, and sometimes he writes that genes have “utility functions”).
2. Bourdieu does the same thing but with an enlarged vision of capital (which includes “culture” and networks)
3. The only interesting aspect of game theory is that it insists on this point: even when there is common knowledge about players' characteristics and the rules of the game (issues, payoffs, etc.) – that is, “omniscience” –, each rational player's decision depends on his *beliefs* about others players' decisions.

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Symposium on Reorienting Economics

Conjectural Revisionary Ontology¹

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Mainstream economists also aim at identifying underlying mechanisms

Tony Lawson (1997, 2003) has both been cherished and chastised for his characterization of mainstream economics as being positivist in methodological orientation, as dealing with closed instead of open systems, as aiming to represent event regularities (of the form “whenever event x then event y”) instead of underlying causal structures and mechanisms and as exemplifying a mathematical-deductivist style of theorizing and modelling.² Lately, in a reply to Reiss (2004), however, Lawson states that he never held that mainstream economists are only interested in event regularities. Nor did he ever assert that neoclassical economists ignore or deny the existence of underlying causal mechanisms. Lawson asserts that he never questioned that mainstream economists entertain broader visions of economic reality consistent with the causalist ontology that he himself accepts. What he rather always held, Lawson argues, is that their preferred mathematical-deductivist style of theorizing cannot possibly do justice to such broader visions: “... the prior attachment to certain sorts of mathematical methods imposes an (often unnoticed) ontology mostly inconsistent with those visions” (Lawson 2004, 337).

What I like about this argument is that it gets a possible misunderstanding that mainstream economics denies the existence of underlying causal mechanisms out of the way. What I disagree with, however, is the presumption that adherence to a mathematical-deductivist style of modelling imposes a ‘flat’, non-layered empiricist ontology. I think this presumption is simply wrong. Of course, if one accepts Lawson’s understanding of deductivism as a type of explanation in which regularities of the form ‘whenever event x then event y’ are a necessary condition (Lawson 2003, 5), the rightness of the presumption follows by definition. But if by ‘deductivism’ is meant (as I think it often is) a strong preference for a particular type of inferences from axioms and assumptions, then the presumption seems unwarranted. One can insist that a theory should be axiomatized, that axioms (or postulates, or first principles) should be at the basis of any theory and that all of its hypotheses should be deducible from them, for example, and yet maintain that what the axioms and theorems are (or should be) about are underlying causal mechanisms rather than observable regularities.

As far as I can see there is nothing in the Bourbaki-type, set-theoretic *ethos* that long dominated economics that prevents theorists from trying to represent underlying causal mechanisms and from exploring their consequences. What is more, many mainstream economists arguably aimed at doing precisely this. A case can even be made that Friedman, taken by many to be the spokesman of a non-realist orientation in economics *par excellence*, professed his belief in a layered ontology: “A fundamental hypothesis of science is that appearances are deceptive and that there is a way of looking at or interpreting or organizing the evidence that will reveal superficially disconnected and diverse phenomena to be manifestations of a more fundamental and relatively simple structure” (Friedman 1953, 33). Elsewhere Friedman argues that economic theory should concentrate on such an underlying fundamental structure, on “common and crucial elements”, and abstract from other elements and factors in “explaining” phenomena (*ibid.*, 14). Precisely because economists in their theories abstract from non-common and non-crucial, but nonetheless actually occurring disturbing factors should the regularities or tendencies that their theories predict not be expected to be empirically observable event regularities. Yet if the elements that their theories do concentrate on are really crucial, the regularities predicted should somehow be discernable in observed empirical data.³ This depiction of Friedman of what economic theory does and does not do and what it can and cannot aspire to is not some credo of “Official

Methodology” that is alien to what practising mainstream economists actually do. It seems that in his own contributions to economic theory Friedman set out to do exactly this: to identify and specify crucial underlying structures and mechanisms.

This is not to say that *what* underlying structures and mechanisms economists believe to be actually working in ‘the real world’ can be readily read off from their theories and models. Sometimes the structures and mechanisms that they believe in are explicitly theorized and modelled. But at other times their assumptions and hypotheses do not reveal their ontological beliefs. Again Friedman (1953) is exemplary. Friedman famously argued that assumptions of economic theory should not be taken too literally. In particular, economic theory is not committed to the belief that economic agents actually go through the deliberations and calculations that economic theory’s behavioural assumptions seem to ascribe to them. Economic theory is only committed to the belief that economic agents behave *as if* they actually went through these deliberations and calculations. For example, business men need not actually base their decisions on a comparison of marginal costs and revenues, as is assumed in neoclassical theory of the firm. As long as their actual behaviour is consistent with this assumption, is the theory applicable. At this juncture one might rightly wonder what then are the actually operating underlying mechanisms that make economic agents behave the way they do, if they are not the deliberations and calculations ascribed to them that make them do so. At some point in his essay Friedman suggests that it is something like ‘natural selection’ in competitive markets that leads business men to behave *as if* they increase production until the point where marginal costs equal marginal revenues (see Vromen 1995 for a more detailed discussion).

What this shows, to repeat, is that the particular beliefs that economists entertain about underlying mechanisms in the real world need not be readily discernable from the assumptions and hypotheses in their theories. Even theorists such as Friedman who argue that the actual determinants of behaviour are irrelevant (as long as the behaviour actually displayed is consistent with the assumptions made) happen to entertain particular beliefs about underlying mechanisms in the real world. This raises the question why such economists do not see a need to model their beliefs explicitly. Why does Friedman not model competitive ‘market selection’, for example, if he believes that that provides the key to understanding industry behaviour? As I take it, here we come across one of the main differences between how mainstream economists and how Lawson think how a multi-layered real world should be tackled theoretically. The real difference is not that their adherence to mathematical-deductivism forecloses mainstream economics to focus on underlying mechanisms, whereas Lawson insists that focusing on underlying mechanisms is exactly what a satisfactory economic theory should do. Both camps hold that a satisfactory economic theory should identify underlying mechanisms. A real difference is rather that Lawson urges economists to model real underlying mechanisms explicitly, whereas many mainstream economists seem to think that this is not necessary.

The reason why these mainstream economists do not think this is necessary, I submit, is that they weigh various theoretical virtues that a theory might have differently from how Lawson weighs them. If some assumption is not believed to identify and specify an actually working underlying mechanism in the real world, then Lawson most probably would reject such an assumption as being deficient. By contrast, as we have just seen, at least some economists do not see a need to reject it. Following the *dictum* “If it ain’t broke, don’t fix it”, they apparently do not believe the assumption to be deficient. Why not? It seems that one of the reasons that they cling to this assumption is that it allows them to retain models that they cherish for their elegance, simplicity, parsimony, tractability, unifying power and the like. It seems that Lawson wants to assign greater weight to other theoretical virtues such as truth, realism (or realismness), credibility and plausibility. Elegance, simplicity, parsimony and the like cannot compensate for the deficiency of theories lacking in these respects. Theories and models that have greater plausibility in identifying real and important underlying mechanisms should be preferred over theories and models having less credibility in this respect, even if that would go at the expense of parsimony and tractability. Lawson’s plea to bring about an ontological turn, to bring in ontology, can thus be understood as an attempt to redress the balance in theoretical virtues in economics.

A second significant and more straightforward difference between mainstream economics' and Lawson's preferred take on underlying mechanisms is that each camp has a different view on what are the important underlying causal mechanisms. Lawson presents his own theory of social ontology that self-consciously differs from the mostly implicit social ontology that mainstream economists have in the back of their minds. In Lawson's theory of ontology, social structure is an emergent property that has an existence and that has causal powers of its own (i.e., that irreducible to the individuals involved in its emergence and persistence), for example. Social rules and social positions are allotted a prominent place in Lawson's ontology. In mainstream economics' social ontology all this is denied. That is to say, many mainstream economists subscribe to some sort of ontological individualism, according to which only individuals and their properties really exist. Social phenomena are seen as intended or unintended consequences of actions and interactions of individuals. As it is denied that social phenomena have an existence of their own, they cannot causally affect properties and behaviour of individuals.

Ontology as a final arbiter in assessing economic theories

Taken together, the two significant differences between mainstream economics and Lawson's plea to reorient economics identified here seem to suggest that the thing to do next for Lawson is to work out his own social ontology in a full-fledged alternative economic theory. Such an alternative economic theory should not necessarily be as elegant, simple, parsimonious and the like as mainstream economic theory. Losses in these theoretical virtues would be more than compensated for by the alleged gain in terms of truth, realism and the like. I would be all in favour of this. But this is not the direction in which Lawson takes his social ontology. Lawson puts his social ontology and his realist transformational model of social activity to a different task. These he uses to assess the merits and demerits of economic theories and models put forward by others. Lawson adds all kinds of qualifications and disclaimers to his realist transformational model of social activity. He argues that his own social ontology is "... practically conditioned, historical and fallible" (Lawson 2003, 61). But this does not prevent him from endowing it with quite some authority in assessments of economic theories and models. It is his transformational model of social activity that he uses as some sort of template to accuse mainstream economics of misplaced universalising. It is on the basis of his transformational model that Lawson argues that whereas mainstream economics pretends to provide a universally applicable theory, it is applicable to special cases only. Similarly, although Lawson is much more sympathetic to evolutionary economics, evolutionary economics is also argued to cover only some of the possible sources of economic change. It is his own transformational model that is said to offer a fuller story (Lawson 2003, 131). Evolutionary psychology and memetics are criticised on the same basis (*ibid.*, 134). Lawson argues that memetics entails the proposal to reduce economic and social study to evolutionary psychology and/or biology (*ibid.*, 139). Lawson objects to this on the ground that such attempts ignore emergent properties at levels of organisation higher than that of biology and psychology. In sum, what we see here is that Lawson's own social ontology, the transformational model of social activity, serves as a benchmark for assessing whether or not some particular economic theory suffers from attempts at misplaced universalising or reductionism.

Unlike Lawson I think that 'borrowing from evolutionary biology', in the sense of assuming that the abstract structure of evolutionary theory in biology is a useful starting-point for studying ongoing processes of economic evolution, does neither entail a denial of agency nor a commitment to reductionism. But arguing for this position is not my concern here (for an argument, see Vromen 2004). For now I want to examine more closely what makes Lawson so confident that any economic theory that is inconsistent with his social ontology cannot possibly be on the right track. This examination is meant to temper overdrawn hopes fostered by Lawson as to what ontology in general (not just Lawson's own ontology) can do for us. What grounds does Lawson have for believing that his ontology provides some sort of impeccable neutral ground for assessing whether there is for example misplaced universalisation or misplaced reductionism going on in specific economic theories? The issue at stake here can be unpacked into the following two questions. First, where does Lawson get his own specific ontology from (and how does he derive it)? Second, to what does Lawson's

ontology owe its authority in matters of assessing the merits and demerits of specific economic theories?

Lawson claims that his transformational model of social activity is a social ontology that is derived *a posteriori* (Lawson 2003, 34, 42, 132-133), in a transcendental deduction (or inference), from some uncontested generalised observations about social reality. Given this claim, one would expect that Lawson explicitly states the bases of his transcendental deductions, the alleged uncontested observations about social reality, and that Lawson shows us how the transcendental deductions from them proceed. Unfortunately, neither is the case. Only now and then does Lawson report an uncontested observation about social reality from which he proceeds. And transcendental deductions are rarely if ever carried out (or presented) in any detail. Most of the time, only the (alleged) results of the (alleged) deductions are presented. Lawson ends up presenting a vast list of elements or items that together are supposed to make for the transformational model of social activity.

So the route via which Lawson arrives at his social ontology is far from transparent. This is a serious omission, I think, for it is questionable that there are many uncontested generalised observations about social reality. One such (alleged) observation is that people tend to be successful in their actions and in their attempts to find their ways in a complex society (35-36). It remains to be seen whether this is something everyone would readily agree on. It seems that among other things this depends on what criteria of 'being successful' and 'getting along quite well' we invoke. On sufficiently demanding (and perhaps even conventional) criteria we could perhaps as well agree that many people are not successful (and many firms go bankrupt, for example), that there are many 'outcasts' in society and that contemporary societies are plagued by social conflicts, coordination failures and mutual misunderstandings. Why not take these observations as the appropriate basis for our quest for a suitable social ontology? Without further arguments why we should start with Lawson's own generalised observations about social reality, Lawson's observations, which are the basis for his transcendental deductions, appear to be somewhat arbitrary.

What is more, the status and exact workings of transcendental deductions are not uncontested either. Sometimes it seems that Lawson follows Kant in a search for conditions without which the alleged general facts observed could not possibly exist (Lawson 2003, 44-45). Thus understood the social ontology uncovered consists of necessary conditions for the (alleged) existence of general patterns in social reality. The idea is that the nature of social reality must be as identified in Lawson's social ontology. For otherwise the general patterns that we observe in social reality could not have existed. The problem is that attempts at making transcendental deductions in this sense are either trivial or questionable. As an example of the former possibility, consider: "We walk, talk, read, write, sing, interact, imitate, etc. In order to do these things we must possess the capacities to do these things" (Lawson 2003, 45). Well, in order to write this paper I must have the capacity to do so. This is certainly and trivially true. But in and by itself this is not very informative. For the transcendental deduction to deliver substantive results more is required. What does the capacity consist of, what exactly is the capacity, what is the quality of the behaviour if the capacity is exercised, when does exercising the capacity yield good results, are among the things we might want to know about the capacity. It is highly questionable, however, and here I come at the latter possibility, that any answer to one of the questions could possibly be the result of a transcendental deduction. For note what an argument backing up the claim that a transcendental deduction could produce such a substantive answer would imply. It would imply the claim that the social activities or phenomena observed could not possibly have been produced otherwise. It is impossible, it seems, to live up to the burden of proof that this claim implies.

Thus it seems that transcendental deductions either border on vacuity or on invalidity.⁴ Either they do not produce interesting new insights, but merely paraphrase what is assumed. Or the transcendental deductions do not stand up to serious scrutiny. If capacities are not understood in such a way that they are presupposed by definition, then it is hard if not impossible to demonstrate that without certain capacities in place, social reality could not possibly have existed. The situation here with Lawson's social ontology is similar to that with Searle's social ontology (Searle 1995). Searle argues that collective intentionality is a

necessary precondition for social reality. He furthermore argues that a pre-intentional sense of us (or of community) is in turn a necessary precondition for collective intentionality. Now it is possible to understand 'social reality', 'collective intentionality' and 'a pre-intentional sense of us' in a way that makes 'a pre-intentional sense of us' a necessary precondition for collective intentionality and collective intentionality in turn a necessary precondition for social reality by definition. But on such a reading Searle's claims are not very interesting. If on the other hand 'social reality', 'collective intentionality' and 'a pre-intentional sense of us' are defined independently of each other, Searle's claims seem to be untenable. There clearly seem to be parts of social reality for which collective intentionality is not required. And there seem to be avenues leading to collective intentionality that do not involve a 'pre-intentional sense of us' (see Vromen 2003 for a more elaborate argument).

Given all the obscurities and problems that surround Lawson's transcendental deduction of his social ontology, I conclude that it cannot play the adjudicating role that Lawson imputes to it. One of the reasons for Lawson to argue for the primacy of ontology is that "... all methods, frameworks and points of view carry ontological presuppositions." This arguably is true. But what follows from it? Lawson seems to infer from this that in assessing existing theories and in constructing new ones we'd better start with ontology, rather than with methodology and epistemology, for example. But with what ontology should we start then? What ontology has sufficient credentials to play this role? Lawson's assertion that all methods, frameworks and points of view have ontological presuppositions can also be turned upside down here. Any attempt to formulate an appropriate ontology presupposes a point of view and has epistemic presuppositions. Where do we get an appropriate ontology from? How credible is a proposal for an appropriate ontology? What evidence and support can the proposal draw on? It is hard to avoid the impression that Lawson's social ontology is a renewed attempt at *prima philosophia*. It is an attempt to identify the basic and essential building blocks of social reality without taking recourse to, and even without being informed by empirical science and empirical research. Apparently, Lawson believes that his attempt succeeded. But what reasons or evidence does he give those who do not already have the same persuasion to come to share this belief? Not many, I submit. To put it bluntly, why would or should we believe that Lawson's social ontology is more credible than the specific economic theories that he assesses on the basis of it?

An alternative: conjectural revisionary ontology

History is replete of examples with situations in which new insights and new findings in science proved firmly held ontological convictions about the nature and constituents of reality wrong. This raises questions not just about the credibility and reliability of Lawson's ontological convictions, but also, more generally, about the proper role of ontological views in scientific theorizing. The lesson to be learnt from the historical examples is not, I think, that ontological views can only stand in the way of the breakthrough of new scientific insights that threaten to undermine those ontological views. New, revisionary ontological views can also inspire and guide the development of new scientific insights. And this, I submit, is the role that Lawson's realist transformational model of social activity in principle and ideally could play. Rather than acting as some supposedly self-evidently correct template of the totality of social reality (which, I argued, it in fact isn't) for the unmasking of existing theories and models as being non-universal and reductionist, as it now does in Lawson's work, the realist transformational model of social activity could serve more constructively as a first sketch or outline of a yet to be worked out new theory. Lawson's realist transformational model of social activity could act as a *conjectural revisionary economic ontology* (Vromen 2004). It would be revisionary in that it is different from the ontological views that mainstream economists entertain and it would be conjectural in that it does not and cannot pretend to be more than a first guess about how social reality in fact is constituted. The merits of this first guess can only be ascertained after it has been worked out into a new full-fledged theory and after this new theory is assessed properly. The standards or criteria to be invoked in this assessment are fairly standard ones, I think. As Kincaid (1996) argues, they fall within three broad categories: evidential, explanatory and formal. The theory should be supported by empirical and theoretical evidence, it should display explanatory power and it should meet certain formal requirements such as parsimony, internal consistency and tractability.

Unlike in mainstream economics, formal standards (or theoretical virtues) should not outweigh evidential and explanatory ones. Considerations pertaining to elegance, parsimony, tractability and the like should not be called upon to defend a theory, for example, that is obviously at odds with available theoretical evidence. Such considerations should not be abused in particular to ignore relevant findings and insights obtained in other disciplines. Of the other standards critical realists such as Lawson are likely to find that of empirical adequacy most suspicious. After all, one of the key insights of critical realists is that we should not expect the functioning of underlying mechanisms to result in event regularities. This seems to disqualify empirical adequacy as an appropriate standard. But one does not need to be a fan of Friedman to appreciate that if some allegedly crucial or essential mechanism really is crucial or essential, it must be possible to somehow trace its workings and its effects in empirical data.

To sum up, I think that Lawson's plea to bring in considerations of an ontological kind in attempts to reorient economics is to be welcomed. Such considerations deserve more attention and deserve to carry more weight in economics than they currently have. In particular, if specific beliefs about real underlying mechanisms are strongly held, then this should result in attempts to theorize and model these mechanisms explicitly, even if this would go at the expense of parsimony, simplicity, theoretical elegance, tractability and the like. But such ontological considerations should not and cannot play the 'final arbiter' kind of role, adjudicating once and for all the shortcomings of existing economic theories and models, that Lawson attributes to them. Instead of playing this negative and critical role, ontological considerations such as the ones that went into Lawson's realist transformational model of social activity should rather play a more constructive role. They should function as heuristic principles, guiding the development of a new economic theory (or of new economic theories). Only after such a new theory is developed and assessed in a fairly standard way can the fruitfulness of Lawson's realist transformational model of social activity for economic theorizing be evaluated.

Notes

1. This is an extended and revised version of section 2 of Vromen (2004).
2. For the sake of convenience I comply with Lawson's practice to refer to mainstream or modern economics (as if it were a monolithic bloc), but only reluctantly, because I believe that it is increasingly difficult to identify a distinguishing set of features that widely accepted or respected economic theories have in common with each other.
3. If this is a fair representation of a typical mainstream economist's position, then mainstream economics does not believe that the real world is a closed system. What's more, mainstream economics then does not display a preference for closed system theorizing either. If closed systems really are systems in which event regularities occur, as Lawson argues, then on my representation theories in mainstream economics do not present closed systems.
4. For a more elaborate discussion of Lawson's use of transcendental deductions, see Guala (2003). Guala tries to do more justice to Lawson's assertion that his transcendental deductions are fallible. But in the end he reaches a conclusion that is similar to mine: transcendental arguments cannot possibly deliver the kind of substantive non-trivial insights that Lawson want to derive from them.

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Symposium on Reorienting Economics

Feminism, critical realism and economics: a response to Van Staveren

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As someone who has benefited from reading both Irene van Staveren's and Tony Lawson's work I would like to respond to just two of the issues raised in van Staveren's critique of Lawson in *PAER*, no. 28, for at various points it reproduces some common misunderstandings of realism (van Staveren, 1999; 2004; Lawson, 1997, 2003). These two issues are, first, the relations between essentialism, universalism and determinism, and, second, the nature of emotions. I believe that Lawson's work already contains answers to van Staveren's critique; in this response I basically wish to provide additional sources of support for Lawson's position regarding these two sets of issues.

Essences, universalism and determinism

The term 'essentialism' has been used in many different ways, often involving slides between logically-independent meanings of the term, so that 'anti-essentialism' has a number of different targets (Sayer, 2000). However, I suggest that behind the debates on essentialism there are two primary fears: firstly a fear of epistemological dogmatism, involving claims to absolute truth or privileged access to the world; and secondly, a fear of an ontological assumption of determinism, according to which, what objects, including people, actually do, is completely determined by their nature. Both fears are justifiable, but the doctrines they concern are entailed neither by realism nor essentialism.

Regarding the first fear: claims about the world are, as Lawson insists, fallible. Questioning the authority of scientists implies – rightly – that they are fallible. But it is vital to appreciate what that presupposes – namely that there must be something existing independently of the claims about which they can be mistaken. Thus fallibilism presupposes at least a minimal realism – that the world is not simply a product of wishful thinking. If the world were merely whatever we socially constructed/construed it as, then that socially-constructed knowledge would be infallible. If knowledge were merely relative to points of view, then there would be no grounds for claiming that it can be mistaken. If we refuse ontology (and not merely keep it hidden for strategic, political reasons) then the fallibility of knowledge is unintelligible.

The second fear, of determinism, is based on the idea that attributing essences to things or talking of human nature will lead to a radical underestimation of contingency, novelty, variety and indeed the scope for social and political change, hence leading to a kind of knowledge that affirms the status quo rather than being emancipatory. Here it is important not to confuse essentialism with determinism, and given her advocacy of an Aristotelian perspective, it is puzzling that van Staveren should appear to do so. As John O'Neill has argued, from an Aristotelian position, when we denote something as having an essence, we distinguish between its essential properties – the ones that make it that kind of object rather than another, and its accidental properties – which it may or may not have, and which don't make it a different kind of object (O'Neill, 1994; see also C. Lawson, 1999). The essence of water can be defined as H₂O; whether it is in the form of rain or a river is a matter of accident rather than essence. Water has certain causal powers, for example the ability to turn into steam at a certain temperature and pressure, but whether these are ever activated depends on contingently related conditions. A particular body of water may exist forever without turning into steam. Its essence therefore does not determine but merely constrains and enables what happens to it. Similarly, possession of a womb may enable conception but does not

determine that its possessor ever conceives. Thus, as Lawson argues via a critical realist route (Lawson, 2003, p. 239), talk of human nature need not imply determinism.

Nor need it imply exact uniformity. Nature is not uniform but differentiated, and often in complex ways that elude simple descriptions and dichotomies; for example, human biological sex is not simply dimorphic. (Most empirical regularities are only approximate. This is in keeping with the critical realist argument, developed at length by Lawson, that the vast majority of systems are open and hence unlikely to produce exact and enduring regularities.) Deterministic and narrow conceptions of human nature which exclude or pathologise particular groups should obviously be thrown out – but they should be replaced by non-deterministic and inclusive conceptions which are sensitive to physical variety, the deeply social nature of human being and the capacity for cultural variety (Dupré, 2002).

Anti-essentialism has been dominant in feminism, and not surprisingly, for gender surely has no essence. Gender does not have a stable, uniform fixed set of characteristics; rather the term refers to common bundles of associations and contrasts and axes of domination that are contestable and shift continually across space and time. However it simply does not follow that because gender has no essence, nothing has any essence. It may be that the concept of essence is not much use in social science because most social phenomena lack the fixity and uniformity associated with the term, though most are not merely ephemeral either. Many social phenomena, like gender and families, are only relatively enduring and varied in form and continually mutating. With its concepts of structures, causal powers and susceptibilities, and its focus on social relations as the primary object of study, critical realism offers a more flexible way of dealing with objects which are only relatively enduring and which at any time exhibit considerable variation. The structures and powers can change, indeed sometimes through autopoiesis, though at any particular time, they cannot do just anything.

While anti-essentialism might appear to liberate those whose oppression has been legitimized by being (mis)represented as naturally-grounded, if it also denies that we have any particular properties as human beings, as organic bodies, then it loses all critical purchase on any oppressive exercise of power, particularly through torture, mutilation or abuse (Soper, 1995a, p.138). This is disastrous for emancipatory movements. As Kate Soper argues, in

"denying that there are any instincts, needs, pleasures or sensations which are not simply the effects of culture but impose their own conditions upon its 'constructions', then it is difficult to see what sense we can make of the notion of feminist reclamations of the body or selfhood from the distorting and repressive representations to which they have been culturally subjugated." (Soper, 1995b, 23).

As regards universalism and appeals to human nature, there are dangers of identifying local and historically-specific characteristics as universal, and of failing to take seriously the remarkable variety of cultural forms, including gender orders, which shape people deeply. In response to the treatment of local variants as universal or as the norm, and the common tendency to naturalise contingent historical forms of domination, it is tempting to reject any notion of human nature. Human beings are indeed extraordinarily diverse, but we should ask what is it about them which enables them to exhibit such variety? Humans can be profoundly culturally shaped in a vast variety of ways, but not just anything can be culturally shaped. A lump of rock cannot take different cultural forms (it may be externally construed in different culturally mediated ways, and used in various ways, but limestone doesn't change its nature when we think about it differently, any more than the earth changed shape when we decided it was round rather than flat.) Certain other species are capable of cultural variation too, but that just begs the same question: what is it about them which enables this? For it to be possible for anything to be shaped in a particular way (for example by culture) it must be the kind of thing which is susceptible to such shaping, that is, it must have (or have acquired) the affordances and resistances which allow such shaping. As Andrew Collier points out, far from removing the question of human nature, the phenomenon of cultural variety actually poses it. It presupposes a universal human capacity for cultural variation. Thus, a certain kind of universalism – though not uniformity, with which it is often confused – is *presupposed* by cultural variety (Collier, 2003). In this way, using a structured ontology, we can understand both sameness and difference: we can see that multiple variants and outcomes can be generated on the basis of common structures (see Lawson, 2003, p. 242). The abstract level

does, contra van Staveren, “allow for relations and differences”, for social structures are constituted by internal relations and the whole point of abstraction is to tease out relations and differences that enable and constrain the blizzard of empirical data, and to distinguish which things are merely contingently associated and which necessarily or internally related (Sayer, 2000).

Moreover, in line with Soper’s point, we need to identify the capacities of humans – and indeed other species - for flourishing and suffering, and their needs (Lawson, 2003), thus enabling critiques of not just economic theories but economic *practices* in terms of their effect on people’s well-being. This accords with the Aristotelian position of Martha Nussbaum, who has made important contributions to feminist development theory (Nussbaum, 2000). To be sure there are many different forms of flourishing and different cultures provide different conceptions of what constitutes flourishing, and Nussbaum attempts to accommodate this. But not just anything can be passed off as flourishing. If we were to insist that it was purely culturally relative then we would have no warrant for using terms like ‘oppression’. Again we encounter a relation between general human needs and specific, contingent variants, such as the general psychological need for recognition and the innumerable forms that recognition takes in different cultures. This is why Nussbaum describes her conception of the good as a ‘thick vague’ one, for while it includes many conditions of flourishing, they are expressed in terms vague enough to allow for cultural variation and hence avoid ethnocentrism. This also seems compatible with van Staveren’s largely favourable commentary on Aristotle’s and Adam Smith’s discussions of virtues, which mostly abstract from cultural variations (van Staveren, 1999).

We cannot avoid some kind of universalism. Different cultures provide different norms but this presupposes that one of the distinctive features of humans is that they can understand, internalise or contest these, often through exploiting tensions and contradictions within cultural discourses, as in the case of the tension between ideals of equality and gender inequalities. The feminist literature, including van Staveren’s own work on the ethic of care presupposes that all humans are in need of care at various times in their lives, albeit in different ways. People are not just beings who have preferences and make choices, but beings who are vulnerable, and dependent on care. Thus all economies depend on, and distribute the provision and receipt of care. One of the contributions of this literature is to improve our economic theories by enriching our understanding of what it is to be human.

Emotions

Van Staveren endorses Julie Nelson’s claim that critical realism has a built-in bias against emotion, counterposing this to science and reason. This mistakes realism for positivism. Critical realists Margaret Archer and Andrew Collier insistently *reject* the opposition of reason and emotion, arguing that emotions have a cognitive element, providing an embodied, usually unarticulated commentary on the world and our situation within it, often providing highly perceptive discriminations among situations (Archer, 2000, 2003; Collier, 2003). Hence both authors emphasize and value the intelligence of emotions. As Martha Nussbaum puts it, emotions are evaluative judgements regarding matters affecting or likely to affect well-being (Nussbaum, 2001). There is no reason why critical realists should not be comfortable with the idea of emotional reason. We are angry or happy *about* things, proud or ashamed *of* actions. We are more emotionally affected by the loss of a loved one than the loss of a pencil because the former is more important for our well-being: the differences in emotional responses are rational. Emotional reason involves a largely pre-discursive evaluation of things such as the way others treat us and the effect that this is having or is likely to have on us, for example whether they are respecting or humiliating us, befriending or threatening us. Emotions also reflect our deeply social nature (another universalist claim), for as social beings we are psychologically dependent on others for their recognition, love and approval.

As a critical realist I would recommend Adam Smith’s *Theory of Moral Sentiments* as a remarkable analysis of moral emotions in relation to concrete settings and relationships (Smith, 1759). As Smith emphasizes, the evaluative judgements involved in the various sentiments are fallible, such that, for example, the observer of someone else’s misfortune

cannot expect to know exactly what the experience is like for that person. This again is wholly in line with a realist position: for our judgements to be capable of being mistaken, there must be things independent of them about which they can be mistaken. However, although at times our emotional judgements may be 'illusory', as Smith put it, for it to be possible for us to live as social actors, our judgements must be fairly adequate for much of the time. Irene van Staveren's own excellent critique of 'rational economic man' is surely a critique of that individual's lack of a capacity for emotional reason and hence his inability to function as a social actor (van Staveren, 1999). Correcting this is central to a post-autistic economics. For example, as Brennan and Pettit demonstrate, in order to understand the motivations and efforts of workers, paid or unpaid, it is important to appreciate that this is often profoundly affected by whether and how they are esteemed or disesteemed (Brennan and Pettit, 2004). In addition to the invisible hand of market incentives and the visible hand of rules and directives there can be an intangible hand of regulation through esteem.

Conclusion

Anti-realism may be dominant in feminism, though often through a confusion between realism and positivism, but as I have tried to show, feminists can be realists and realists can be feminists, indeed without realism feminism is vulnerable to being dismissed as a form of relativism. For further arguments on the need of feminism to be realist, I refer readers to the work of Kate Soper (1995a and b), Caroline New (1998, 2003, 2004); and Linda Martín Alcoff (2005).

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