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# WHITHER HETERODOXY?

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## Introduction

Since the early 1990s, economists seeking alternatives to mainstream economic theories and policies – i.e., heterodox economists – have increasingly traveled under the banner of pluralism. In 1992, Geoffrey Hodgson, Uskali Mäki, and Donald McCloskey published a petition in the *American Economic Review* (signed by forty-four leading orthodox and heterodox economists, including four Nobel laureates) calling for “a new spirit of pluralism in economics, involving critical conversation and tolerant communication between different approaches” and demanding that this new pluralism be “reflected in the character of scientific debate, in the range of contributions in its journals, and in the training and hiring of economists.”<sup>1</sup> One year later, Hodgson, John Adams, Terry Neale, and several other economists created an international consortium, ICARE (the International Confederation of Associations for the Reform of Economics), to serve as an institutional voice for this “new pluralism.”<sup>2</sup> By the end of the decade, ICARE stood alongside the U.K.-based Association for Heterodox Economics, pluralistic journals like the *Review of Political Economy*, and pluralistic organizations like the European Association for Evolutionary Political Economy – all creating new space for dialogue and collaboration among previously segregated schools of thought (Lee 2002).

The pluralist turn gained additional momentum in 2000 and 2001 when a series of petitions from young economists in France, the U.K., the U.S., and Italy sparked the formation of the international Post-Autistic Economics movement (Fullbrook 2003).<sup>3</sup> This student-led movement called for “a total overhaul of economics and economics teaching” to create a more open and scientific economics, guided by a philosophically principled pluralism:

[a pluralism] that regards the various “schools” of economics, including neoclassicalism, as offering different windows on economic reality, each bringing into view different subsets of economic phenomena. . . [and] rejects the idea that any school could possess final or total solutions, but accepts all as possible means for understanding real-life economic problems (Fullbrook 2003, 8-9).

The pluralistic ethos of the PAE movement struck a resonant chord with economics students and faculty around the world, giving rise to what Fullbrook describes as a “peace movement” among non-mainstream economists, an historic attempt to forge unity among dissenters who despite being “a sizable and growing minority” have long been divided into separate schools of thought (Fullbrook 2003, 2). Along the same line, Sheila Dow observes:

The interesting new work among young scholars is synthetic in nature, exploring the middle ground between schools of thought and developing new ideas as a result of cross-fertilization. . . . The future of heterodox economics lies in moving further away from traditional groupings around schools of thought, and engaging in much more open interchange (Dow forthcoming, 1-2).

The surge of enthusiasm for pluralism has drawn sharp criticism from respected thinkers within the heterodox community who see it as philosophically disingenuous and strategically unwise (Davis 1997 and forthcoming; Sent 2003 and forthcoming; Davidson 2004). Davis and Sent argue that “Heterodoxy is .

. . . truly pluralist only within itself” (Davis forthcoming, 23) inasmuch as heterodox economists routinely treat mainstream economic theories in a non-pluralist (intolerant, monistic) manner. Hence it is disingenuous for heterodox economists to criticize the lack of pluralism in mainstream economics while failing to practice it consistently themselves.

At a deeper level, Davis and Davidson question the strategic and intellectual value of pluralism itself. With reference to the recent removal of heterodox faculty from the economics Ph.D. program at the University of Notre Dame (Donovan 2004, McCloskey 2003), Davidson contends that the only way for non-mainstream economists to gain (or preserve) professional standing is by developing a superior paradigm, “a single axiomatic foundation that provides the most general theory case” (Davidson 2002). He sees pluralism as unhelpful, if not positively dangerous, in this regard. “Until heterodox economists unite behind a single ‘general theory,’ they are going to be losers” (Davidson 2003a).

You cannot beat a rigid orthodoxy who despise non-pure bred Aryans (heterodox economists) with a ‘let’s all share the tent guys and gals’ philosophy. As the Allies found out when dealing with Hitler, it takes an ‘unconditional surrender’ approach and stronger [in this case, stronger logical] forces to win what – whether you like it or not – the other side has declared to be a war of annihilation (Davidson 2003b).

This clash of perspectives on pluralism raises a host of critical questions about the mission and methods of heterodox economics itself going forward. The questions are difficult because they seem to pose a trade-off between two time-honored identities of the heterodox economist: the pluralist (seeking to promote intellectual tolerance and critical engagement among diverse perspectives) and the paradigm warrior (seeking to expand or defend the intellectual rights of non-mainstream perspectives by attacking the legitimacy of the ruling paradigm). Further, the chief circumstance that gave rise to this dual persona in the 1960s – viz., the methodological and epistemological absolutism of mainstream economics – is still very much with us (e.g., Lee 2005a and 2005b). Hence the average heterodox economist is likely to feel considerable sympathy for the central arguments (or at least the central motivations) of Fullbrook and his fellow pluralists as well as those of Davidson and his paradigm warriors.

This essay offers an examination of the historical/philosophical premises of these two approaches to heterodoxy and an assessment of their strengths and liabilities for the future of heterodox economics. In conclusion, I suggest a strategy to combine the unique strengths of pluralism and paradigmism: a recasting of heterodox economics that is attuned to the ethical, epistemological, and pedagogical priorities of the student/faculty petitioners as well as to the professional *realpolitik* of Davidson et al. My main hope is to encourage further discussion of the ends and means of heterodox economics as a learning community dedicated to the Aristotelian/liberal ideal of a “civilized conversation among equals” (McCloskey 2001).<sup>4</sup>

## **Radical Paradigmism**

The paradigm warfare genre of heterodox economics emerged in the mid to late 1960s (Backhouse 2000, 150-54), a period of radical absolutism in U.S. economic theory (Lee 2004; Bernstein 1999; Morgan and Rutherford 1998; Stein 1996). Mainstream microeconomic theorists had been inspired by Debreu’s *Theory of Value* (1959) to imagine that “the model of Walrasian equilibrium was the root structure from which all further work in economics would eventuate” (Weintraub 2002, 121). And leading

neoclassical-Keynesians had declared business cycles passé and were beginning to envision a macroeconomic “end of history”:

Most economists [now] feel that short-run macroeconomic theory is pretty well in hand. . . . The basic outlines of the dominant theory have not changed in years. All that is left is the trivial job of filling in the empty boxes, and that will not take more than 50 years of concentrated effort at maximum (Solow, cited in Hahn and Brechling 1965, 146).

Dissenting economists responded in kind. From the early 1970s through the late 1980s, many Austrian, Marxian, Sraffian, post Keynesian, social, and institutionalist economists sought to establish their particular mode of economic theorizing as the “single correct alternative to neoclassical economics” (King 2002). Philosophically, these radical critics were emboldened by the writings of Thomas Kuhn (1970). Though Kuhn never wrote a philosophy of social science per se, his emphasis on the paradigm-bound nature of disciplinary knowledge and his accounts of theoretical conflicts and paradigm shifts in the natural sciences gave hope and legitimacy to non-mainstream economists, making it possible for them to envision mainstream neoclassicism (circa 1975) as a dominant paradigm in crisis, ripe for overthrow by an emerging revolutionary science (Gutting 1980).<sup>5</sup>

Despite many differences, the intellectual agendas of these “revolutionary scientists” shared three common goals: (1) to develop a rigorous critique of mainstream (neoclassical or neoclassical-Keynesian) economic theory; (2) to develop a compelling alternative theory; and (3) to codify the unique premises and methods of their alternative approach.

As one example, consider the paradigm building efforts of Austrian economists in the 1960s and 70s. Their goal was to level “a radical paradigmatic challenge against the core of neoclassicism” (Boettke and Prychitko 1994, 6). They believed that “the possession of a distinct paradigm” was “necessary for a successful scientific revolution” (ibid., 13). At the same time, they knew that distinctiveness, while necessary, was not sufficient. They had to “present an alternative” (Dolan 1976, 5). To this end, Austrian economists invested years of careful work to build a philosophical and analytical foundation that was congenial to sufficiently large numbers of Mises and Hayek devotees. This drive for unity led Austrian economists to emphasize (among themselves, and occasionally in published work) their shared normative objections to mainstream economics. At the same time, Israel Kirzner and other leading Austrians strove to bar these value-laden statements from the formal discourse of Austrian economics. For Kirzner, a commitment to value-free science was rhetorically and intellectually essential, to demonstrate Austrians’ commitment to the pursuit of objective truth and their willingness “to exercise the restraint necessary to prevent that truth from being dismissed in the eyes of the public as mere propaganda” (Kirzner 1976, 87).<sup>6</sup>

Similar stories can be told of institutionalist, social, post Keynesian, Sraffian, and Marxian economists in the 1970s and 80s, or of the pan-paradigmatic radicalism of Howard Sherman (*Foundations of Radical Political Economy*, 1987) and Malcolm Sawyer (*The Challenge of Radical Political Economy*, 1989), both of whom sought to merge multiple strands of radical-left economics into a single oppositional paradigm. Sherman and Sawyer’s pursuit of a unified framework was partially a response to their intellectual opponents. As Sherman explains: “Some neoclassicals have denied that radicals have a fully developed paradigm, but this book is intended to present such a radical paradigm” (Sherman 1987, 5). To this end, both Sherman and Sawyer both invoke a set of ethical and ideological commitments that all radical-left economists were presumed to share, e.g., opposition to capitalism and the conviction that “[n]eoclassical economics operates as an apologetics for capitalism and serves to provide a justification for that system” (Sawyer 29).<sup>7</sup> They never suggested that their paradigms were (or should be) wholly

“value free.” Yet they consistently claim that they are scientifically superior to neoclassical economics, both because their radical approaches offer more insight into the structure and evolution of real-world economic systems and because they are less beholden to dominant economic and political interests (Sawyer 28 and Sherman 9).

The point is that each of these projects entails more than just paradigm building. In addition to building an intellectual community around a shared set of values or interests, each of these groups aspired for its approach to become the new master framework, the new “general theory,” to which other theories would be subsumed as special cases. This is *paradigmism*: paradigm building infused with the high modernist hubris of Solow, Samuelson, and Debreu. Emulating the intellectual imperialism of their mainstream rivals (and former teachers in some cases), many non-mainstream economists became committed to a fundamentalism of sorts. Much as new classical economists sought to rewrite Keynesian macroeconomics from the ground up by returning to the first principles of individual self-interest maximization and logical-mathematical precision (Lucas 1975 and 1976; Sargent and Wallace 1975),<sup>8</sup> many radical left- and right-wing economists in the 1970s and 80s returned to the first principles of their dissident traditions in search of alternatives to the mainstream orthodoxy (Kregel 1975; Eichner 1979; Dolan 1976; Steedman 1977; Desai 1979).

### Cold War connections

Recent scholarship has illuminated the impact of the Cold War on the evolution of U.S. economic theory and policy (Bernstein 1999; Mirowski and Sent 2002; Fusfeld 1998; Hodgson 2002), particularly the “transformation from pluralism to monism during and after World War II” (Sent forthcoming). Pluralism, according to Morgan and Rutherford (1998), was the dominant force in economics prior to World War II. During the Cold War years, however, this pluralism was displaced by a modernistic monism – a “technical turn” in economic methodology and epistemology whereby “the possibilities for pluralism persistently waned as the language, form, and tools of economics continued to narrow . . . [and] objectivity came to be associated with a particular set of methods (mathematics and statistics)” (Sent forthcoming, 6).

With regard to post-1960s heterodox economics (which emerged in response to this anti-pluralist “technical turn”), this new scholarship raises an important question: How might the Cold War have shaped the goals, identities, and strategies of heterodox economists?

The provocative thesis of Fullbrook (2001) and philosopher of science Steven Fuller (2000) is that the Cold War influenced the character of post-1960s heterodox economics quite powerfully, albeit indirectly, via its impact on the formulation and reception of Kuhn’s landmark text, *The Structure of Scientific Revolutions* (1962 and 1970). Fuller urges scholars to re-read Kuhn’s text “as an exemplary document of the Cold War era” (Fuller 2000, 5). He details the personal and intellectual history of *Structure*, particularly the role of James Bryant Conant, the man to whom Kuhn dedicated the book. Conant was president of Harvard University from 1933 to 1953. During World War II, Conant also served as director of the National Defense Research Committee (which supervised the construction of the first atomic bomb) and later served as chairman of the anti-Communist Committee on the Present Danger. According to Fuller, Conant helped Kuhn to secure his first teaching position and introduced him to the historical study of science. Fuller claims that “Kuhn simply took Conant’s [Cold War] politics of science as uncontroversial – indeed, as a taken-for-granted worldview. *Structure* does not so much transcend the Cold War mentality as express it in a more abstract, and hence more portable, form” (Fuller 2000, 6). For

example, Fuller points to Kuhn's "incommensurability thesis" as a "Cold War worldview" (175) in which competing paradigms are cast as (ideo)logically opposed systems of thought.

Fullbrook (2001) extends Fuller's argument by detailing the impact of Cold War ideas and assumptions on the structure of Kuhn's arguments and on the pop-academic images of science (especially social science) that emerged in the wake of Kuhn's famous book. He cites, for instance, the analogy Kuhn draws between scientific paradigms and rival political systems: "Like the choice between competing political institutions, the choice between competing paradigms proves to be a choice between incompatible modes of community life" (Kuhn 1962, 94, cited in Fullbrook 2001).

Kuhn's book methodically transposes the Cold War narrative onto the competing-theories narrative of science. This transposition extends even to his vocabulary, with a heavy use of Cold-War buzz words and expressions like 'subversive', 'polarization', 'crisis' and 'crisis provoking', 'techniques of mass persuasion', 'allegiance', 'commitment', 'conversions', total 'destruction' and 'total victory', and of course 'revolution' (Fullbrook 2001).

In Fullbrook's estimation, heterodox economics today bears the mark of Kuhn's Cold War conception of science, particularly in the anti-pluralist ("paradigmist") tendency of radical critics to erect their own separate citadels rather than engaging in critical, pluralistic exchanges as "real scientists" would do. "Kuhn's narrative makes the defense of one's paradigm community, through the elimination or marginalization of rival ones, the scientist's overriding goal." "It is this emotionally-charged us or them, all or nothing mentality which Kuhn's book seems to legitimate as the ethos of science" (Fullbrook 2001).

These arguments suggest that, in some measure, the paradigm warfare approach of heterodox economics is an artifact of the Cold War. To be clear, I am not arguing that the postwar schism between mainstream and radical economics can be reduced to the Cold War, e.g., that the ascendance of the neoclassical mainstream and marginalization of radical-left alternatives resulted from the former's embodiment of "capitalist ideology" or the latter's affiliation with official Soviet Marxism.<sup>9</sup> My claim, echoing Fullbrook and Fuller, is that the very bipolarity of these commonplace right/left mappings of the intellectual landscape (e.g., neoclassical/individualist/capitalist/orthodox economics vs. radical/socialist/heterodox economics) has been inspired and sustained by the Cold War (especially via Kuhn), and that they continue to frame the professional/intellectual outlook of most heterodox economists today.

### Paradigmism in question

The radical paradigmist movement has inspired tremendous intellectual energy, growth, excitement, and solidarity among dissenting economists, and has made it possible for numerous individuals and schools of thought to survive under difficult professional circumstances (Lee 2004). It has spawned an impressive array of resources from which we all benefit today. It certainly has made economic theory a more contested and contestable terrain. It has brought new life to old theoretical traditions and given birth to new ones. In so doing, it has afforded later generations of economists the opportunity to choose among a wider range of intellectual options than would otherwise have been available in a professional culture dominated by the assimilationist dogma that (to paraphrase Milton Friedman) "There is no heterodox economics – just good economics and bad economics."<sup>10</sup> All of this has enabled heterodox economists to (re)claim valuable space within academic economics by publishing articles, teaching graduate and undergraduate students, acquiring senior faculty positions and other positions of academic leadership, organizing conferences, creating and sustaining scholarly journals and book series, and so on.

These virtues notwithstanding, I am inclined to agree with Fullbrook that the “paradigm warfare” approach has become largely anachronistic and self-defeating for heterodox economists today, on several counts.

First, it presupposes a monolithic enemy (“neoclassical economics”) that arguably has ceased to exist.<sup>11</sup> As Davis notes, “mainstream economics is no longer ‘neoclassical’ in the way that many of us are accustomed to thinking of it” (Davis forthcoming, 6; also Colander 2000, 129-130 and Dow 2000, 159). Colander, Holt, and Rosser go further, chastising heterodox economists for their outmoded understanding of mainstream economics. “Much of this [heterodox] criticism today is off the mark because mainstream economic thinking has changed. . . . Economics is moving away from a strict adherence to the holy trinity – rationality, selfishness, and equilibrium – to a more eclectic position of purposeful behavior, enlightened self-interest, and sustainability” (Colander, Holt, and Rosser 2004, 1-2).

Second, radical paradigmism encourages an obsessive concern with the uniqueness and separateness of one’s own theoretical approach vis-à-vis others. It fuels a bunker mentality of Us versus Them and an autarkic tendency to see one’s own paradigm community as a self-sufficient intellectual universe. As Malcolm Rutherford observes in regard to AFEE (the “old institutionalist” Association for Evolutionary Economics):

[H]eterodox groups often think that they know the truth. This can make such groups (and particularly those groups that have been under sustained attack and that feel themselves embattled) very inward looking, defensive, and not very open to new ideas. A mentality of defending the true faith can come to dominate, and, in my view this has been a serious problem in AFEE and in Marxian and post Keynesian groups (Rutherford 2000, 186).

This isolationist tendency creates particular difficulty for young heterodox economists inasmuch as it encourages them to disengage from other traditions of thought, and perhaps from economics itself, inasmuch as they are taught to see little point (other than careerism) in trying to connect their ideas to the larger economic conversation – a costly proposition, as “[e]ven for self-confessed heterodox economists, this rugged aspect of the landscape carries with it in many cases an unwanted and unnecessary sense of isolation” (Potts 2000, x).

Third, the Kuhnian notion of a single dominant paradigm (and the correlative notion of a single “revolutionary” rival) encourages an all-or-nothing view of intellectual change. It is never enough for radical paradigmists to oppose the prevailing orthodoxy. They must provide a complete and superior alternative. Much as revolutionary Marxists have long suffered under the onus of having to devise a socialist or communist utopia that would preserve all of capitalism’s virtues but none of its problems (Gibson-Graham 1996), radical economists of all persuasions continue to bear the burden of providing a new “general theory” that would fully supercede neoclassicism. Besides making the heterodox project seem unthinkably daunting and inviting feelings of resignation and despair while we “wait for the revolution” (ibid., 256 and 259), this point of view also fuels unduly intense rivalries over which radical paradigm is best equipped to do battle with “the enemy,” thus inhibiting exchange and collaboration among intellectual leaders whose creative energies might otherwise be joined to larger ends.<sup>12</sup>

Fourth, a paradigmist approach undercuts heterodox economists’ commitments to pluralism. Every heterodox economist embraces pluralism to some degree, as a principle of resistance against mainstream dogmatism if not as a broader commitment to tolerance and critical conversation among contending perspectives. But pluralism for a radical Kuhnian can only ever be a secondary priority,

something to be honored only insofar as it does not conflict with the first-order imperatives of scientific or political/ideological combat.

## **The Pluralist Turn**

Partly in response to the mounting liabilities of paradigmism, the recent trajectories of heterodox economics show a marked shift – philosophically, analytically, organizationally, and culturally – from school-of-thought paradigmism to pluralism, i.e., to a view of knowledge in which there is no possibility, even in principle, that “any school could possess final or total solutions” (Fullbrook 2003, 8-9). For heterodox economists who embrace this view of knowledge, pluralism has increasingly become a normative commitment, a “positive valuing of a diversity of views in the minimal sense that one who is so committed would not want to reduce the number of available narratives or views” (Hargreaves-Heap 2001, 356).<sup>13</sup> Heinz Kurz and Neri Salvadori, two veteran Sraffian economists, offer a revealing glimpse of this pluralist sensibility:

[T]o seek dominance for one theory over all the others with the possible result that all the rival theories are extinguished amounts to advocating scientific regress. To paraphrase Voltaire: in a subject as difficult as economics, a state of doubt may not be very comfortable, but a state of certainty would be ridiculous (Kurz and Salvadori 2000, 237).

The most vocal champions of this heterodox pluralism have been realists like Lawson (1997 and 2003), Dow (1997, 2000, 2004a, 2004b, and forthcoming), Fleetwood (1999), Fullbrook (2001), and Herrmann-Pillath (2001) who take an “open system” view of economic phenomena. These thinkers envision the object of economic inquiry as an open-ended network of institutions and processes. Further, they believe this object to be so complex and heterogeneous that no single idiom can adequately represent it, and any attempt to do so will only diminish our knowledge of it. These ontological and epistemological premises lead open-system realists to “[reject] the ideas of theoretical monism and theoretical universalism” (Herrmann-Pillath 2001, 91) and to insist that a plurality of theories and methods is scientifically essential. In their view, the best way forward for non-mainstream economists would be to abandon the paradigmist dream of a unified general theory and instead work to cultivate a pluralist (heterodox) community of inquiry, united by a shared commitment to open-system realism.

This approach figures prominently in the recent wave of student-led petitions seeking pluralistic reforms in economic education and scholarship. A dominant chord in the petitioners’ demands is a realist plea for open-system alternatives to the closed-system (deductivist, formalist, rationalist, scientific) conceptions of social science that still permeate mainstream economics. The argument for pluralism in the French students’ initial “Open Letter,” for example, relies heavily on an open-system line of argument, particularly its call for “a pluralism of approaches in economics [that is] adapted to the complexity of the objects and to the uncertainty surrounding most of the big questions in economics (unemployment, inequalities, the place of financial markets, the advantages and disadvantages of free trade, globalization, economic development, etc.)” (cited in Fullbrook 2003, 13).

More generally, non-mainstream economists are turning in growing numbers to open-system pluralism as a foundation upon which to build the future of heterodox economics. Lawson argues that such an ontological reorientation – toward a conscious, systematic embrace of open-system approaches – would help heterodoxy to become a more vibrant scientific community, “a pluralistic forum where explicitly prosecuted ontology and critical reflection can take their place amongst all of the conceivable components



of economics as social theorizing” (Lawson 2003, 27). He believes that the various schools of heterodox economics “can benefit at this juncture from making their ontological theorizing or commitments more explicit, systematic, and sustained, from reformulating themselves explicitly as contributions to what I am calling realist social theorizing” (Lawson 2003, xxiii). This, in his view, is the best way to overcome the isolationist tendencies of paradigmism and to strengthen heterodox economists’ commitments to pluralism and social science, thus spurring the intellectual progress of heterodox economics at large.

Dow offers a parallel set of arguments, but with special attention to the role of paradigms (schools of thought) within a pluralistic, open-system economics (Dow 2004a, 2004b, and forthcoming). Her argument for pluralism stresses the key role of open-system realism in enabling as well as constraining the play of pluralistic difference among and within paradigm communities. Dow describes this as a “qualified pluralism”: “a pluralism qualified by the limitations imposed by a shared [ontological] vision,” i.e., a pluralism that promotes difference *and* unity by giving individuals (or individual schools of thought) “the capacity to follow different routes simultaneously – unified by a common goal” (Dow 2000, 166).<sup>14</sup> On this basis, Dow advances an open-system defense of paradigms, seeing “each school of thought [as] itself an open system, with vague boundaries and scope for internal and external change” (Dow forthcoming, 10) and schools in general as integral, productive vehicles of scientific progress.

One source of the current enthusiasm for open-system thinking is that these ideas are seen as a powerful way to demonstrate the distinctiveness and superiority of heterodox economics vis-à-vis orthodox economics. Open-system realists seek to challenge mainstream economics by challenging its closed-system presuppositions and thus holding it accountable to the ontological and methodological criteria of a properly social science. In this way they hope “to ensure that the [gap] between orthodox theory and reality is recognized widely enough to support a scientific revolution” (Dow forthcoming, 4). In addition, Dow contends that heterodox economists possess a further, related advantage: a uniquely strong commitment to pluralism based on their complex, open-system conception of the economy. Orthodox economists have only a limited capacity for pluralism due to their formalist, paradigmist commitment to closed-system modes of thought (Dow 2000 and forthcoming). Hence orthodox economists “can only accommodate pluralism as a temporary position . . . until the parts are unified within a single, formal whole” (Dow 2000, 163 and 161).

A second cause for enthusiasm is the potential for more effective intellectual exchange and collective action among heterodox economists if a shared commitment to open-system realism and pluralism can inspire members of each school-of-thought group to see themselves as part of a larger network of overlapping and complementary perspectives.<sup>15</sup> In Dow’s view, this would allow heterodox economics to become a more inclusive and connected community, a “collection of non-orthodox schools of thought such as post Keynesian economics, institutionalist economics, neo-Austrian economics, behavioral economics, social economics, feminist economics, and Marxian/radical economics, all of which employ some kind of open-system approach” (2000, 158; also Fullbrook 2003, 2-3). As such, heterodox economics could potentially become an alliance broad and powerful enough to challenge the mainstream. She and Fullbrook see signs that such a nascent unity may already be emerging. “In numerical terms the communities of heterodox economists are getting larger. Along with this has gone the build-up of an institutional structure of textbooks, journals, associations, and conferences. There is an impressive band of young scholars pushing ideas forward” (Dow 2000, 163; also Dow forthcoming, 1-2).

[T]he time would appear to be ripe for a challenge to the ruling paradigm: in Kuhnian terms there would appear to be the recipe for a crisis in orthodox economics. Just as the orthodox refusal to address the problem of unemployment in the 1930s paved the way for

Keynes's ideas . . . could the same be possible [for heterodox economics] in the new millennium?" (Dow 2000, 165).<sup>16</sup>

Fullbrook also likens the current movement to the "last great crisis in economics" in the 1930s, but describes the current crisis as "more general and more serious" in that "economics as taught in universities neither explains contemporary reality nor provides a framework for the critical debate of issues in democratic societies" (Fullbrook 2003, 8).

### Pluralism in question

As noted in the Introduction, the pluralist turn among heterodox economists has elicited an array of criticisms. Some of the critics are pro-pluralist, taking advocates of pluralism to task for failing to understand the meaning and requirements of pluralism, or for failing to practice what they preach. Others have taken strong positions against pluralism, seeing it as a wrong-headed strategy for promoting the intellectual/professional interests of heterodox economists. Hence while all of these critics agree that the current wave of heterodox enthusiasm for pluralism has "gone too far," their arguments are notably diverse.

Esther-Mirjam Sent, for example, endorses the pluralist aspirations of heterodox economists, expressing the hope that "[they] are serious about their advocacy of pluralism" (Sent 2003). She finds their pro-pluralist rhetoric unconvincing, however, as it frequently is accompanied by what she regards as anti-pluralist behavior. "Against the spirit of pluralism, heterodox economists appear to be offering a rather monist reading of the mainstream" (2003); or, "though their advocacy of pluralism may be couched in metaphysical or epistemological terms, it is primarily inspired by efforts to achieve professional power and dominance" (Sent forthcoming, 20). This leads Sent to conclude that heterodox economists either do not understand the requirements for a philosophically consistent pluralism or are unwilling or unable to fulfill them. She challenges heterodox economists to practice what they preach: to pay more attention to the types of pluralism they advocate; to avoid inadvertently "sliding into monism" (e.g., embracing a pluralism whose rationale is only temporary, such as a temporary state of incomplete or uncertain knowledge);<sup>17</sup> to avoid disingenuous invocations of pluralism (i.e., "[employing] appeals to pluralism strategically, in an effort to achieve monism"); to confront the charge that pluralism inevitably leads to an "anything goes" view; and to "work to ensure that the material and social conditions for the flourishing of pluralism are met" (Sent 2003).

Paul Davidson, in contrast, questions the value of pluralism itself. He firmly rejects the Fullbrook/Dow assertion that a more widespread commitment to pluralism will help non-mainstream economists to effect significant changes in "the development of their discipline as taught in major universities and economic journals" (Davidson 2004). In fact, Davidson regards this kind of pro-pluralist argument as dangerous inasmuch as it serves to reinforce the marginal status of non-mainstream ideas and practitioners within the economics profession.

Encouraging pluralism in economics without a common general theory foundation merely encourages heterodox economists to erect a modern Tower of Babel, thereby making it easier for mainstream economists to ignore the resulting incomprehensible babble coming from this heterodox structure (Davidson 2004).

[T]he mainstream sees heterodox [economists] as . . . people who do not deserve to be heard in proper academic circles because they clearly possess fundamental logical inconsistencies in their approaches. Until they can get their house in order, why pay any attention? (Davidson 2002).

In other words, the ongoing (and arguably increasing) marginality of heterodox economists within academic economics signifies not a failure of a Kuhnian paradigmism but the need to redouble our commitment to the development of a serious, coherent alternative to mainstream theory.

John Davis's objection to the recent pluralist turn combines key elements of Sent and Davidson's critiques. Like Sent, he applauds the ideal of a more pluralistic economics. Of the recent pluralist trajectories of mainstream and heterodox economics, Davis writes approvingly: "We appear to have entered upon a new period of pluralism in economics, structurally speaking perhaps not unlike the past interwar pluralism" (Davis 2002, 149). At the same time, he is wary of the growing tendency to *identify* heterodox economics with pluralism, in part because heterodox arguments for pluralism are not uniquely heterodox. These arguments are grounded in the same liberal arts traditions that underlie mainstream economics. Davis thus regards heterodox arguments for pluralism as well-intentioned and valuable but philosophically ad hoc:

Of course it is all fair and good for [heterodox economists] to press on a non-theoretical, purely practical basis for openness, non-discrimination, and for a "free market" in ideas . . . . These are ideals that ought to be defended across all of the humanities and sciences . . . . But this sort of program does not stem directly from the particular content of heterodox economics. It stems from a commitment to social values of long-standing that operate across the humanities and sciences and indeed in society generally. Only, it seems, were these ideals and values to become shared across heterodoxy and the mainstream, would there then be hope for a wider pluralism in economics (Davis forthcoming, 17).

Like Davidson, Davis is keenly aware of the mainstream propensity (and power) to reject heterodox work as substandard and hence the likelihood that heterodox pleas for pluralism will be ignored, particularly by a mainstream that is increasingly characterized by a plurality of methods and approaches (Davis forthcoming, 23; also Colander 2000 and Colander, Holt, and Rosser 2004). The fact that mainstream economists regard themselves as increasingly open and pluralistic makes it easier for them to dodge heterodox criticism while continuing to maintain an "exclusionary posture towards heterodox economics" (Davis forthcoming, 21). In Davis's words: "[U]nder such circumstances, mainstream exclusion of heterodox economics [can] be further promoted under the protection of a newly proclaimed openness!" (ibid., 2).

Davis therefore concludes that pluralism should not be the primary means by which heterodox economists try to establish their identity vis-à-vis the mainstream. A better choice, in his view, would be to trade our "politics of pluralism" for a "politics of ontology": to emphasize the ontological differences between the "rationality-individualism-equilibrium" nexus of mainstream economics and the "institutions-history-social structure" nexus of heterodox economics. This would allow the diverse schools of non-mainstream economics to rally around a broad yet distinctly heterodox line of critique, viz., a critique of mainstream economics for its inadequate picture of the world, especially their "now arguably defunct . . . atomistic individual conception" (Davis forthcoming, 18; also Davis 2003). Thus while Davis agrees with Sent that heterodox economists tend to be non-pluralistic in their treatment of mainstream economic theories, he sees this not as a failure of pluralism but as the expression of a legitimate and far-reaching ontological critique.

## **Recasting Pluralism And Paradigms, After The Cold War**

Heterodox economics as we know it today emerged alongside a dominant neoclassicism in the high modernist, Cold War environment of the 1960s.<sup>18</sup> Dissenters aspired to defeat an arrogant orthodoxy at its own game. Paul Davidson and other paradigm warriors are still trying. Others have moved in more pluralistic directions, seeking to build broader communities of dissent. Yet in many cases these pluralists are still paradigmers too, holding tightly to an oppositional conception of heterodox economics. Their main philosophical strategy is to formulate rules – demarcation criteria – whereby economic science is (re)defined to include Us but not Them.

For example, despite their many differences, Davis and Davidson agree that the principal aim of non-mainstream economics ought to be the establishment of a logical or ontological fault line between heterodox and orthodox approaches so that “heterodoxy . . . is differentiated and also identified as a single discourse in terms of its . . . differences from mainstream economics” (Davis forthcoming, 23; also Davis 1999). Even the open-system pluralisms of Dow, Lawson, and Fullbrook retain elements of this paradigmist vision, insisting that heterodox economics define itself as the Other of orthodox economics. This is Cold War paradigmism in a different guise but still the same oppositional project, with the same truncated pluralism: offering intellectual openness and respect to persons and arguments within our own paradigm communities but not to outsiders. To define heterodox economics in this manner is to warrant the charge that heterodox economics has no positive identity, that it defines itself only as “against orthodox” and hence “in terms of what it is not, rather than what it is” (Colander, Holt, and Rosser 2004, 11). This puts us in the reactive position of “permitting the mainstream to set the agenda for heterodox economics . . . to define its structure and content” (King 2004). It also demonstrates that our professed commitments to pluralism are fundamentally ill-conceived, insincere, or both.

Hence the critical questions: Must we define ourselves in this negative, oppositional way? If not, then what exactly does heterodox economics stand *for*? What are our primary intellectual goals and values? Is heterodox economics an inherently paradigmist enterprise whose primary purpose is (and must be) to cross swords with mainstream economics, if not to replace the mainstream then at least to defend the validity and usefulness of heterodox perspectives in professional spaces where non-mainstream work is routinely dismissed as unserious and “not economics”? Or, is it possible that we might be better served by taking a more principled stand for pluralism, i.e., by committing ourselves to the expansion of intellectual freedom for all economists and their stakeholders (including graduate and undergraduate students)? Indeed, might not academic economics in toto stand to gain from such a “total overhaul of economics and economics teaching”? If so, then who better than today’s heterodox economists, the younger and the older, to exercise leadership in the movement toward this genuinely pluralistic, multi-perspectival (*hetero-dox*) economics?

Much is at stake in these questions. They are likely to become even more pressing over the next 10-15 years as the accumulated intellectual and institutional capital of several generations of heterodox economists (scholarly research programs, graduate and undergraduate curricula, editorships, leadership positions in professional associations, as well as the journals and associations themselves) pass into the hands of younger economists whose ability (and willingness) to employ this capital will depend on where and how we choose to lead heterodox economics in the interim.

Serious attempts to answer these questions must begin by recognizing the compelling points registered thus far on all sides of this conversation. For instance, Fullbrook and Dow are undeniably correct to claim that the pluralist ethos among heterodox economists today is stronger than it was 15-20 years ago, and that if interaction and cross-fertilization among previously segregated schools of thought

continues to increase, then pluralism stands a very good chance of becoming a potent engine of intellectual progress and collective action among non-mainstream economists. By the same token, one cannot help but be moved by the overarching context of Davidson and Davis's arguments, viz., the institutional power and arrogance of mainstream economics and the vulnerable position of non-mainstream perspectives. These realities are glaringly evident in the 2003 removal of heterodox faculty from the economics Ph.D. program at the University of Notre Dame on the grounds that their scholarly work "did not meet the minimum standards of quality" (Ancochea 2004, Donovan 2004), and by the ongoing situation in the U.K. (Lee 2005b) where the government's annual "research assessment exercise" is fuelling a rapid paradigmatic homogenization of economics" (Lee 2005b, 2). Under these conditions, it may be more necessary than ever to adopt a combative, paradigm warfare approach. The notion that heterodox economics should aspire to become more intellectually open and inclusive (though laudable and advantageous, to a point) may be a luxury we cannot afford at the moment inasmuch as it entails a diminished commitment to other important professional or intellectual goals.

Space does not permit me to develop it here, but in a subsequent essay (Garnett forthcoming) I will outline my own response to these questions. I will propose an approach that is consonant in many ways with the realist pluralisms described above (particularly their efforts to reconcile the competing priorities of paradigmism and pluralism via a rethinking of science to make pluralism an intrinsic and vital feature of "normal science" – in contrast to Kuhnian notions of science in which pluralism emerges only in the interstices of scientific progress, during transitions between dominant paradigms)<sup>19</sup> but where the case for economic pluralism (and for paradigms) is grounded not in an open-system ontology but in the ethics and epistemology of classical liberalism.

Briefly, the approach I envision would combine Amartya Sen's capabilities approach to human development (modified to focus on intellectual capabilities) with Deirdre McCloskey's notion of economics as a pluralistic conversation (Sen 1999; McCloskey 1998 and 2001) to create an egalitarian-libertarian philosophy of economic science that is attuned to the ethical, epistemological, and pedagogical priorities of the students and faculty petitioners as well as to the professional/scientific *realpolitik* of Davidson et al. Sen and McCloskey both root their central arguments in the traditions of Adam Smith and classical liberalism. Yet their appropriations of the liberal tradition are quite different, particularly in their definitions of freedom, pluralism, and the requirements for a free society. My proposal is to join these different notions – to exploit the tensions and complementarities between them – in order to construct a normative framework for the ongoing assessment and improvement of academic economics, focused on the enhancement of intellectual freedom for all economists and their stakeholders, not least our graduate and undergraduate students.

This capabilities-minded pluralism, inspired by egalitarian and libertarian ideals, aims to move economics ever closer to the Aristotelian/liberal ideal of a "civilized conversation among equals" (McCloskey 2001). It also endeavors to address several challenges posed by critics of the recent pluralist turn, by developing a pluralism (1) that is genuine and consistent, not partial, temporary, or otherwise "strategic"; (2) that avoids "anything goes" relativism; (3) that attends to the "material and social conditions for the flourishing of pluralism"; (4) that is grounded in the traditions and principles of heterodox economics; and (5) that serves to advance not only heterodox economics but also the social value and intellectual vitality of academic economics at large.

This, I think, is the kind of economic pluralism envisioned by the student petitioners: an economics animated by an epistemologically consistent pluralism that seeks to enhance the substantive intellectual

freedoms of economics scholars, teachers, and students alike. As the French students put it, “[N]early everything in economics is in permanent debate. So we want the various points of view to express themselves in the university, which is what the university should be” (Raveaud, cited in McIntyre 2003, 14).

With specific regard to teaching, Raveaud underscores the petitioners’ desire for teachers to actively enhance students’ academic freedom by providing “the intellectual background that would allow students to think for themselves in their ordinary life or in their professional life” (ibid., 20).<sup>20</sup> The Cambridge 27 state the case succinctly:

[W]e are not arguing against the mainstream approach per se, but against the fact that its dominance is taken for granted . . . Pluralism as a default implies that alternative economic work is not simply tolerated, but that the material and social conditions for its flourishing are met, to the same extent as is currently the case for mainstream economics. This is what we mean when we refer to an “opening up” of economics (cited in Fullbrook 2003, 36).

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### **Notes**

1. “Plea for a Pluralistic and Rigorous Economics,” *American Economic Review* 82 (May): xxv.
2. A brief history of ICARE (and its renaming as the International Confederation of Associations for *Pluralism* in Economics [ICAPE] in 2000) is available at [www.econ.tcu/econ/icare](http://www.econ.tcu/econ/icare).
3. Fullbrook’s recently published collection (Fullbrook 2003) contains the initial petitions from French students (2000) and professors (2001) as well as the 2001 petitions from Ph.D. students at Cambridge University and from an international gathering of economics students and faculty at the University of Missouri at Kansas City. A 2002 petition of Ph.D. students in Siena, Italy is available at [http://www.debating.it/siena2003/conf\\_phd\\_econ2003/manifesto.htm](http://www.debating.it/siena2003/conf_phd_econ2003/manifesto.htm). A 2003 petition of Harvard undergraduate students seeking a more pluralistic introduction to economics is recorded in Lee (2003).
4. Pluralism remains an undertheorized topic in economics, though it has received more explicit attention over the past decade. Informative surveys of major approaches to pluralism in economics are provided by Salanti and Screpanti (1997) and Sent (2003 and forthcoming).
5. This Kuhnian sensibility is visible in early/mid 1970s titles such as “Bourgeois and Radical Paradigms in Economics” (Zweig 1971), “Radical Political Economy as a ‘Scientific Revolution’” (Worland 1972), or “Austrian Economics as Extraordinary Science” (Dolan 1976, 3-18). Dolan’s essay is explicit in this regard:  
In contemporary economics, [Kuhn’s notion of] normal science is represented by work within the framework of the neoclassical-Keynesian synthesis. . . [Austrian economists, in

contrast, are] “doing extraordinary science. . . . They are very much concerned with methodological and philosophical fundamentals . . . [and] share a conviction that orthodox economics is at the point of breakdown, that it is unable to provide a coherent and intelligible analysis of the present-day economic world (Dolan 1976, 3-4).

6. For Austrians, as for Marxists, this “rush to science” was propelled in part by a desire to transform Cold War political projects into academic-cum-scientific ones.

Austrian economics, as interpreted by its handful of students in the 1950s, needed no refinement, critical reflection, nor change: it was considered free-market wisdom to be dispensed to anybody who would listen, in the hope of rebuilding a political program for *laissez faire* (Boettke and Prychitko 1994, 7).

Marxian economics in the anti-communist 1950s was primarily “political” as well. As Paul Sweezy explains, in reference to his work as editor of the socialist magazine *Monthly Review* during this period, “We [at *MR*] never considered ourselves to be anything but orthodox Marxists . . . We were not in any way trying to redo Marxism. We just planned to use it” (Sweezy and Magdoff 1988, 91).

7. In this context, “neoclassical economics” includes all theories that appear to be pro-market or pro-capitalist. The awkwardness of this crude classification is evident in Sawyer’s attempt to justify the omission of Austrian theory from his list of “alternatives to neoclassical economics”:

There is one alternative to neoclassical economics which is not covered in this book, namely the Austrian approach. The major reason for this omission (apart from the inevitable space constraint) is that the Austrian approach is rather “out on a limb” as compared with the other approaches. This arises from the adoption of a rather different methodology and focusing on rather different questions. Indeed the Austrian approach shares with neoclassical economics a generally favorable attitude towards capitalism, and particularly towards the benefits of competition (though the Austrian and neoclassical views of competition are rather different) (1989, 10).

This political/ideological definition of neoclassicism, already fading in Sawyer’s account, has become much less prevalent since the early 1990s. Roberts and Feiner (1992) note, for example, that many radical-left economists “are increasingly unwilling to settle for ritual denunciations of all things neoclassical as ideological and thus worthless” (Roberts and Feiner 1992, 4).

8. This characterization of new classical economics is suggested by Klamer (2001).

9. To the contrary, many radical-left economists have dedicated their careers to “third way” attempts to transcend the Cold War paradigms of neoclassical economics and official Marxism. Sherman, for instance, describes his radical-left political economy as a pluralistic alternative to the absolutism of U.S. capitalism and its neoclassical ideology as well as the absolutism of Soviet communism and its official Marxist ideology. “In opposition to both of these dominant paradigms is the paradigm of radical political economy” (Sherman 1987; also Roberts and Feiner 1992, 3).

10. Friedman’s original quote (from a 1974 conference) is “There is no Austrian economics – only good economics and bad economics” (cited in Dolan 1976, 4).

11. Lee and Keen (2004) offer a compelling counterargument to the Colander thesis, citing numerous ways in which mainstream economics (as reflected in undergraduate and graduate textbooks, professional journals, and public policies) remains thoroughly neoclassical.

12. A further consequence of this all-or-nothing view is the conservative tendency of economists who feel dissatisfied with received theories, methods, and textbooks to remain committed to them. “Too many people, even if they are not completely attached to orthodoxy, do not feel strongly enough to propose an alternative view. So the domination of orthodoxy is in the people themselves. Nobody is going to take a risk to do something really different, because they think they have no alternative theory that is as good as the standard one” (Raveaud, cited in McIntyre 2003, 15).

13. Cullenberg, Amariglio, and Ruccio also articulate a normative pluralism: “[O]ver a century after the marginalist revolution, economic discourse is more heterogeneous than one might expect from a supposedly ‘unified’ science. [But] this heterogeneity is nothing to bemoan in our view” (Cullenberg, Amariglio, and Ruccio 2001, 5).

14. In a more recent article, Dow calls her pluralism “structured” rather than qualified (Dow 2004a). Yet the thrust of her argument remains the same: seeking a notion of pluralism that avoids the extremes of modernist monism and postmodern (unqualified, unstructured) pluralism.

15. Dow’s vision of interparadigmatic communication facilitated by an open-system ontology/epistemology closely resembles the postmodern Marxian perspective of Resnick and Wolff (1988).

16. Dow recognizes that her optimistic vision relies on two hopeful assumptions: (1) that heterodox schools of thought do indeed share an open-system approach to economics; and (2) that umbrella organizations like AHE, EAEPE, and ICAPE will help to foster an awareness of this shared approach by building new bridges among different branches of the heterodox movement:

The argument here has depended largely on heterodox schools of thought sharing an open-system approach to economics. It is my view that, if this commonality is not recognized, it is more a problem of misperception than the actual absence of commonality. Perhaps the very first stage towards broadly based progress in heterodox economics as a whole is, therefore, to raise consciousness among heterodox economists themselves about their shared methodological foundations. There is already considerable communication between heterodox schools of thought, but institutional arrangements, such as the umbrella organizations described above, would be particularly important for enhancing mutual understanding (Dow 2000, 168-69).

17. As Sent (forthcoming) explains, some forms of pluralism ultimately reduce to monism because they leave open the possibility that for every phenomenon there is (or could be, in principle) a single, best account.

18. “Heterodox economics, as it now exists within academia, is the product of a specific style of economics that has come to dominate the subject since the 1950s, combined with circumstances that made groups of economists wish to organize against this and provided the opportunities for them to do so” (Backhouse 2000, 151).

19. Dow’s recent work aims to theorize the mutual complementarity of paradigms and pluralism in an open-system view of heterodox economics (Dow 2004a, 2004b, and forthcoming). Davis offers a parallel set of arguments (Davis 1999 and forthcoming), though he and Dow disagree about the premises and



implications of this argument, particularly concerning the role of pluralism and open-system ontology in the demarcation of heterodox economics from orthodox economics.

20. The French professors' petition (in support of the original "Open Letter" that launched the Post-Autistic Economics movement) makes a similar point. "Two fundamental features of university education should be the diversity of the student's degree course and the training of the student in critical thinking. But under the neoclassical regime neither is possible . . . In free societies, this is an unacceptable state of affairs" (cited in Fullbrook 2003, 15). The professors' petition also calls for a critical approach to rival paradigms. "Different paradigms [comprise] . . . different families of representation and modalities of interpretation . . . [But] acknowledging the existence and role of paradigms should not be used as an argument for setting up different citadels, unquestionable from the outside. Paradigms should be confronted and discussed" (cited Fullbrook 2003, 15). The Kansas City petitioners concur: "A responsible and effective economics is one that . . . encourages philosophical challenge and debate" (cited in Fullbrook 2003, 39).

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## **Pluralist Integration in the Economic and Social Sciences: The Economy of Conventions**

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The Economy of Conventions [EC] programme incorporates, in a new perspective, three issues that have been dissociated by a century and a half of economic thinking: the characterization of the agent and his/her reasons for acting; the modalities of the coordination of actions; and the role of values and common goods (for former discussions of the programme, see Dupuy et al., 1989, Orléan, 1994, Salais, Thévenot, 1986). Standard economic theory was built on strict compartmentalization between the two issues of rationality and coordination that were axiomatized separately, the former by decision-making theory and the latter by general equilibrium theory (Favereau, 1997). These two issues were in turn isolated from the third, which concerns value judgments and normative considerations. In contrast, the frameworks of analysis that we have constructed propose an articulation between these three issues. If we agree that the coordination of human actions is problematical and not the result of laws of nature or constraints, we can understand that human rationality is above all interpretative and not only or immediately calculative. The agent first has to apply conventional frameworks to understand others' situations and actions before he/she can coordinate him/herself. This understanding is not only cognitive but also evaluative, with the form of evaluation determining the importance of what the agent grasps and takes into account. This is where we recognize the role, in coordination, of collective values and common goods that cannot be reduced to individual preferences but provide the framework for the most legitimate coordination conventions. This is also where language plays a part as a key component of institutions. EC aims for an integration that concerns the economic, social and political sciences equally. In this way, they should be brought closer together, rather than each one expanding separately at the expense of the others.

In the first part, we note that the economic and social sciences are confronting each other today as both try to expand and conquer ground in the rival discipline's domain. This effort at generalization is of interest to us. Yet it reveals the limits encountered when extensions retain a core of hypotheses that do not incorporate all the dimensions of coordinated human action. In the second part, we revert to these core hypotheses in order to highlight the shifts effected by EC. The uncertainty weighing on coordination is no longer only a question of the distribution of information; it is contained by the interpretative rationality of agents and limited by the common frameworks of evaluation that qualify the relevant elements of the situation. These conventional frameworks of coordination are plural without necessarily leading to relativism. The third part reveals a 'horizontal' pluralism of conventions of qualification that correspond to the same grammar and all present the highest degree of generality and justification. This initial pluralism enables us to analyse the complexity and diversity of markets and economic organization without reducing them to a calculation about contracts or transactions. We are thus better equipped to study business enterprises and the particularity of the labour and finance markets. In the fourth part, we introduce another pluralism, a 'vertical' one this time, where the degree of generality or publicity of conventions of coordination is varied. This second pluralism allows for the differentiation of the generic notion of convention by distinguishing modes of coordination and information formats of more local types. But it also

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enables us to refine the analysis of political and moral evaluations. It accounts for the tensions between fairness, based on equivalence, and assessments which rely on closer interactions. Finally, the shift from micro to macro is thus rendered twice as complex, once by the intrinsic variety of ways of generalizing, and a second time by a deepening of the local/general relationship.

## **1. Confrontation or Efforts to Integrate the Economic and Social Sciences**

We need to pay serious attention to the aspiration to generalization currently apparent in both economics and sociology, in the form of an attempted extension into the other discipline's preferred domain. This leads to an interesting situation in which there is no longer a clear-cut division between territories, and in which we can compare approaches in the overlapping advances of the two disciplines.

Based on a diagnosis of the extension observed on both sides, we are going to plead in favour of the theory of conventions approach grounded in a reflexive attention to each of the two disciplines. Rather than a pluri- or multi-disciplinary approach that would simply combine the contributions of different disciplines, our perspective seeks to cross the boundaries between economics and sociology in order to uncover their common foundations, and to re-examine them. The idea is not, however, to ignore the original contributions of each discipline, or to confuse them. Reconsidering the common foundations of these two disciplines is particularly urgent, for politics (the role of the State and intermediate authorities; creation of a general interest; individual engagement in the public sphere) is currently being profoundly reshaped by the construction of Europe and the search for international regulations within the new context of globalization. In so far as it is occupied to a large extent by themes borrowed from economics (governance, rational action, strategic manipulation, etc.), political science offers no original adequate resources for reconstructing politics.

### *From a Science of Market Exchange to a General Science of Human Relations*

The economy is spreading to non-commercial relations through such mechanisms as 'contracts' and 'games' which are more transactional than the picture formerly painted of general market equilibrium, and which depart in that respect from the first extensions (in G. Becker's style, in particular). The New Institutional Economics is typical of such extensions. The areas affected are the family, power, politics, organizations; the market goods exchanged in commercial trade are no longer the mainstay of coordination. There remains a notion of generalized preference that extends to the modes of interaction with others. Formerly closely articulated within the sphere of commercial goods and services, this notion of preference is becoming more important – as seen, in particular, in the extreme case of game theory. Goods are replaced by strategies directly concerned with the relation of preference.

This extension raises several questions:

1. It is intended to cover all human behaviours and to turn economics into a universal social science occupying all the ground of the other sciences of society, both social and political. But how can its coherence with the initial core of economic theory and its required unity be maintained? The link with the core of market relations, maintained by reference to competition and incentives, stems from the fact that, despite its apparent reference to legal contractual forms, the notion of a 'contract' is above all an extension of that of 'equilibrium', a balance between interests that have nothing in common and are often even antagonistic. To allow this extension, new notions of equilibrium are introduced (J. Nash).

2. By trying to link all the 'equilibriums' of behaviors to the original core of competitive market coordination, the extension opens only superficially onto a variety of contractual devices or modes of transaction. The core excludes recognition of an interpretative rationality, of an ethical judgement and a reference to collective objects and beings. Yet these notions are fundamental elements of a grammar common to the multiple modes of coordination analysed in the conventionalist programme. Without such recognition, the variety of contractual devices taken into consideration is limited by the single mould of Nash equilibrium or refined versions of it. There is, indeed, a very close link between standard rationality in situations of interaction and Nash's concept of equilibrium, as many authors have noted, from L. Johansen to D. Kreps.

### *The Social Embeddedness of Economics and the Social Construction of Markets*

Economic sociology offers a counter-attack to these extensions and is intended to reduce economics to a field equivalent to the other social actions in which it specializes. The advantage of this opposing extension consists in inscribing so-called economic relations in a far wider space by highlighting their entanglement with social actions. With the common aim of denaturalizing economic relations, a rich body of research on 'the social construction of markets' has emerged.

Sociology encompasses a far wider range of social actions than the one allowed by the specifications of the economic theory of contracts (whose limitations are intended for a conceptual economy). Consequently, the reduction effected by sociology when it expands into the economic domain is not as radical as the symmetrical reduction. Certain extensions are, moreover, facilitated for sociologies of actions motivated by self-interest or strategic goals, inspired by the models of economic action, that can thus form certain alliances with a Becker-type economics.

This extension of sociology nevertheless raises questions comparable to those generated by the enlargement of the domain of economics. The models of social action, even when they more or less metaphorically employ the language of markets and interests, imply modes of coordination that are profoundly different because they are based on social groups, social representations, social practices, a sense of the social, and social intercomprehension. They fail to characterize the specificity of frames of action and coordination involving market objects. Despite its fecundity, the notion of the *embeddedness* of economic transactions in social relations attests to this reduction to models of social links.

### *A Non-Reductive Integration*

Our undertaking is different from these efforts at extension based on a core of hypotheses of standard economics or classical sociology. It takes into account the effort of integration motivating the preceding two movements, but it also recognizes that each disciplinary tradition highlights different aspects and different modes of coordination which can hardly be assimilated into the other disciplinary frame in its present state. For this reason, we have constructed a framework of analysis devoted to an issue common to both traditions, one that can be used to identify the matrix underlying a plurality of modes of coordination to which the different heritages of the disciplines bear witness.

## **2. Underlying the Social and Economic Sciences, a Common Issue: Problematical Coordination of Actions**

*An Issue Common to the Social and Economic Sciences*

The limitations of the two types of extension referred to above lie in the reductions they effect with respect to the notions of action and elementary coordination peculiar to each discipline, whether economic or social. Yet if we go back to more fundamental questions, we recognize an issue common to both sociology and economics: the problematical coordination of human actions. Each discipline has concentrated on different specifications of this coordination. We would like to preserve the resulting pluralism, without however reducing it to differences between disciplines or remaining at the stage of relativism.

*Renewed Frameworks for Analyzing the Uncertainty of Coordinations*

How are we equipped in terms of agents or devices (*dispositifs*), to account for coordinated actions? The answer obviously depends on our interpretation of the word coordination. As indicated in the introduction, EC is not confined to the definition of coordination that economists base on the assumed methodological individualism in the neo-classical currents and transaction cost economics. The notion of coordination developed by EC highlights the role of collective forms of evaluation. The most public forms subject coordination to the demand for justification; modes of coordination with a less extended scope imply forms of evaluation that correspond to more limited goods. Moreover, the notion of coordination thus extended is not opposed to the idea of conflict. Coordination is put to the test and achieved against a background of failure and particularly of conflict and criticism.

'Classical' authors in both economics and sociology have remained close to the reference models of the natural sciences and have developed economic and social physics that highlight equilibriums, orders and structures of social reproduction. Coordination is systematically guaranteed there by powerful forces embedded in agents and in external constraints. More recent developments have highlighted the uncertain nature of coordination, which implies that we need to pay more attention to the modes of transactions and interactions.

For interactionist sociologists, uncertainty remains part of the idea of an 'order of interaction', even if it is 'negotiated' locally in the situation. Order is particularly doubtful for ethnomethodologists who, in this respect, differ from 'classical' sociologists. But they assume that actors actively strive to maintain a common sense, at all costs, in the particular context of the situation, through 'ethnomethods'. More broadly, the notion of intercomprehension extends the idea of an agreement through meaning, to which sociologists, unlike economists, are very attached. For sociologists of actors' networks (some authors prefer to use the term 'actant networks'), coordination is reduced to the unique form of 'association' and 'interest', without further specification of the plurality of modes of engagement.

For economists, the problem is concentrated on notions of uncertainty and information. Standard theory, even extended to problems of bounded rationality, has not called into question its model of action. Paradoxically, disorder remains highly calibrated while leaving the path open to opportunism. One of the most significant certainties stems from the idea of the space of options, even though it transcends the space of objects traded ('hypothesis of nomenclature': see C. Benetti, J. Cartelier, 1980) to become a space of actions in game theory. Common knowledge remains a heroic hypothesis as long as the ways in which it emerges and is observed within coordination have not been studied (Dupuy, 1989). This implies that we take seriously the material, social and institutional conditions that allow those who coordinate to



engage in action. It also implies that we open the black box of rational action to seek reflexivity and reason, both perspectives that economics basically refuses, despite the repeated plea of leading authors.

*How to Improve? Qualifying Uncertainty on the Basis of a Form of Evaluation that Allows for Coordination*

The above-mentioned currents take into account an uncertainty weighing over the coordination of behaviours, whether that uncertainty is conceived on the basis of an asymmetry of information or on that of the particular context of a situation. How can we do better? By differentiating forms of uncertainty and thus of information, and then relating them to different forms of evaluation, for evaluation is at the centre of coordination.

With the notions of 'incompleteness' or of 'radical' or 'critical' uncertainty, we attempt to go further back than the formatting of the information on which the calculations of contract economists are based. We distinguish the operations through which doubt is channelled and treated in keeping with various formats of knowledge and information, the relevance of which is related to a mode of coordination. In this way, we are able to understand how forms of non-market coordination appeal to other formats of knowledge, even though they are frequently reduced by the economist to terms of inequality of information primarily concerning the essential qualities of market goods and services (Favereau, 2001; Thévenot, 1984, 2002a).

In all coordination, whether it occurs in the market, the enterprise, or is intended to achieve political agreement, there is no regularity at the start of the action that can be considered as a sure support. In this sense, uncertainty exists for everyone (including for the theoretician who tries to understand and not only to explain the course of events from the outside, afterwards). In its ordinary singularity, any coordination is uncertain in so far as it brings into play heterogeneous actors, takes place over time, and focuses on a product (or service) that is never entirely predefined.

Overcoming that uncertainty requires the conventional construction of products, services and expectations that are the media of the commercial interaction and productive activity of firms. The notion of a convention enables us to characterize this moment of common construction. Note that overcoming uncertainty is a feature of daily life in society. Observation shows that the actors often succeed in doing so, at least to a certain degree. It suggests that this conventional construction is a permanent individual and collective activity, incorporated into the action itself.

Conventions channel uncertainty on the basis of a common form of evaluation that qualifies objects for coordination. Thus, we distinguish market conventions of qualification, in the limited sense of a competitive consumer good market, from other conventions of qualification that, at the cost of a sharp departure from the dominant paradigm, make it possible to cover a broader range of transactions – which satisfies the current ambitions of the economic and social sciences. Recognition of a plurality of such conventions is a response to the critique of an excessive extension of the market to all interactions, without transferring non-market relations to a 'social frame' of the market. Apart from the plurality of modes of coordination and the resulting discontinuities, it is therefore necessary to account for a frame common to these different modes of coordination, without which the agents' switching from one to the other would be incomprehensible.

Qualifying uncertainty, or specifying conventions that allow the qualification of the objects of the transaction, result in a recognition that the relevance of a format of knowledge depends on a form of

evaluation. Evaluation is at the centre of coordination; it is not an argument, among others, of the individual function of utility, an invisible bedrock – sub-contracted for analysis to other disciplines – of the individual function of utility, or a value added to rationality to complete or correct it.

### **3. The First Pluralism of General Modes of Coordination: What Legitimacy and What Integration?**

Legitimate forms of evaluation support institutions. By recognizing that the most general modes of coordination are based on such forms, we take the demands for justice and democracy that weigh on organizations seriously, along with the sense of fairness, public good or common good expected from the actors engaged in such coordination. The importance of these expectations, which lie at the core of political philosophy, has been diminished considerably in prevailing economic and sociological approaches. Either they reduce all evaluations to individual preferences incorporated into prices, or they limit them to arbitrary social values in their diversity. The fact of taking the legitimacy of these forms of evaluation and their pluralism seriously modifies our understanding of both actors and organizations.

#### *Politics, justice, democracy*

If we recognize a pluralism of legitimate modes of coordination, can we integrate them into the government of organizations or States? Can we avoid relativism that the social and economic sciences commonly associate with the plurality of values?

A positive answer was formulated by analysing relations between the most legitimate modes of coordination and the sense of just and unjust. Instead of stopping at a typology of values, or Weberian ideal types such as those that differentiate modes of domination, we have shown that different orders of qualification that confer their legitimacy on general modes of coordination correspond to the same grammar of just and unjust (Boltanski, Thévenot, 1991, 1999, 2000). Forms of evaluation, test procedures that lead to judgment, and relations between orders of evaluation are all denounced as unjust if they fail to satisfy a set of conditions described in a model common to a plurality of orders of worth. We have identified certain convergences between these conditions and two contemporary theories of just and unjust: Rawls' and Walzer's. The fact remains that the pragmatic entry via coordination of actions rather than directly via the distribution of goods leads away from these authors. It enables us to specify the procedures of the coordination test and its basis of qualified objects, as well as the relation between procedures and substantial goods, that are often ignored, especially in the opposition between fair and good as radicalized by the liberal grammars. EC benefited from a large amount of previous research on statistical information (Desrosières, 1998), 'investments in forms' which are needed to formalize such information (Thévenot, 1984) and different forms and principles of evaluation. This last equipment, which is used for ranking policies and evaluating their effectuation, is taking an increasing place in the governance of the European Community. There is a risk that the procedures for evaluating 'good practices' rely mainly on closed expertise instead of remaining open to a democratic debate about the plurality of principles of justice which are implied in these policies. By analysing coordination devices on the basis of these grammars of fairness, their democratic openness and its limits can be assessed. This assessment concerns various loci such as the State, public policies relayed by associations, standardization committees, regulatory authorities, conferences and forums, etc., without being limited to an opposition between the State and civil society. Civic order illuminates an essential demand in any democratic policy, because it qualifies a quest for equality and solidarity and relies on regulatory objects equipped by the law. The clear distinction with a market order makes it possible to avoid the confusion

resulting from possible compromises between liberal political grammars and the convention of market coordination, compromises which are often covered by the expansion towards the politics of an economics focused too sharply on market relations.

### *Agents in Different States for Evaluating*

In the economic model, evaluation by agents is concentrated in the utility function that is assumed to be either stable or subjected to exogenous variations. Several research currents try to endogenize preferences, either by likening them to routines selected by the environment, or by introducing an order into preferences: metapreferences.

Each of these strands of research has its appeal. We are trying, however, to go beyond that by relating evaluation to a state of individuals that depends on their engagement in their coordination environment. We thus relate routine conditions not to basic automatic regularities but to one of these modes of engagement in which habituation to a familiar environment means that evaluation is carried out at the level of local adjustment. We also relate the ethic content of metapreferences to an engagement at a very different level, in which the collective underpinning of evaluation is essential.

Unlike the extended standard theory that tries to view the problem of coordination or cooperation by confining the cost/benefit calculation of *homo oeconomicus* to the level of the individual self, social psychologists (H. Tajfel, J. Turner) have highlighted the complementary role of two other levels, that of social selves (through membership in groups) and that of the self as a human person. In this way, the shift from one level to another can be understood.

Compared to sociologies that assume the existence of stable determinants of social behaviours, the fact of taking into account a plurality of states of evaluation leaves room for different engagements and introduces movement into people's dispositions. Moreover, this EC approach relates these movements to modifications of the settings in which actions take place, and which offer external support for evaluation. This type of analysis does not prevent us from considering relations between these dispositions and social affiliations; it authorizes their movement, as observed among members of societies in which everyone has to accept diverse modes of evaluation.

### *Constituent Conventions of the Market and Firms...*

Markets are above all places where the quality of goods is tested and evaluated. Their organization is contingent on activities that prepare those tests and format them: activities of codification, measurement, certification, regulation, etc. These are activities that are situated upstream or downstream from markets, although linked to them. The State is present, as either prescriber or guarantor.

The state of persons that has occupied economists most is that of actors in a market. Clearly, the fact of reducing what happens in a market to the laws of supply and demand is regrettable. First, actors are identified only as buyers and sellers, whereas 'behind' that identification consumers and producers are equally if not more important. Consumers and producers have conventional expectations regarding the traded object that cannot be made to coincide simply by means of a mechanical adjustment in supply and demand. Each has an essential prerogative. Consumers are the sole parties who determine the quality of what they buy and their decisions to do so. Producers alone determine the rules of their production of products and services. These two prerogatives form the starting point of agreements on the quality of

goods in a market and make them possible. Effective competition in each type of market will depend on the type of test and evaluation that predominates within it. Operations of evaluation differ, depending on the market and on the nature of the objects of the transaction: products and services of various kinds and destinations, labour, securities. As shown below, in all these markets a plurality of principles of evaluation exist, which has to be integrated into theoretical analysis.

The collective form of the state of persons, their qualification, is induced by the constraints of coordination. For a common evaluation to emerge, a procedure of composition of individual evaluations is required. The consumer in the market is not an independent individual, unattached to anything, as hasty critiques of the market assume. He/she has access to all the goods in the market provided he/she is solvent and puts him/herself into the state of a consumer, which involves certain rights and duties. In particular, he/she must agree to the supply of goods and the market price. Under these conditions, an aggregated demand can be constituted. We have constraints here that are similar to those impinging on the counting of votes in politics. The state of a consumer is based on devices, especially market goods, that establish a format of knowledge in relations. More local approaches emphasize behaviours that move away from this general state: the price may be negotiated, adjustments may be made to the objectives of the transaction, etc. This leads to a second pluralism introduced in the following section.

*...And Those of Other Legitimate Modes of Coordination*

We can introduce other modes of coordination by varying the state of agents governing their evaluation as to what a good is. The term 'a good' is obviously ambiguous in economics since it can denote either the appropriated thing or that which, more generally, guides an evaluation. It is not only a source of misunderstanding, for we try to relate the good that is the object of the transaction to plural possibilities of evaluation, not reduced to market evaluation. In this pluralistic approach, the concept of a good is very open and enables us to move away from the market good. The classical distinction between good and service, reduced by the extensive frame of the market, has a profound meaning: it already suggests states of the object of the transaction that open onto different forms of knowledge and evaluation. The extended concept of a good can then cover an equally broad range of modes of coordination as those that are recognized in economics and modern society, without reducing them to a single form.

Various strategies exist to introduce different coordinations of the market (Favereau, Biencourt and Eymard-Duvernay, 2002). They share the fact of defining states of evaluation that differ from that of the consumer. We can thus more satisfactorily analyse productive activities, work that bring into play evaluations of goods whose format of knowledge differs entirely from that of the consumer. The function of production is the economist's way of modelling these forms of coordination, but by reducing them to technical constraints, so as to safeguard the sovereignty of the market. This tension between several coordinations has been from the origins of economics, through the debate between labour value and use value. It is currently apparent in interest in the analysis of firms, but contract theory is inadequate as a tool for studying it. The fact that H. Simon developed an alternative paradigm of rationality by focusing primarily on organizations is significant.

Once we have recognized the pluralism of evaluations, we see the limits of the information economy more clearly: asymmetry of information between agents is most often a problem of the distribution of the ability to evaluate and the mode of evaluation. For example, in a doctor's relationship with his/her patient, we can refer to asymmetry of information in so far as the doctor has more information than his/her client. He/she could take advantage of that to deceive the patient by putting less effort into

treating an old person, for example, who will nevertheless still pay the same price for the service delivered. This stems from a capacity for evaluation that, if present only in the doctor, leads to an abuse of power since the patient cannot participate in this mode of evaluating the effectiveness of treatment. The positive side of the asymmetry, which stems from this capacity, is ignored in the purely negative approach to contracts. The plurality of forms of evaluation is reduced to an ordered asymmetry. As a result, the economy of information neglects the decisive operations of the production of formats of information (categories of knowledge and evaluation) that will become relevant and will be considered common knowledge.

The plurality of coordinations does not correspond to the boundaries of organized or instituted categories of activity. A given economic activity, even finely divided up, can concern several forms of coordination which are not the same for each firm. The problem of coordination in such pluralistic worlds is that of the encounter between several principles of evaluation, or of the distribution of power of evaluation between the different states of persons (Table I.2.1).

To incorporate this plurality into a common framework of analysis, it is necessary to review the question of equilibrium. Equilibrium between supplies and demands enabled economic theory to extend the market model. This was followed by a new extension by Nash equilibrium. These equilibriums are based on the agents and objects of transaction that have been put into the state of the market, or of a pseudo contract market. If this concept is retained in a pluralistic context, 'equilibrium' will relate to the stability of that state, prior to the contextual regulation of prices (or of other references for coordination). Disequilibrium exists when the principles of evaluation that qualify the state of persons and things are called into question, especially by relying on alternative coordinations. H. White's modeling of consumer markets is a particularly stimulating way of formalizing this renewed notion of equilibrium, in a pluralistic context. Equilibrium, that is the renewal of the quality convention, then concerns a dispersion rather than a central tendency.

Table I.2.1 Orders of worth

<i>Civic</i>	<i>Inspired</i>
Collective interest	Innovation, creativity
Formal	Emotional
Regulation, right	Emotionally invested body or object: artistic, religious
Solidarity	Passion
Representative	Creative
Stable	Disrupted
Homogeneous	In the presence

Mode of evaluation (order of worth)	Price	Productivity, technical efficiency	Esteem, reputation	Opinion	Renown, fame			
Format of relevant information	Monetary	Measurable: series, statistics	Oral, exemplary, anecdote	Semiotic				
Qualified objects	Market goods and services	Investment, technique, method	Patrimony, specific asset	Sign, media				
Elementary relation	Exchange	Functional link	Trust	Recognition				
Human qualification	Interested	Professional, expert	Trustworthy	Famous				
Time formation	Present, short-term	Long-term, planned future	Customary	Trendy				
Space formation	Global: market place	Cartesian space	Polar: anchoring in proximity	Space of visibility and communication				

*The Constituent Convention Movement*

‘Classical’ economics and sociology tend to consider the founding institutions (the market, the community) as exogenous, universal and stable. The introduction of radical uncertainties (lack of a mode of coordination containing uncertainty within the limits of an order of qualification) and of critical dynamics (challenging an agreement) into analysis leads to the conception of conventions that are deformed by action and are plural and evolving. People are placed in a conventional environment (formed mainly by texts, legal corpuses, accounting units, evaluation tools) that they rearrange to remedy the lack of coordination and cooperation. To introduce this conventional dynamic into the analysis, the actors have to be endowed with a reflexive behavior regarding their own state, as well as a capacity to remodel forms of community life – in other words, a political capacity.

Attempts to introduce political behaviors by starting with rationality are short-lived. Contract theory adopts this type of approach but equilibrium is maintained only at the cost of an unrealistic hypothesis of rationality, with the maintenance of a general market in the background. Introducing ethical, altruistic behavior alongside rational behavior does not allow one to account for the plural and evolving nature of the goods involved in the evaluation of behaviors. It is necessary to incorporate politics into the analysis by reference to the conventional dynamic and to the type of reference good.

*Strange Markets: Labor Market, Financial Market*

For a long time, institutionalist currents have criticized the apparent extension and unification allowed by the concept of a market. K. Polanyi's critique of a process of merchandization was followed by criticism of the undifferentiated neo-classical treatment of all markets. The principal-agent model augurs badly for the behaviour of a human resources manager. D. North and O. Williamson are aware of these limits to extension, but are content to treat politics as a good source of incentives. Considering the economic agent only in his/her 'individual' state, they force themselves to think politics in a register that precludes political or even social capacities in humans. EC makes it possible to go further and recognizes the theoretical specificity of each type of institutional market device, thus reviving the tradition of the classics.

*Labor markets* Market reduction of labour to a factor of production commanded by consumers distorts the common perception of evaluations attached to work. In the market model, labour is a sort of negative consumption, the only aim of which is to provide buying power. The worker is, therefore, in the state of a consumer who chooses between baskets of goods, including leisure. Hence, the focus on 'skiving' behaviors to describe work. The skills, methods and efforts deployed to accomplish a professional activity are thus reduced to a disutility. Turning it into an altruistic behaviour is simply a largely unsatisfactory inversion of the same model. A better solution consists in introducing a state related to the activity of work, based on a specific conception of industrious activity as a good. Instead of involving only remuneration, which makes it possible to isolate a labour market, the aim of work also involves the good consisting of an activity consolidated in a product, whose value indexes that of work. This approach is open to the plurality of forms of work. It can be used to analyse the tensions between different evaluations of the good through those of the product. In the orthodox approach, the evaluation of labor is strictly limited to the evaluator's subjective interest. EC questions the legitimacy of evaluations. In which conditions, evaluations are taken as legitimate, and how is legitimacy related to rationality? Such questions are particularly significant when it comes to dealing with lasting unemployment, if we reject the usual simple cleavage between the economic space which is governed by egoistic individual interests and the altruistic space of social solidarity. EC initially developed around labor qualification issues (Salais, Thévenot, 1986; Salais, 1989) and suggests a reform of the devices which are used in labor evaluation and recruitment (Eymard-Duvernay, Marchal, 1994). Such reforms would reduce inequalities before the implementation of welfare policies, and alleviate the cost of these policies.

This approach also renews the role of firms. In the continuity of the transaction cost economics, the firm is seen as a framework of coordination distinct from the market. R. Coase's or O. Williamson's firm has an effect only on the efficiency of coordination and extends the neo-classical tradition of reduction to trade, via transactions and contracts. For us, the firm organizes the articulation between products, labour and capital markets. We also pay attention to areas of coordination that are broader than the firm, for example the professional branch if the rules of valorization of goods and work are produced in this framework.

Moreover, the firm is at the intersection of several forms of coordination, managing the tensions that result from such a situation by compromises between them. The diversity of corporate models and worlds of production that the analysis of conventions of coordination leads to, challenges the view of the firm as a unified and simply hierarchical mode of coordination. EC serves to break the firm down into a plurality of coordinative conventions which frame interactions. It analyses the organisation with regard to the kind of 'compromise' which makes several conventions of coordination locally compatible (Boltanski, Thévenot, 1989; Eymard-Duvernay, 1989, 2002; Storper, Salais, 1997; Thévenot, 1986, 1997, 2001b, 2002a).

*Financial markets* Owning a share confers a right to the future flow of expected dividends. It is only a promise of money. There is an ensuing risk for the owner who, faced with unexpected expenses, can find him/herself in great difficulty if unable to transform his/her shares immediately into money. Stock markets are institutional creations invented to meet a specific demand by creditors: making property rights liquid. With this statement, we are diametrically opposed to orthodox analysis of finance in terms of which securities are considered to be naturally exchangeable, like merchandise. EC is entirely devoted to criticizing this natural state of goods ready for trading. EC analysis of financial markets reveals the gap between them and two modes of evaluation and coordination with which they are often unfortunately confused (Orléan, 1999).

First, disconnection from the industrial world of productive investments is witnessed in the fact that the share price is not the expression of a 'fundamental value'. Financial liquidity makes a clear cut between the time of production and the time of financing. Whereas the valorization of productive capital is a long-term process since it requires the irreversible immobilization of capital, liquidity constantly produces opportunities for re-evaluation and thus profit. In our view, this difference in timing, already found at the heart of J. M. Keynes' analysis of capitalism, clearly shows the gap between evaluation in financial markets and evaluation of productive capital corresponding to an industrial-type convention of qualification.

For all that, financial markets cannot be reduced to a competitive mode of coordination based on a market qualification of goods, like other consumer markets. Finance implies coordination by opinions, where a set of heterogeneous opinions is transformed into a reference value agreed to by all. Agents' expectations are turned towards the expectations of the other stakeholders. Mimetic behaviours are thus encouraged. Such imitation at an individual level leads to highly regrettable situations for the economy, as in the case of speculative bubbles or lasting gaps between stock market prices and 'fundamental value'.

In coordination based on a convention of qualification by opinion, it is the character of a sign and hence of recognizable salience that qualifies things and makes the 'objectivity' format peculiar to this mode of coordination. As long as the conventional object is accepted, the speculative dynamic is simplified for in order to predict what the others are going to do, it is enough to refer to the convention. Through the game of the self-validation of beliefs, there follows a relative stability of the convention that, for the agents, becomes second nature.

#### **4. The Second Pluralism of Levels of Convention, From Public Coordination to Close Coordination**

Our study of most official institutions and public policies, but also of organizations, firms or associations whose democratic demands we wish to take into account, led us to focus above all on the most legitimate modes of coordination. However, the analysis cannot remain at this level aimed at a requirement of public legitimacy in evaluations and qualifications of people and things. Our programme turned to a second pluralism to address more situated coordinations and more personal conveniences. Without stopping at the cognitive aspects of so-called 'tacit' or 'informal' knowledge, we have considered the evaluations and goods involved in these more local coordinations.

In both sociology and economics, various currents of research have focused on modes of action that fall short of the requirements of deliberation and public critique, and even of individual reflection. They have located non-reflexive relations with the world in habitus, routines and practices, based on



incorporation and dependent on context, at least in so far as their learning is concerned. By dropping hypotheses on reasoned calculation and on the completeness of the agent's knowledge, the hypothesis of bounded rationality has also caused more weight to be placed on the situation of action. Interest in the context and conceptions of a situated action have shifted attention away from deliberation, the choice of regulated options or a plan, to circumstances. In their own ways, analyses of networks consider circumstances from the viewpoint of a multitude of links:

Yet these advances have concentrated on the cognitive organizations of these relations brought closer together, without taking into account the evaluations and goods they imply. These theories are likely to remain too exclusively concentrated on models of local action, thereby disqualifying demands for more extensive coordination and overlooking the operations needed to move towards commonality and generality, as required by the public and politics. This is clearly the case of evolutionary models of routine behaviours that model 'local' links, just as models of contracts remain models of partial inter-individual equilibrium, with connection to the rest of the market taking place arbitrarily and exogenously through the so-called condition of participation. Economic theory thus proposes two local models, one with weak rationality (routines) and the other with strong rationality (contracts), both of which are unsatisfactory.

Conversely, theories that focus too closely on the public sphere, institutions or citizenship, tend to overlook the prerequisite of a person maintained by close relations. Ignoring the variety of formats of action, they cannot account for the movements required to shift from one to the other when a rule or law is applied with careful attention paid to the specificity of the case, when a public policy 'moves closer' to people, or when the functional object or plan is adapted for a particular use. In contrast, an increased focus on public qualifications requires changes in the state of things, but also of individuals who need to break away from close relationships to acquire the autonomy to lead a project or support an opinion, or to obtain a public qualification.

Closeness is not only the particular of the general, it is based on specific modes of engagement in the situation (Thévenot, 2001a, 2000, 2002b) (see Table I.2.2). Evaluations based on close engagements enrich not only the forms of knowledge taken into consideration but also evaluations and judgments on the unjust, abuses of power and attacks on individuals. Therefore, our programme developed in the sense of a differentiation of forms of action and coordination intended to understand the passages between them, and to highlight the abuses resulting from the predominance of some over others. A programme that is already attentive to pluralism of the most legitimate modes of coordination has to encompass a second pluralism stemming from the unequal scope of regimes of coordinated action, from the most public to the most familiar.

**Table I.2.2 Pragmatic regimes of engagement**

	<i>Regime of familiarity</i>	<i>Regime of regular planned action</i>	<i>Regime of justification</i>
Which good is engaged? With what evaluation?	Personal and local convenience, within a familiar milieu	Successful conventional action	Collective conventions of the common good

Which reality is engaged? With what capacity?	Usual and used surroundings providing a distributed capacity	Functional instrument	'Qualified' object
What is the format of relevant information?	Local and idiosyncratic perceptual clue	Everyday language of action	Codification
Which kind of agency is construed?	A personality attached to his or her entourage	Planner	'Qualified' person

*Reductions of Close Actions and Relations in Economics*

Economists often treat close actions and interactions negatively, as if they lacked standard properties. Considerations on asymmetries or incompleteness of information, or on the opposition between centralized and decentralized information, concern situations that are often asymmetrical from the point of view of formats of information and evaluation that the different agents use. In contract theory, several currents try to formalize close relations that have not been treated adequately by standard models based on the substantial rationality of agents. Models of incomplete contracts are a case in point. Yet, by failing to review the hypothesis of substantial rationality in depth, they revert to the standard approach. A more satisfactory option would require one to recognize the anchorage of knowledge in devices (*dispositif*) that retain traces of interactions with the environment, as well as the kind of evaluations in use.

Evolutionists promote the model of the routine as opposed to that of the plan in their approach to work and productive organizations. Thus, they are intended to highlight the non-reflexive character of the activity and its dependence on the past. Unable to calculate in a complex environment, agents rely on former habits, and coordination is based on routines. Despite its contributions, the drawback of this approach is that it neglects the upper levels that are required for the sense of legitimacy, as well as the lower level of personal habituation, since routine is most often treated as a regular and frequently collective habit, such as social practices and customs. The distinctive features of personal engagement in the familiar are not taken into account, nor are the resulting difficulties of coordination with other persons who are foreign to that familiar. Yet the question of learning encounters such difficulties.

Just as the actual activities of work and production involve the worker's close relation with the equipment and product used for which contractual formalisms or the functions of production fail to account, so too real uses of products and services involve the consumer's particularized close relation with them and are neither limited to the standard functional treatment of things to which the notion of utility attests nor exhausted in the relation of destructive consumption. Economic literature shows some traces of a regime of use that specifies the type of progressive and particularized adaptation of a person to his/her surroundings. The concept of 'experience good' emphasizes a dependence vis-à-vis experience instead of remaining in a relationship of consumption. But by reducing this regime of use to the properties of merchandise, we lose the characterization of an attendant way of doing things. Path-dependence models also recognize the role of contingent particularities of the environment in the subsequent trajectory, but relate them to a lack of optimality in technical choices.

*From Regulated Institutions to Interactions*

Coordination of actions is unequally instituted. Even though institutions are based on the most legitimate conventions, as indicated in the introduction to the third part, many actions digress from the institutional format and borrow from other formats more favourable to closeness, even when they remain linked to institutions. We see this today in the movement through which public policies are localized and designed to be closer to people and situations.

Of those conventions that have a maximal collective range, we can start by distinguishing the first level of constituent conventions (Convention 1). These support the most legitimate modes of coordination, which consequently have a very broad scope as regards the common judgments and goods underpinning evaluations. They are more than rules allowing the coordination of actions considered as normal. The space of their interpretation is that of justification and critique peculiar to the demand for democratic debate. On the other hand, second-level conventions (Convention 2) encompass more limited rules intended to coordinate normalized action plans. They leave only a smaller space of interpretation, confined to a relationship to the rule that prescribes the right action.

The analysis of institutions or public policies highlights activities that cannot be reduced to these conventions with the widest collective range: actions of agents from public organizations, aimed at moving closer to 'users' (Eymard-Duvernay, Marchal, 1994); situations of evaluation in which the evaluator establishes direct interaction with the evaluated person, such as recruitment (Eymard-Duvernay, Marchal, 1997). These actions are expressed in the standard, non-formalized language of narration, devoid of the orthodoxy required by institutions. Designation of acts, intentions and objects in ordinary language employs a format that authorizes tolerance compared to institutional forms. Coordination between actors is not subjected to an operation to move towards commonality and generality that guarantees conformity with the institution; it involves interactions in which the instituted tests are lightened, even suspended, to the benefit of accomplishments evaluated in a more tolerant format of the appropriate action.

This form of interaction is most often considered only negatively in relation to the instituted action, as an 'informal' or 'local' action. Our conception is rather of a coming and going between the different levels of coordination that highlights the benefits of people drawing closer together. This type of dynamic perspective has to be careful to avoid two frequent reductions of institutions: a holistic conception that presents them as collective structures that rigorously determine all social practices, and an individualistic conception that limits the institution to an aggregation of self-interested individual actions. These two options substantially reduce the range of forms of evaluation that guide people in their ways of apprehending their own behaviour and that of others. Taking the law into account implies that it must also be considered from the point of view of its procedures in action, by situating it in this type of differentiation of levels where it is not reduced to a literal interpretation.

By construction, institutional rules mobilize the general categories needed to build equivalence, due to the cognitive constraint of generalization and the political constraint of identical treatment of actors by the institution. They also imply an evaluation of a wide-ranging common good, where the actors act as 'legislators' by adopting a critical stance as to what a good rule ought to be. As regards this judgement, the level of situated interaction and the coming-and-going that it allows with more formalized coordinations, present four types of opening.

First, evaluation can depart from general categories that allow pre-judgments, to move on to an individualized judgment which takes into account a series of the individual's actions. Less formal than a degree or diploma, this judgement allows an assessment of the individual's competencies attested by his/her actions, and that have not been publicly formatted. Instituted categories such as degrees are not enough to guarantee an accurate evaluation. Taking abilities to act into account, as revealed in interaction, can lead to more accurate treatment owing to a weakening of the biases induced by these instituted categories.

Second, the evaluation is finalized by the objectives pursued in the situation that frame it in a more restricted plan than the goal of a common good. When it transcends the frame of a well-accomplished individual action, the targeted good can remain local, beneath a goal of universalization. Thus, firms are supported by arrangements that are usually satisfied only by local demands for coordination, and the targeted good is limited to the firm without spreading to society as a whole.

Third, evaluation can open up to the plurality of legitimate principles of justification that often enter, by compromise, into more local goods supported by compound arrangements. This type of opening creates the unexpected by revealing the situation from a new angle. The judgement can be said to be 'balanced' when it becomes stable after variations induced by these changes of principle, and not by prior 'purification' of the situation so that it qualifies for only one of them.

Fourth, evaluation can generate dialogue in interaction, that helps to reduce asymmetries between evaluator and evaluated, and thus to benefit the most disadvantaged by making it easier to take into account their rights. We can then talk of 'negotiated' judgment and consider that it facilitates the expression of injustices that previously had no access to critique. This regime of interactions must not be reduced to a deterioration of justice, with the explanation that equality is undermined by the breakdown of general categories, and objectivity of judgment jammed by the plurality of principles. It affords the conditions for an enrichment of evaluations of individuals.

Note, to conclude, that this form of situated interaction is found in a range of diverse institutions, including the market when the evaluation of goods exceeds pre-judgments based on general categories.

*Beneath the Individual Subject: Familiar Engagement that Maintains the Person*

When public policies are amended to bring them closer to people, with respect to the return to employment, reintegration, habitat or, more generally, social work, they appeal to an individual plan, an individual project, to individual wills and intentions that have to prove themselves. They target a state of the person as an individual capable of coordinating him/herself within his/her plan and of demonstrating an autonomous will and opinion. This appeal causes a demand to weigh on the people concerned that is taken to be the prerequisite of their access to a more public level of coordination, based on the most legitimate conventions. If the individual's state thus constitutes the basis of engagement in the public sphere, it already corresponds to a level of consolidation of the person in the accomplishment of appropriate actions, as noted in the preceding section.

Yet the experience of the agents of these public policies reveals failures to achieve this required individual autonomy. Most often, they are referred to a set of failings: lack of will or perseverance, passiveness or inactivity, incapability of keeping promises. Economists usually see in this a preference for

inactivity. In contrast, sociologists highlight social factors and determinations that relieve individuals from the responsibility for such shortcomings.

These two approaches overlook the fact that, before reaching the stage of the autonomous individual, a person must first be maintained by close ties that engage him/her in the familiar. The various personalized accompaniments extending public policies are grounded in this type of relation of familiarity participating in this maintenance of a person, below the state of the individual, the subject of action. The dynamic of personal conveniences is based on landmarks that appear with use, during frequentation of the surroundings in which the person is accommodated. That is where he/she resides above all, maintained by attachments. The social sciences commonly grasp this dynamic of familiar adaptation with a bias to the discredit of a passive dependence that hinders the subject's autonomy, using the rigid and repetitive notion of routine or a deformation that collectivizes these personal appropriateness in customs or culture. Political constructions cannot ignore this essential good engaged in a familiar element in which the person is anchored, if they care about dignity, promise a more hospitable common world to that in which persons differ, and concern themselves with forms of recognition of these differences and of the struggle against the discriminations they spawn.

\* \* \* \* \*

At the end of this journey that we concluded with the characterization of a second pluralism, 'vertical' pluralism distinguishing more local conveniences from essentially public conventions, we again encounter the limits of standard economic theory. But we have the means to shed new light on the extensions from which we started at the beginning of this text. In opposition to the social scientist criticized for his/her openness to collective beings, the supporter of an extended standard theory claims to address all human actions – including those that other disciplines treat in terms of social collectives or political communities – by limiting him/herself entirely to what he/she has of the most elementary and realistic state of the human being, that of a self-interested individual. In our construction, the individual incorporates into his/her behaviour a normative design on coordination with others and the common good, instead of withdrawing into selfish calculation. Moreover, we can now recognize that this individuality, which in particular makes the person a centre of decision-making and calculation, is neither the prime state nor the base of all human coordinations. This autonomous individual format is accessible only on the prior basis of a personality maintained by familiar engagements that, if they are torn apart by a disintegrated activity or habitat, deprive the person even of his/her privacy. We thus understand the dual weakness of the extensions of standard theory when they concern social policies, especially integration. They ignore any reference to the common good in coordination with others, here a civil good of solidarity, and take for granted this individual state that, precisely, integration policies aim to reconstruct.

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# Can There Be an Economics Based on Religion?

## The Case of Islamic Economics

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### Introduction

As an undergraduate student at the International Islamic University Malaysia, my experience in studying economics was quite unique in the sense that while being exposed to mainstream neoclassical economics, there was an explicit mention that economics was to be taught in a 'comparative' and 'critical' manner. At the same time, due to events of the late 1970s and early 1980s, developing 'Islamic economics' was one of the goals in a few Muslims countries, including Malaysia. I discovered that there was also a 'mainstream school' among those writing on Islamic economics, modeled along neoclassical lines, working almost within the boundaries of neoclassical theory, with some adjustments to incorporate teachings/norms/values that reflected certain requirements of Islam.

What worried some of us was the almost total neglect of non-mainstream views in the literature and very few serious attempts to identify and address 'foundational' issues seriously. Writings in Islamic economics began to be dominated by those in the area of banking and finance, with the almost sole objective being to develop alternative financial instruments and products to be used in the 'alternative banking and financial system' that has now become globally known as Islamic Banking and Finance. I could not accept the almost exclusive direction taken by the 'mainstream' writings and coming across the Post-Autistic Economics Movement at the turn of the century was almost a 'revelation'.

Looking through the issues of the *post-autistic economics review* (PAER), I realized that the writings went to the core of neoclassical economics, attacking its theoretical foundations. It is imperative to address these foundations and to point out their relevance to reality. What we know, how we can know it, and the criteria to evaluate what and how we know are central foundational issues in any approach to economics. If we claim to have an alternative approach to economics, it must necessarily be projected from a worldview or vision that represents that approach. It must also be developed based on knowledge and using the sources of knowledge in a way determined by that approach.

Section 1 of this paper briefly shares the experience at the Department of Economics, International Islamic University Malaysia in introducing a course called Foundations of Islamic Economics (FIE). Section 2 then discusses issues related to the relationship between economics and religion and puts forward arguments why a religious based economics is possible, at least in the case of Islamic economics. The author welcomes comments and constructive criticism, in the hope that religious based economics can be accepted as part of heterodox economics, in-line with calls for pluralism in economics.

### Section 1: Background of ECON 1710: Foundations of Islamic Economics (FIE)



The FIE course has been offered as a faculty required course to all students since 1993, with adjustments made in 1995, 1997 and 2003 to the course content. It is meant to provide students with a rationale and an introduction to Islamic economics. The course is presented in a comparative manner and all students would have taken Principles of Microeconomics and Macroeconomics as pre-requisites.<sup>1</sup> FIE is generally meant to provide a conceptual introduction to economics as stated in the course outline:

This course introduces students to the basic premise that the study of Islamic economics proceeds from the Islamic worldview and has to be developed according to a methodology that is founded upon this worldview. Therefore the 'foundations' that need elaboration are the Islamic worldview, Islamic economic methodology and features of an Islamic economic system. Since economics deals with the production, consumption and distribution activities of man, these areas will be addressed in this course. Other more prominent areas of contemporary Islamic economics such as the prohibition of 'riba' and issues in Islamic banking are also discussed.

Six main topics are covered in about 14 weeks and include the following:

Topic 1 : Islam, its Worldview and Islamic Economics

Topic 2 : Methodology of Islamic Economics

Topic 3 : The Islamic Economic System

Topic 4 : Allocation of Resources In An Islamic Economic System

Topic 5 : Distribution

Topic 6 : Issues in Islamic Financing : Riba, Contracts and Islamic Banking

For topics 3-6 of the course, articles written by writers (and occasionally critics) of Islamic economics who address the sub-topics and issues discussed are used as references. Most of the topics and sub-topics are known to students as they are topics in economics. For example, topic 3 discusses the characteristics of economic systems used in comparative systems textbooks. An attempt is made to situate the Islamic economic system vis-à-vis capitalism and socialism, while pointing out that all systems have their own underlying philosophical foundations and goals in terms of their meaning and means of achieving them. Topic 4 discusses consumption and production, focusing on the possibilities of different normative frameworks that govern the positive/technical side of decision-making. Topic 5 discusses distributive justice as seen by writers of Islamic economics and elaborates on goals of distribution and measures implemented to achieve distributive justice. Topic 6 very briefly surveys some important issues in Islamic banking and finance and is included in this course more for the business and accounting students who may not take other courses in Islamic economics.

As pointed out in the introductory class, Topics 1 and 2 are in actuality the main topics of the course since they (and to a lesser extent topic 3) are the 'foundations' of economics. Any attempt of presenting alternatives to standard textbook economics discussions (in Topics 4, 5 and 6) can only be fruitful if these foundations are presented and understood in a meaningful and acceptable way that opens up the minds of students to the possibility of alternatives and to give arguments to support these alternative foundations. Students are encouraged to refer to the PAER as additional references in the course. What follows is a brief elaboration of Topics 1 and 2 in terms of 'what is covered' and 'how it is covered'. In presenting this, I have attempted to connect the discussion to issues found in alternative economics literature, especially in the PAER.

<sup>1</sup> While students are exposed to some 'Islamic perspective' in these two courses, it is very minimal as the emphasis is to provide the standard textbook economics to students. Any comparison and critique is provided in FIE, another course called Issues in Islamic Economics and to a lesser extent in the Intermediate courses in Microeconomics and Macroeconomics.

## **Islam, Its Worldview and Islamic Economics**

Contemporary Islamic economics is presented as a 20<sup>th</sup> century response of Muslim societies to calls for indigenous solutions to their development problems since political independence beginning after World War II. Although some writers like Kuran<sup>2</sup> have traced the term Islamic economics to the 1940s, it was only in the 1970s that Islamic economics was officially born. Is there a rational basis for an Islamic economics? Topic 1 tries to present this rationale.

The course is based on the premise that no human endeavor is value-free. Economics in this case, is preceded by what Schumpeter (1954)<sup>3</sup> calls a 'vision'. As far as the conceptual framework of economics is concerned, what needs to be done is to derive or "systematize" a certain economic vision within the overall worldview that will involve certain "core" economic related concepts in the overall worldview. This process of deriving an economic vision, made up of selected interrelated concepts, is "ideologically" based in the Schumpeterian sense, since choosing, and later ordering, defining and interpreting these concepts are undertaken within the overall worldview of the person doing it. While Schumpeter still considered this ideological element as something that needed to be "neutralized" through proper, universal methods of analysis, we do not agree that these elements are necessarily "bad" or that they can and should be neutralized. In this sense, we agree with Heilbroner (1988)<sup>4</sup> who sees ideology as a part of economics since its "motivations are not only powerful, inescapable, but legitimate." Since alternative worldviews/ideologies exist, different economics are not only possible but, one can argue, natural and legitimate as well. In fact according to Heilbroner, without a vision or a "belief system" (ideology) there can be no economic analysis because there will be nothing to analyze. In this sense, economic analysis works within an ideology.

Hence, the universality of the western experience of economics, dominated by neoclassical economics today, cannot be accepted as a rule of law. This view is supported by J. S. Mill (1836)<sup>5</sup>:

Political economy, therefore, reasons from assumed premises which might be totally without foundation in fact, and which are not pretended to be universally in accordance with it.

Topic 1 tries to discuss the Islamic economic vision and tries to make comparisons to the standard neoclassical economic vision that underlies textbook economics. In this, much of the criticism used by alternative economics can be, and is, given as support for the position that alternative views of religion, man, nature, knowledge, aim in life and their implications for economic pursuits can lead to 'different economics'. For purpose of this paper, we will highlight the discussion on religion.

## **Religion and Economics**

The very idea that religion can be a major influence in determining economic activities would be dismissed as incoherent, irrational and emotional by the majority of contemporary economists. This is primarily due to the historical experience of Western Europe with Christianity and the result of the

<sup>2</sup> Kuran, Timur, *Islam and Mammon*, Princeton University Press, 2004.

<sup>3</sup> Schumpeter, J.A., *History of Economic Analysis*, 1961 Edition, London: George Allen and Unwin, 1954.

<sup>4</sup> Heilbroner, Robert, *Behind the Veil of Economics*, Ontario: W.W. Norton and Company, 1988.

<sup>5</sup> Mill, John Stuart, *Essays on Some Unsettled Questions of Political Economy*, 1948 Edition, London: London School of Economics and Political Science, 1836.

secularization process that took place in Western Europe since the 17<sup>th</sup> century. However, as presented by some writers, this secularization process is very much a western European experience and may not be universally applicable<sup>6</sup>. In the religious perspective of Islam, human beings are asked to address secular pursuits i.e. to deal with the here and now. Hence 'shunning this world' was never a religious teaching for Muslims as it may have been to Christian Europe in the Middle ages.

However, the ideology of secularism that underlies much of contemporary science and western society today is more problematic. This ideology, if interpreted to mean that 'only the here and now' is relevant and even 'real', would not be acceptable to most religions and their adherents. Reference to a life hereafter, to matters that are not strictly observable or comprehensible to pure human reason, are irrelevant for economic decision-making in standard economic reasoning. However, if one believes in the 'unobservable', it has tremendous implications on what rational decisions mean. This 'extended time-horizon' would certainly affect the choice of individuals and societies in allocating scarce resources.

Religion for Muslims is not accepted as being a "human creation" of, or for, "infantile" man, but is a representation of a "way of life". The term used to denote "religion" in Islam is *din* and does not limit itself to the personal rituals and faith/dogma as usually understood by the term religion. As mentioned by Watt (1979: 3–4)<sup>7</sup>, the term *din* refers more to a:

. . . whole way of life . . . covers both the private and public/societal lives of man, it permeates the whole fabric of society, and includes theological dogma, forms of worship, political theory and a detailed code of conduct, including even matters which the European would classify as hygiene or etiquette. . .

As far as Islam is concerned, it is argued that the concept of *din* provides an all-encompassing ethos for man, including that of economics. Religion is seen as a source of ethics for economic behavior. This seems to be at odds with the experience of western society. Even attempts at bridging the gap between religion and economics have ended up with more opponents than proponents. Other important elements of a worldview that are discussed in order to justify the possibility of an Islamic economics are the elements of man, nature and aim in life, since these have direct relevance for making comparisons to mainstream neoclassical economics.<sup>8</sup>

Man who is at once the vicegerent on earth and servant of God has to play the role of a trustee, utilizing nature for the benefit of humankind. Both these roles have to be lived simultaneously and any neglect of either one would not enable man to function as his true self. In fact as stated by Nasr (1990)<sup>9</sup>:

There is no more dangerous creature on earth than a khalifah (vicegerent) who no longer considers himself to be an abd (servant).

While these views are shared by other religious teachings, they have huge implications for ethical

<sup>6</sup> See Mircea Eliade, *Encyclopedia of Religions*, Vol. 12, 1987.

<sup>7</sup> Watt, William Montgomery, *What is Islam?* (2<sup>nd</sup> Edition), London: Longman, 1979.

<sup>8</sup> See Mohamed Aslam Haneef, 'Islam, Its Worldview and Islamic Economics', *IJUM Journal of Economics and Management*, Volume 5 No.1, 1997.

<sup>9</sup> Nasr, Seyyed Hossein, 'Islam and the Environmental Crisis', *MAAS Journal of Islamic Science*, No. 2, 1990.

behavior. Motivation is both extrinsic and intrinsic<sup>10</sup>. Man is at once endowed with physical, intellectual and spiritual potentialities that must all be nurtured and developed. This acceptance of the spiritual aspect of man is of fundamental importance in the Islamic economic vision (and in other religious traditions) and has far reaching implications for the epistemology and methodology of Islamic economics and on human welfare and needs.

Nature is not seen as something that must be “overcome” or “conquered” in man’s pursuit for development in this world. It is, rather, a bounty from God that must be utilized in the “best way possible” for all. This “best way” could be interpreted differently by different scholars at different times and places while still being within the parameters set by the Islamic worldview and more specifically, the economic vision. This view of vicegerency, shares many commonalities with the Christian view of stewardship and even with some social economics views discussed in the PAER.

The primary aim of life for humans as described by Islam is to achieve happiness or *falah* (ultimate success). Man is urged to use the resources in this world to achieve success not only in this world, but in the next world as well. In the mould of Aristotelian ethics, one of the most prominent scholars in Islamic scholarship, Al-Ghazali (d. 1111), mentions four means to achieve this ultimate success: goods of the soul, goods of the body, external goods and divine grace. Material pursuits (wealth) would be considered external goods that are part of the provisions to achieve success provided it does not contradict the other categories, especially the goods of the soul (faith and good character or knowledge and right action). The ethical imperatives of this requirement are again very profound. Justice is the observing of moderation in all things. All virtuous qualities of the soul are thought to stem from temperance and justice while selfishness/greed is not seen as a virtue.<sup>11</sup>

### **Methodology of Economics: Is There Only One Scientific Method?**

Topic 2 on methodology is probably the most difficult to teach as well as to receive (on the part of students). In Malaysian universities, this may be due to the type of secondary education system that focuses primarily on ‘exams’ and on the expectation that economics must deal with ‘practical matters’. (The author welcomes feedback from participants on whether similar problems are faced in other programmes and how they have been overcome.)

First and foremost, it must be stressed that in Islam, knowledge is possible and that certainty, at the human level, is attainable. The central point of departure of Islamic epistemology from that of post 17<sup>th</sup> century Western Europe is in the prominence and centrality of revelation in the pursuit of economic knowledge. It is revelation that provides the foundation upon which the senses and intellect function. Thus in Islamic epistemology and I believe in other religious traditions, there is a higher authority than the senses and human reason that provides the stable “vertical axis” (the transcendent) to which the “horizontal axis” (efforts of humans) can refer to as a point of reference. This paradigm of knowledge sees human reason aided or rather *guided*, by revelation. As stated by Al-Ghazali, “prudence alone does not guarantee restraint and moderation and requires the aid of revelation.” This proposition is at present

<sup>10</sup> See Goodwin, Neva/Nelson, Julie A./Ackerman, Frank/Weisskopf, Thomas, ‘A Post Autistic Introduction to Economic Behavior’, *post-autistic economics review*, Issue no. 28.

<sup>11</sup> There is an important distinction to be drawn between self-interest as defined by Adam Smith and selfishness that seems to be used synonymously today. The former may be considered a virtue. See Lux, Kenneth, *Adam’s Smith’s Mistake- How a Moral Philosopher Invented Economics and Ended Morality*, Boston: Shambala Publications, 1990.

considered “unscientific” in neoclassical economics. Would it be accepted by those who promote ‘pluralism’ in approaches to studying economic phenomena?

Islamic tradition accepts varying methods of scientific inquiry in accordance with the nature of the subject in question and modes of understanding that subject.

Muslim scientists, in their cultivation and development of the various sciences, have relied upon every avenue of knowledge open to man, from ratiocination and interpretation of sacred scriptures to observation and experimentation (Bakar, 1991: 15)<sup>12</sup>

Definitions, logical clarity and semantic analysis were some of the early disciplines that developed from this religious based scientific spirit. However, as stated by Bakar (1991),

(logic) was used extensively from the 11th century but did not lead to the kind of secular rationalism experienced in the west during the enlightenment and renaissance. Similarly, the empirical studies employed by Muslim scholars did not lead to the kind of empiricism in the west beginning with Roger Bacon. This was because reason was always linked to revelation and sense perception was never made the source and verification of all knowledge.

### **Outlines of an Islamic Economic Methodology**

Methodology discusses the process of building models, developing theories, testing hypotheses, as well as establishing and using criteria to evaluate our process. It deals with theory appraisal, with standards and benchmarks that determine the authority of our ‘scientific’ statements. Islamic economics or any other religious based economics, just like any other disciplines of study requires proper methodology to develop theories which then can be ‘verified’ or at least ‘not falsified yet’, by practice.

In Islamic economics (religious based economics), we have the central position of revelation (the Quran or the other holy books) as the ultimate authority. The challenge that is faced is how to use revelation, including reason and observation to develop Islamic economics. The Quran is not an economics textbook but it does provide guidelines and general principles to guide human beings in their economic life. This entails a process of ‘deriving’ the answers based on the sources and as agreed by all scholars, most of the economic applications will have to be derived, and is hence an intellectual effort.

From an epistemological perspective, Islamic economics was broadly defined as:

an approach to interpreting and solving man’s economic problems based on the values, norms, laws and institutions found in, and derived from all sources of knowledge.

These sources of knowledge include revelation, reason and the universe (observation) and must be used “appropriately.” Judging from the writings of contemporary writers on Islamic economics, there is no unanimously agreed upon formula as to how the sources will be interpreted and followed, especially in all details. Very little has been written in this area. Priorities differ among schools and scholars, hence different economic views and policy prescriptions are potentially possible. Both deduction and induction

<sup>12</sup> Bakar, Osman, *Tawhid and Science*, Kuala Lumpur: Secretariat for Islamic Philosophy and Science/Nurin Enterprise, 1991. This view is also shared by some western scholars with their view of ‘adequatio’, i.e. different levels of being/knowledge require different modes or channels of knowing. See for example Maritain, J., *The Degrees of Knowledge*, London: G.Bles/The Centenary Press, 1937 and Schumacher, E.F., *A Guide for the Perplexed*, London: Jonathan Cape Ltd., 1977.

are accepted methods of analysis in Islamic economics and this has never posed a methodological problem for Muslim scholars in the past. In this sense, pluralism has always been a part of Islamic scholarship.

### **Model/Theory Building**

In building models/theory, the stages involved are as follows:

1. Establishing assumptions, relevant variables and their tentative relationship
  - understand worldview
  - Establish economic vision

This stage may happen ‘naturally’ as everyone has a worldview, even if they do not realize they have one. Also in today’s world, most starting points are not from zero but rather from past, accumulated work of previous scholars. In conventional economics, many scholars also accept the fact that all economic analysis has to start with a ‘vision’. The issue is what this vision is, its sources and how it is formed.

Revelation, being a legitimate source of knowledge, will certainly be a source of this vision and of modifying the vision. What revelation has to say about economic behavior and concepts including those related to man, nature, man’s relationship to nature and other humans, as well as those relating to consumption, production, distribution, finance etc. will form a preliminary conceptual framework of Islamic economics. This framework will have to be ‘systematized’ into principles, postulates, hypotheses, precepts and assumptions that will be investigated and validated or otherwise. As mentioned earlier, pluralism is natural since the interpretation of revelation and the systematization process can still vary within the parameters set in Islamic scholarship.

For example, the prohibition of *riba*’ in Islam has been interpreted in the mainstream to mean the prohibition of interest while others have seen it as the prohibition of “unearned gain,” while others see this as the prohibition of “exploitation.” If differences occur at the conceptual level, then certainly they would have significant implications at the policy level.<sup>13</sup> Here again, one could easily see parallels in the spectrum of views in economics as propounded by alternative schools. It is quite clear from this example that while juristic interpretations are fundamental in developing Islamic economic thought and policy prescriptions, moral and ethical issues relating to “different possible interpretations” can and do vary within the spectrum of Islamic economic thought.

Works of past and present scholars would be referred to and the economic vision adequately modified. This stage is similar to how accumulated knowledge and ‘authority’ is dealt with in economics. Since no human being is infallible, all views of past and present scholars are subject to critical evaluation. Since in the last 400 years, Muslim scholars have generally not played a leading role in developing economics/science, critical interaction with

<sup>13</sup> While the first interpretation would call for the abolition of interest rates as a fundamental requirement in an Islamic economic system, the second and third may neither consider it fully necessary, and definitely not sufficient, and would also require some form of structural reforms such as those involving land reforms and redistribution. While the first group may not disagree on structural reforms, they do not see it as proceeding from the verses on the prohibition of *riba*..

modern economics, *with the full spectrum of views from both orthodox and heterodox schools* is called for. Just as the post-autistic economics movement calls for a critical view of standard economics, so too would Islamic economics. It would be totally naive and unrealistic to believe that an Islamic perspective would have a unique view on every matter and issue from the whole range of western economics. *Selective assimilation* cannot be ruled out as a valid ingredient in economic theory building in Islam.

2. Establish principles, laws, assumptions, hypothesis, models i.e. the tentative theory (what should be: normative)

This step is found also in standard economic model/theory building. Based on the assumptions founded on the Islamic economic vision and after the vision is revised and modified, empirical studies would naturally constitute part of the process of developing an acceptable body of economic thought.

3. Test hypothesis and models i.e. empirical studies (what is: positive)

- If empirical tests verify (or do not falsify yet) the hypothesis, they are accepted and if repeatedly observed, they become ultimately the building blocs for theory. From an Islamic perspective, this step would also be acceptable.
- If empirical tests do not support the hypothesis, all aspects of steps 1-2 including the technical aspects of the survey etc, are rechecked. This would also be acceptable in Islamic economics. There would be a need to ensure that our assumptions, variables and their 'intuitive' relationships correctly reflect the economic vision. Since there should not be a contradiction between the position of revelation and that of sense-observation, this double-checking would be very important. If this review manages to solve the divergence, then the problem is solved.
- If after this review, there is still a divergence between the tentative theory and the practice observed, conventional economics moves to change theory to suit practice since 'practice determines theory'.

For religious based economics', sense experience does not provide the absolute proof for "truth." In Islamic methodology, facts must be distinguished from truth. While "proofs" from sense experience have certain authority, in Islamic epistemology, secondary sources cannot escape the criteria and proofs from revelation. 'Reality' will include revelation. If 'correct' interpretation of "revelation" is established, i.e. the economic vision is correct (something that is prone to debate and difference of opinion), it could be equally possible that it should be what undergoes change (via policy).

## **Section 2: Can There Be A Religious Based Economics?**

From the preceding paragraphs, an affirmative answer has been put forward giving Islamic economics as a case study. Many may not agree with this and see it as unacceptable primarily from ontological and epistemological perspectives. This is very much due to the western European experience from which sciences that we know today have been developed and classified. The same may not be true in many parts of Latin America, Asia and Africa where religion is still a very important determinant of not only individual life but social/public life as well. If the 17<sup>th</sup> century witnessed the advent of the

secularization process, the last quarter of the 20<sup>th</sup> century has seen events that have been termed the 'unsecularization of the world'<sup>14</sup>. Even as far as the 'Western' world is concerned, the World Values Survey has shown the USA as not following strictly to the expected modernization/secularization model of development.

Therefore, trying to propose a religious-based economics as part of an alternative economics movement like the AHE needs more discussion/debate between economists and religious scholars. Some efforts in the past have been attempted. Brennan/Waterman (1994)<sup>15</sup> report of a meeting between liberation theologians and economists with a few of the latter group known to have religious beliefs. They report that the meeting was one of 'no engagement' where members of the two groups were almost talking on 'different wavelengths'. They conclude that 'a useful distinction between economics and religion is possible- and indeed necessary, since economics was 'freed from religion' and had its own 'rules' since as far back as the late 19<sup>th</sup> Century<sup>16</sup>. In the second volume of the series, Dean/Waterman (1999)<sup>17</sup> also viewed economics as 'autonomous' with regard to theology and saw it as futile to talk of a 'Christian', 'Islamic' or 'Atheist' economics.

However, by no means was there unanimity in this view. Some like Dow<sup>18</sup> argued that since economics dealt with human beings and human behavior, religion had a role to play in understanding the subject concerned. In fact, looking through the PAER and other alternative economics literature, many proponents of social economics (formerly described as Catholic economic thought by some) see the possibility of a religious based economics, albeit cautiously. Based on the overall evaluation of the limited references on the relationship between economics and religion (at least as far as the West is concerned), there seems to be a preference to maintain separation. Rather, it seems to be easier to talk of 'ethical economics' rather than religious based economics in the West. Many, like Charles Wilber<sup>19</sup>, state that since economists and economic actors have values and social institutions and society in general add ethical dimensions to supplement economic evaluations in society, ethics has to be part of economics.

This is certainly a possible way of finding common ground since proponents of religious based economics would cite religion as the source of ethics. Earlier writers like Sen (1987) have also pointed out that while economics had two 'origins' i.e. ethics and 'engineering' (meaning the technical side), it has been the latter that has dominated. He argues, like many in the PAER that economics has become impoverished due to this distance between ethics and economics. Sen suggests that economics can actually be 'more productive' by paying greater and more explicit attention to the ethical considerations that shape human behaviour and judgement.

In relation to the numerous petitions of students and academics calling for 'reform' in economics education, all call for pluralism. Could this pluralism include a religious based economics?

<sup>14</sup> Quote from Weigel in Huntington, Samuel, 'Clash of Civilizations', *Foreign Affairs*, no. 72, 1993. Also scholars like Peter Berger discuss this phenomena.

<sup>15</sup> Brennan, H.Geoffrey/Waterman, A.M.C. (eds.), *Economics and Religion: Are They Distinct?*, AH Dordrecht: Kluwer Academic Publishers, 1994.

<sup>16</sup> This liberation is even seen by some to go back to Adam Smith. For example Minowitz, Peter (1993), *Profits, Priests and Princes- Adam Smith's Emancipation of Economics from Politics and Religion*, Stanford University Press.

<sup>17</sup> Dean, James M./Waterman, A.M.C. (eds), *Religion and Economics: Normative Social Theory*, AH Dordrecht, Kluwer Academic Publishers, 1999.

<sup>18</sup> See Brennan/Waterman above.

<sup>19</sup> PAER, Issue no. 21.



Looking through the PAER, there seems to be divided opinions on the matter. Most proponents of alternative economics would agree with King (PAER, Issue no. 23) that there is not one, single and correct alternative to neoclassical economics. Many reasons are put forward. Human beings are complex, economics is complex, economic theories are time-specific or context based etc. However, it can also be agreed as stated by Hodgson (quoted in King, PAER issue no. 23) that being a proponent of pluralism does not mean support for 'unqualified relativism' and logical incoherence. There is indeed a need to ensure 'logic, coherence and consistency' in arguments.<sup>20</sup> Dow's categorization of modified pluralism (King, PAER issue no. 23) is probably a good basis on which to proceed with our discourse on a religious based economics.

Worldview and theory of knowledge cannot be eradicated; yet recognition of differences at this level allows for reasoned debate over appraisal criteria and analysis of different methodologies (Dow, 1996: 45-46).

It would seem, at least in the western experience, that economics and theology/religion, speak different languages, have different goals and have different criteria to judge outcomes (Dean/Waterman, 1999). These differences can be acknowledged as indeed has been clear from much of the literature. However, for there to be any 'reasoned debate' by proponents of the two sides as proposed by Dow, there is a 'need to have some common ground for differences' (Brennan/Waterman, 1994, p.4). This may be a more difficult area to get agreement as seen by the views expressed in the two volumes mentioned earlier. This point is expressed in a different context by Davidson (PAER, Issue no. 24) who argues that there must be 'one' benchmark (Keynesian economics according to him) that acts as the foundation of all other alternative models.

The present writer does not see the problem of religious based economics being argued 'rationally'. However, the criteria to judge this rationality may pose a problem for Davidson and others who have certain set views on this. The view that somehow a religious based economics (and its theories of human behavior) would be able to claim absolute authority is rejected in our view since theories are also a product of the human intellect as they have to undergo a process of theory/model building. Many of the natural constraints quoted by proponents of alternative economics would also be valid for religious based economics. As stated very clearly in Section 1 of the paper, Islamic economics can and has been presented as a 'spectrum' rather than a monolithic body of knowledge.<sup>21</sup>

Finally, proponents of alternative economics have consistently argued that neoclassical economics is all about a mythical creature called rational economic man. Numerous articles in the PAER have taken to task neoclassical economics for being oblivious to reality, i.e. to the practice of economics and to more 'holistic' explanations of human behaviour. If we accept this call to look at reality, to see economic behaviour and the way people in different societies perceive economic life and explain the factors that effect economic decision making, then certainly there is a case to accept the possibility of a religious based economics.

In many parts of Asia and Africa, religion is still seen as an important part of individual and social life of communities. This is certainly true for Muslim countries as diverse and pluralistic as Malaysia and Indonesia in Southeast Asia as well in the more central regions of the Muslim world. As stated by Stauth

<sup>20</sup> See for example Cole, Ken/Cameron, John and Edwards, Chris, *Why Economists Disagree: The Political Economy of Economics* (2<sup>nd</sup> Edition), London: Longman, 1991.

<sup>21</sup> See Mohamed Aslam Haneef, *Contemporary Islamic Economic Thought: A Selective Comparative Analysis*, Kuala Lumpur: Iqraq/S.A Majeed Publishers, 1995.

(1998)<sup>22</sup>, Islam seems to have entered a new position of 'relative centrality' that has become the motor of an 'Islamic' modernity. Alternative economics proponents must be aware of this fact.

## Conclusion

This paper has attempted to put forward a case for religious based economics as part of the call for pluralism in the teaching and development of alternative economics. In many parts of the world, religion is still an important part of public life. Trying to understand and explain human economic behavior then must take into consideration this fact. While it is accepted that the economics that we inherit today is an economics that has been molded on the experiences of mainly Western European society, the vast spectrum of views found in economics can certainly be open to the possibility of a religious based economics. If the economics discipline, inclusive of all its diverse schools of thought, can break free from the constraints of seeing economics as a product of the 'European project of modernity' and if the proponents of pluralism can connect to the various alternative responses to the 'universality of western knowledge' thesis, heterodox economics could certainly accommodate a religious based economics. Referring to religion does not have to be seen as 'irrational' or backward. While we in no way are supporters of an unlimited 'anything goes' view, it must be equally unacceptable to insist that only certain views are within the ambit of 'economics', while more than two thirds of humanity may have a 'religious' orientation *and want to see this orientation in their way of understanding and practicing economics*. While we hope that this paper has tried to show that there can be a religious based economics, whether or not there *should be* a religious based economics is another, potentially more sensitive question that I leave to another occasion

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<sup>22</sup> Stauth, Georg (Ed.), *Islam-Motoror Challenge of Modernity*, New Jersey: Transaction Publishers, Rutgers University, 1998, pp. 8-9.

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