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# CULTURE, SOCIETY AND ECONOMIC THEORY

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## Abstract

Ever since the beginnings of classical political economy in the early nineteenth century, economics has faced culturally based criticism from a long line of literary authors. This paper argues that the old literary criticisms are still relevant and can provide useful guidelines for economic theory. Their great merit is that they rest on the original definition of culture as a process, which avoids a static separation of structure and agency. The same principle underlies some recent work in social theory and could be an important unifying theme for non-neoclassical economics. A culturally informed institutional economics could build upon much that is valuable in existing institutional, post-Keynesian and Marxian approaches. It would also be equipped to address cultural and interpretative questions beyond the ken of mainstream economics.

**Keywords:** culture, structure, agency, economic theory, pluralism, interpretative methods

## **1. Introduction**

Culture has always had an uneasy relationship with economics. In mainstream economic theory the word 'culture' is seldom encountered, and mainstream economists never stray beyond core theoretical assumptions which eschew cultural ideas. There may be a vague disapproval of culture as a dangerous, illiberal notion, but this remains implicit and culture is dealt with mainly by ignoring it. Culture is mentioned in economic discussion principally by institutional economists, who make it a cornerstone of their critique of neoclassical theory. It is also prevalent in social disciplines other than economics, especially sociology and social anthropology. The example of institutional economics shows that culture need not conflict with economic theorising. The real tension is between culture and the individualistic, reductionist slant of neoclassical economics.

Culture, a notoriously imprecise term, has many definitions (Kroeber and Kluckhohn, 1952; Keesing, 1974; Williams, 1981). Common to most of them is its role in linking the individual with society. On some definitions it denotes the informing spirit of a society, the beliefs and values that represent the society's collective identity. Other definitions regard it as part of a whole social order, including social institutions and technology as well as beliefs and values. In both cases it is the means by which individuals become members of a society or social grouping. Culture thus broaches one of the key questions in the social sciences, namely the interdependence of the individual and society. Some commentators on culture have attempted to give it individualistic foundations and reduce it to fixed individual behaviour or preferences. Individualism is inherent in Friedrich Hayek's 'spontaneous order' (Hayek, 1982) and in some recent departures in social and economic anthropology (criticised by Anne Mayhew, 1987). Conversely, culture can be depicted as structural, a form of social conditioning that dictates individual actions. Views of this type occur, for instance, in functionalist and structuralist social theory. Neither the

individualistic nor the structural accounts correspond to the original definition of culture. Originally, culture was defined as a process, that is, as the cultivation of individuals over time (Williams, 1976). On this definition culture is not merely a reflection of given individual preferences or a static social structure; it is the moulding or creation of the individual agent within society. Culture as a process avoids the dualism of individual agency and social structure. A cultural perspective can counteract the dualisms that have marred theoretical work in the social sciences (Dow, 1990). In its original definition as a process, culture yields a richer vision than the timeless and dualistic formulations of much subsequent theorising.

Critics of classical and neoclassical economics, from the late eighteenth century onwards, have invoked culture in all its definitions as a serious omission from economic modelling. But with the arrival of specialised academic disciplines in the late nineteenth and early twentieth centuries, the emphasis switched from a historical approach to a timeless one, in other words, from 'culture' as a process to 'society' as a state. Both approaches can supply effective criticism of mainstream economics, and the switch in emphasis does not mean harmony with mainstream economic theory: 'society' is the hub of the more 'social', less 'economic' social sciences. A timeless, structural approach has weaknesses, however, in its preoccupation with the status quo and its understatement of creative activity and social change. At its worst it spawns a structural reductionism which resembles in tone the individualistic reductionism of neoclassical economics. The present paper argues that a movement back towards the older, cultural perspective can guard against the extremes of individualistic or structural reductionism and offer a better basis for non-neoclassical theorising. Economists can still learn from their earliest critics.

## 2. Culture

The background to culture and its relationship with economics is described at length in Raymond Williams's *Culture and Society* (Williams, 1958), a work influential in the late 1950s and 1960s and one of the founding texts of the British New Left. Williams draws on literary sources from the late eighteenth century to the twentieth century and singles out a theme of cultural criticism of industrialism in general and of its rationalisation in economic and utilitarian theories. *Culture and Society* is divided chronologically between the nineteenth and twentieth centuries; the sources from the twentieth century are more fragmented and constitute a less obvious body of criticism. One reason for this is that, in the later nineteenth century, the informal social analysis and criticism undertaken by literary authors was formalised as the new academic social-science disciplines. Cultural discussion was incorporated into the non-economic social sciences and, in economics, into institutionalism; other economists were formalising utilitarian doctrines as neoclassical economic theory, later to become present-day mainstream economics. The new disciplines set a premium on 'objective', positive knowledge: for cultural discussion this implied an empirical bias, and a more theoretically manageable static method. Greater formality brought loss of subtlety, and the earlier literary criticisms of economics have retained their bite. Modern academic critics of mainstream economics refer to diverse literatures, yet they adhere mostly to academic work: less attention is paid to non-academic, literary writings. The aim here is not to discuss the old cultural debates in detail, but to isolate points that are relevant to non-neoclassical economics.

While earlier sources exist (such as Giambattista Vico, 1725-44), culture is often traced back to the romanticism of late-eighteenth-century Germany. Along with Vico, credit for first expounding the idea of culture is usually given to Johann Gottfried Herder (1774-91); the two authors are discussed by Isaiah Berlin (1976). In romanticism, culture is a development of the individual by learning from the past. Manifested through the individual, culture is tied inextricably to a community, as a collective patrimony, the

wisdom of earlier generations. For knowledge and values to be handed on to new generations there must be socialisation of the individual. Romanticism sees culture as more than social conditioning, however: culture enables the growth of the individual's capacities and enhances the scope for self-expression, creativity and free will. The past proffers to the individual an opportunity for growth and improvement, not just a burden of constraints and inhibitions. Culture both preserves inherited knowledge and fosters accumulation of new knowledge. The romantic view of culture exerts relatively little influence today: it has the disadvantage of casting doubt on unhistorical, 'scientific' thinking, and has been tainted by an association with extreme nationalism and authoritarian collectivism. Whatever its general merits, the romantic view has one valuable feature in its ambivalence to individualism and holism. Romanticism can be either individualistic or holistic (Lukes, 1973, Chapter 2), but it gives precedence to neither the individual nor the whole; both matter, so culture stands outside the dichotomy of individualism and holism. The ability to reconcile the individual and society has eluded much economic theorising, and herein lies the significance of culture for economic theory.

Cultural criticism of economics dates from the very beginnings of economic theory. The first cultural criticisms were made by English authors of the early nineteenth century, as a reaction to the Industrial Revolution and the *laissez-faire* doctrines of classical political economy. Samuel Taylor Coleridge in particular was familiar with German philosophy and popularised the German idea of culture in the English language. He drew the contrast between utilitarianism and a cultural outlook centred on 'cultivation' and 'enlargement', in which culture is vital to the maintenance of society and the realisation of an individual's potential (Coleridge, 1830). The cultural ideal for Coleridge is the past, so his social analysis is conservative and matches in this respect the politics of Edmund Burke. Coleridge's proposals for a religious-cum-academic 'clerisy' may have little attraction today, but his criticisms of utilitarianism apply equally well to present-day mainstream economics. The merits of Coleridge's social analysis were clearly perceived by John Stuart Mill, the inventor of 'economic man' (Mill, 1836). Mill was acutely aware of the

drawbacks of the utilitarian model, as is evident from his essays on Bentham and Coleridge (Mill, 1838, 1840). Although he remained on the utilitarian, 'economist's' side of the debate, he conceded the narrowness of utilitarianism and saw it as an abstract representation of only one facet of human behaviour. In the essay on Coleridge he praised the insights of cultural and historical philosophies. Mill never actually went further than a slight loosening of his individualism, but he was at least conversant with alternative views. Since Mill's time the utilitarian model has congealed into presuppositions which are rarely questioned or justified by mainstream economists.

A tradition of cultural criticism of classical political economy was built up throughout the nineteenth century, with contributions from many of the prominent authors of the period, among them Thomas Carlyle, Charles Dickens, Matthew Arnold, John Henry Newman, John Ruskin, and William Morris (Williams, 1958). Of these, Arnold and Ruskin came closest to a deliberate critique of economic theory. Arnold's *Culture and Anarchy* (Arnold, 1869) is the best-known version of the cultural arguments, although its influence on economists has been small. In Arnold's view, *laissez-faire* leads to the loss of social cohesion and ultimately to anarchy. The purpose of culture is partly to hold society together, partly to assist the development and fulfilment of the individual, which cannot be guaranteed under *laissez-faire*. Education is the medium of cultural change and has the crucial function of connecting past and future; it perpetuates past knowledge and facilitates future additions to knowledge. A well-established culture permits a critical faculty to be exercised: innovations, whether artistic or, more generally, social and economic, have to pass through criticism before they are accepted. The problem with *laissez-faire* is that it rules out common critical values, and in so doing causes a drift towards anarchy and the debasement of the individual.

John Ruskin's view of political economy is set out in the four essays of *Unto This Last* (Ruskin, 1862). For Ruskin, the main fault with classical economics was its estrangement from moral considerations. The notion of economic man, though recognised by Mill and

others as an abstraction, connotes that self-interest combined with market transactions will bring about the greater good. Ruskin argued that in practice economic behaviour is not purely self-interested and never can be, given that honour and truth telling underpin commercial transactions. To rest one's theorising on pure self-interest is descriptively inaccurate and prescriptively undesirable. A theory of the economy or society cannot rest on the individual alone, nor can a theory of value rest on individual self-interest. Ruskin pointed out that the creation of wants through advertising and social pressures subverts the logic of the individualistic case for *laissez-faire*. If the wants and desires of the individual are manipulated from above, then they cannot be sovereign in deciding what should be produced. The 'science' of political economy, by eulogising self-interest, overlooks the social character of economic activity. As soon as behaviour is socialised, morality enters the discussion; the working of markets is no longer mechanical and governed by 'natural' forces, but is subject to moral considerations. Proper definitions of wealth and value should include a moral assessment of the ends of economic activity. Unlike Arnold, Ruskin referred little to culture as such, but his writings on political economy fit closely into the cultural tradition. Together, Arnold and Ruskin summarise the nineteenth-century cultural critique of classical political economy, although similar arguments were made by other authors.

Towards the end of the nineteenth century cultural criticism was out of step with the growth of specialised study in the new social sciences. Some literary writers upheld the same cultural views, but their work was disparate: Williams in *Culture and Society* distinguishes nineteenth-century 'tradition' from twentieth-century 'opinions'. Social analysis in the twentieth century is the allotted duty of the social sciences, which address in a more professional and scientific manner the issues previously addressed by literary amateurs. Many of the ideas of the cultural tradition were adopted by the social-science disciplines, with changes of terminology and emphasis. In economics, the cultural influence is confined to non-neoclassical theory, and as twentieth-century economic theory has been predominantly neoclassical the cultural arguments have been obscured. In the



more 'social' social sciences, culture has entered the theoretical core of disciplines such as sociology and social anthropology. But even there the more scientific emphasis distorted the messages of the cultural tradition.

### **3. Society**

Among the social sciences, sociology has the greatest need for general theorising about society and social action. Any social theory has to confront the behaviour of individuals within society and take a position on the issues raised in the cultural criticisms of economic theory. As one might expect, sociology has been less individualistic than economics. The first sociology in the modern vein is ascribed to Émile Durkheim, who installed social structure as the centrepiece of sociological theorising (Durkheim, 1895); a stress on social structure has since become the hallmark of a sociological method. The primacy of structure is most clearly displayed in structural-functionalism, which explains individual behaviour as fulfilling a function for society or social groups as a whole (Parsons, 1937; Merton, 1957). Functionalism understates individual agency through its 'top-down' perspective; it starts with the social structure and then reconciles individual actions with social ends. The result can be criticised as too static and conservative, sanctioning any observed behaviour by deeming it necessary to the functioning of the social system. In response to functionalism some sociologists dwell on the conflicts and tensions in a society, rather than its smooth functioning as a system (Dahrendorf, 1959). Despite a larger capacity to model social change, a conflict view shares with functionalism a 'top-down' perspective; conflict is built into the social structure, even if it has no function in stabilising or perpetuating it. Sociology, to its credit, is pluralistic enough to embrace other, less structural theories: the interpretative sociology of Max Weber is an example (Weber, 1921). To label sociology as putting structure before agency may be oversimplified, but the primacy of structure has nevertheless been the view of many sociologists and is frequently thought to distinguish

sociological theory: sociologists are 'structural' and proclaim the significance of society and social structure, whereas economists are 'individualistic' and base their theory on individual rationality. The contrast caricatures both disciplines, yet it does contain some truth.

The rift between economics and sociology is illustrated by debates within social and economic anthropology. Of all the formal academic disciplines, anthropology probably makes the most regular use of the word 'culture', defined not in the older, literary senses, but as a way of life to be studied by direct observation. Thus interpreted, culture verges on the structural concepts of sociology, although anthropology is more empirically oriented and concentrates on concrete experience as opposed to theoretical abstraction. Interest is chiefly in the observed manifestations of culture and the similarities and differences between societies. Because the subject of study is present-day societies, anthropological theory is apt to be static and social, such that culture betokens social conditioning. The accent on conditioning can be accused of denying individuality, and some anthropological writers have preferred individualistic, rational-choice methods (Mayhew, 1989). Individualism occurs especially in economic anthropology, where economic theory has its strongest influence. The 'formalist' school follows neoclassical economics in identifying the interaction of rational individuals as the wellspring of economic organisation (Firth, 1951; Herskovits, 1952; LeClair, 1962). A more cultural approach is advocated by the 'substantivist' school, which classes market relations as only one type of economic culture, in no sense a 'natural' outcome of human rationality (Polanyi, 1957; Dalton, 1961). In these two schools of thought, economic anthropology mirrors the division between 'economic' and 'sociological' discourse. The division could be overcome through the idea of culture as a process, but this is not how culture has generally been construed in anthropology.

Theory in the social sciences has proved susceptible to a polarisation of agency and structure, with one or the other declared as the prime mover of human behaviour. Not all theory has followed this pattern, but theoretical attempts to interrelate agency and structure have been outside the mainstream of social-science disciplines. Recent academic work

seeking to avoid an agency-structure dualism has come from three main sources. The first is social theory, that is, general purpose theorising within sociology. In the twentieth century the 'grand theory' on which sociology was founded has been replaced by specialisation and empiricism. Some sociologists have persevered with general social theory, however, and have tried to transcend the rigid separation of agency and structure. Anthony Giddens's theory of 'structuration' is the foremost example. Giddens steers clear of regarding structure solely as a constraint on individual behaviour and conflates agency and structure in a process of structuration (Giddens, 1984). Structure is reproduced by individuals and enables the growth of individuals; they are neither wholly conditioned by the social environment nor wholly separate from it. Individual agency and social structure are interdependent, and to give priority to one or the other in social theory would be misleading. This recalls the romantic view of culture. The plea for a more historical social theory and a fusing together of agency and structure is a revival of cultural ideas that predate sociology.

The second source of non-dualistic academic work is in formal cultural theory. As an alternative to dualisms, some authors have proposed a cultural theory based on 'constrained diversity' (Douglas, 1982; Thompson *et al.*, 1990). The aim is to acknowledge that human behaviour is socially constructed, but according to a finite number of patterns. In Mary Douglas's 'grid-group' model, a distinction is made between groups and networks as the two kinds of social relations; when combined, the group and network relations create five ways of life into which social behaviour can be classified. Individuals and societies can shift between the ways of life, so the theory is more fluid than an agency-structure dualism. The view of culture is not fully pluralistic. Instead there is a constrained pluralism with an absolute, general framework, but one which is non-dualistic and sufficiently complex to embrace cultural diversity and change. Other cultural theories are based on evolutionary modelling. Biological models of evolution have been individualistic in spirit, because the Darwinian method of inheritance is the genetic endowment of the individual. When applied to society, Darwinian models have engendered the individualistic philosophies of

Social Darwinism and, latterly, sociobiology. A different evolutionary approach is to formulate models with a cultural (or Lamarckian) method of inheritance that involves the passing on of acquired characteristics. In cultural theory the evolutionary arguments have been expressed mathematically as 'dual inheritance' models, which include both genetic and cultural evolution (Cavalli-Sforza and Feldman, 1981; Boyd and Richerson, 1985). Dual inheritance models never play down culture and allow evolution to have the social dimension absent from sociobiology. At a more specific level, institutional and evolutionary economists have indicated the importance of cultural evolution in preserving and transforming economic organisations (Nelson and Winter, 1982). Cultural evolution is also prominent in Friedrich Hayek's recent social and economic writing (for example, Hayek, 1978, 1982). The meaning of this work is somewhat ambiguous, and its appeal to culture and group competition seems inconsistent with Hayek's individualistic pronouncements (Vanberg, 1986; Hodgson, 1991). Cultural theory should ideally be non-dualistic and non-reductionist.

The third source of non-dualistic academic work is from authors in the Marxian tradition. Following Marx, much Marxian work is interdisciplinary and difficult to categorise within conventional disciplinary boundaries; it is sufficiently broad to encompass different views of agency and structure. In Karl Marx's own writings different views of agency and structure can be discerned: the early Marx showed concern for individual agency and self-development (Marx, 1844); later writings set up the materialist base-superstructure model, which has a more structural flavour (Marx, 1859). The base-superstructure analogy can encourage a reduction of behaviour down to an economic definition of structure ('economism' in Antonio Gramsci's terminology). Some postwar Marxian authors, notably Louis Althusser, have espoused a full-blooded structuralism that all but emasculates individual agency (Thompson, 1978). It remains possible, though, to blend orthodox Marxism with a less stringent attitude to agency and structure (Callinicos, 1987); unorthodox Marxian writers have long been sceptical of the base-superstructure model (Bottomore, 1984). The case for a cultural approach was made by the original British New

Left in the 1950s, as a middle path between the individualism of western ideology and the collectivism of the east. Similar views have been voiced in more technical and philosophical language by Continental Marxist authors, in particular Gramsci and the Frankfurt School. The New Left position suggests a culturally based social theorising which circumvents the problems of an excessively individualistic or structural method.

Mainstream theorising in the social sciences has hardened social analysis into an unhistorical image of society, in place of the earlier historical idea of culture. The desire for a more human, less mechanical imagery goes back to Samuel Taylor Coleridge and the first cultural critics of classical economics; it is equally germane as criticism of neoclassical economics and of much theorising in sociology and the non-economic social sciences. Although not always explicitly mentioned, culture is a unifying theme for many critiques of mainstream social theory by sociologists, cultural theorists and Marxian writers. In economics it can be a unifying theme for non-neoclassical alternatives to the neoclassical mainstream.

#### **4. Economic theory**

By the unqualified term 'economic theory' economists normally have in mind a particular theory derived from the neoclassical economics of the late nineteenth century. The neoclassical roots of modern mainstream theory are apparent in three features: an individualistic method; instrumental, means-ends rationality; and market equilibrium, attained through the interactions of rational agents subject to income or resource constraints. Under these conditions equilibrium has the property of Pareto efficiency, which underlies the conventional theoretical case for markets. Some authors have claimed that the 'economic approach' (that is to say, neoclassicism) can go outside the standard subject matter of economics to illuminate the domains of the other social sciences (Becker,

1976; Hirshleifer, 1985). Mainstream economics is an adulterated form of neoclassicism, in that it has additional constraints and imperfections which are not reduced to individual behaviour and may disturb or prevent the attainment of efficient market equilibrium. Whether this is distinct from neoclassical theory is debatable; it is not by and large presented as a distinct theory; it lacks an identity and even a name (other than 'mainstream economics' or, in macroeconomics, the 'neoclassical synthesis'). Its critics call it 'imperfectionism', since the characterisation of constraints as imperfections implies that the removal of the constraints would restore the efficiency of market equilibrium (Eatwell and Milgate, 1982). Reached or not, equilibrium is a ubiquitous benchmark with which the current state of the economy is compared. Mainstream economics is preoccupied with divergences from equilibrium, which never go quite far enough to bring about a truly different theoretical method.

If the constrained optimisation techniques of mainstream economics were decoupled from market equilibrium and income constraints, then they could become a species of institutional economics: individual decisions would be modelled by rational, optimising behaviour, structural influences by the income and non-income constraints on behaviour. The outcome would be a mathematical formalisation of the view that irreducible social structures constrain the individual. In some ways such an approach would improve on conventional neoclassical theory: for example, in the recognition of the place of structure and in the resultant downgrading of income and relative prices. The trouble with neoclassical theory goes deeper than this, however, and carries over to an augmented, structurally constrained version of neoclassicism. Problems abound in the treatment of both agency and structure. On the agency side it is doubtful whether instrumental rationality counts as individual agency. The theory is certainly individualistic and gives little credence to socialised behaviour, but its instrumentalism summons up a vision of the individual responding robotically to external stimuli; this may not be agency, if by agency is meant free will (Shackle, 1969; Loasby, 1976; de Uriarte, 1990). As for structure, the constrained optimisation model epitomises the static depiction of structure as a constraint.

It is therefore vulnerable to all of the cultural arguments about the creation of the individual agent in society. Even when structure is on a more even footing with agency, a neoclassical approach can yield only a mechanical portrayal of behaviour.

The existing alternatives to neoclassical theory are conscious of cultural and historical issues, although the bond with the cultural tradition and with work in the other social sciences is not as strong as it might be. The common ground between non-neoclassical economics and the 'anti-economic' cultural tradition could help to strengthen and unite the various branches of non-neoclassical theory. To be consonant with culture, a theory must avoid reductionism and be capable of modelling historical change. Three main branches of non-neoclassical theory can satisfy these requirements: Marxian, post-Keynesian and institutional economics. Other non-neoclassical views are less amenable, in particular Austrian economics, which persists in individualism. The cultural and historical aspects of Marxian thought have already been alluded to in the previous section. Keynesian economics has many strands, some of which have sought a synthesis with neoclassical theory. John Maynard Keynes himself wanted a clean break with neoclassical economics, notwithstanding his retention of neoclassical concepts in the *General Theory* (Keynes, 1936, Chapter 2). It has been claimed that Keynes turned away from scientific, Enlightenment philosophy, to return to a pre-Enlightenment philosophy inspired by Platonism and the politics of Edmund Burke (Fitzgibbons, 1988). Economics is then a moral science, which permits the 'unscientific' practices of introspection and judgements of value. This puts Keynes nearer to the cultural tradition with its distrust of the crude extensions of Enlightenment philosophy to the study of human societies. Through the transmission of values to future generations culture has moral content, as does the study of culture. Keynes's belief in the moral character of economics sits more comfortably with cultural theorising than with mainstream economics. Another component of Keynes's economics, to the fore in much post-Keynesian work, is historical time (Robinson, 1979). Here again Keynes has an affinity with the cultural tradition, which is profoundly historical and vehemently opposed to unhistorical concepts such as universal social structures or

human nature. One neoclassical habit retained by Keynes was a neglect of social institutions. Keynes took little notice of institutional economics and was hostile to Marxian thought: his reluctance to move to a less individualistic view stimulated the later syntheses of Keynesian economics with neoclassicism. But post-Keynesian economics is receptive to non-neoclassical behavioural foundations, which can distance it from mainstream economics. There is no obstacle to assimilating post-Keynesian economics with a cultural perspective.

Of the varieties of non-neoclassical theory, institutional economics is the most culturally inclined. It respects the specificity of economic arrangements and resists the temptation to formulate universal theories. Institutionalism has at times seemed an anti-theoretical doctrine that restricts itself to case studies and empirical observation. A self-imposed restriction of this sort is damaging to non-neoclassical economics and gives the impression that neoclassicism is the only theoretical possibility in economics. Without denying historical specificity or the value of empirical work, institutionalism needs to be grounded in theory distinct from mainstream economics. A distinction could be made through an exclusively structural approach, at the risk of underestimating individual agency. A more satisfactory theoretical grounding would be obtainable from a cultural and historical approach that bridges the agency-structure gap. As long as institutionalism can accommodate cultural evolution and the growth of the individual agent within society, it can be envisaged as a cultural method. Some recent brands of institutionalism are at odds with cultural ideas: this is true, in particular, of the 'new institutionalism', if it pursues the reductionist objective of explaining institutions as the product of rational individual behaviour (Rutherford, 1989). A different stance has been taken by Geoffrey Hodgson (1988, 1989), who calls for a modern, non-reductionist institutional economics and thus, implicitly, for a more cultural perspective. John Foster (1987) likewise calls for an evolutionary macroeconomics that emphasises creativity and 'macro-consciousness'; these seem to be cultural ideas, but without mentioning culture. A broadly based institutional economics, on the lines described in Hodgson (1988), provides the best chance of



introducing cultural issues into economics. It would be desirable, however, for such work to follow in the cultural tradition, which in its criticism of economic theory long preceded institutionalism.

What, then, are the implications of culture for economic theorising? If theory is to be compatible with culture as a process, it has to assent to the formation of the individual agent in society. There can be no universal human nature determining social outcomes, nor can there be universal social structures determining human actions. Culture jars with individualistic or structural reductionism, but not with theory itself, even if cultural ideas are sometimes said to be inimical to theory or generalisation (Rousseas, 1989). The point is simply that there can be no single, closed, all-embracing reductionist theory or system that covers all times and places. In one sense this makes theorising easier, by relieving it of the job of trying to discover or preserve such a system. The theorist can no longer be forced to work within a single, 'legitimate' system that defines the discipline and hampers creativity. From a cultural perspective, the *ad hoc* modelling disdained by mainstream economics is a harmless tailoring of theory to circumstances: theory will never be utterly general, so it should not be attacked for failing to reduce behaviour to fundamentals. In another sense theorising becomes more difficult. The reality of human society does not fit a single model because of its complexity, and theorists must struggle to depict some salient features of this reality. A doctrinal orthodoxy may hamper creativity, but it is a refuge for convergent thought that welcomes reductionism and has no wish to be liberated. Convergent thought would be less prominent in a cultural approach. Its exponents could still make a contribution, but in the company of other, more creative theorists and never with the assurance that their favoured theory stands alone and unchallenged.

Alongside greater diversity of theory, a cultural perspective should also bring greater diversity of method. Cultural thought started with the 'Counter-Enlightenment', the reaction against the Enlightenment's attitude to human society (Berlin, 1981). As humans are self-conscious, sentient beings, social studies were felt to be different from the natural

sciences and to require different methods. The lynchpin of the debate was the fruitfulness of efforts by scholars to interpret or understand human behaviour. Giambattista Vico's *New Science* was intended to supplant the 'scientific' methods of the Enlightenment as an approach to social studies: at its heart was an 'understanding' of human agents. Similar methods were propounded by the German cultural tradition, in Johann Gottfried Herder's notion of *Einfühlung*, in the *Verstehen* doctrine of Wilhelm Dilthey and Max Weber, and in hermeneutic philosophy. Virtually all social theorising makes conscious or unconscious use of interpretation, yet mainstream economics has steered economists away from conscious efforts to interpret behaviour. Openly interpretative methods have been confined to sections of the Austrian school, where they are allied with individualism (Lachmann, 1986). Interpretative methods are not necessarily individualistic, however, provided that they leave room for social context; Austrian economics divorces understanding from its relation with culture. In a more cultural approach to economics, theorists may have to interpret the behaviour of agents who are themselves floundering to comprehend reality and perhaps holding versions of the theorist's own models. Anthony Giddens (1984) terms this the 'double hermeneutic', the two-way interpretation that marks all social science. Mainstream economics has only one level: the theory. No distinction is made between reality, the agent's culture-bound view of reality, the theorist's interpretation of the agent's view of reality, and so forth. Curiously enough, 'new classical' macroeconomics has stumbled on the insight that agents have a model of reality, and Giddens (1987) gives it due credit. The insight is wasted, because agents are assumed to have the right model, which is, of course, neoclassical, collapsing everything back on to the usual neoclassical plane. The acceptance that people have culturally specific beliefs and values is missing from mainstream economic theory, as is the associated problem of how the theorist should cope with them. There is nothing special about economic behaviour to justify this. It arises from the way that the economics profession has evolved, as a culture that asserts the unimportance of culture. Working in such an environment, economists rarely display what Charles Wright Mills (1959) called the 'sociological imagination', a sensitivity to the place of the individual agent in society. Any economist who stays with the mainstream will

never touch on the many cultural issues that pertain to economics and are, at present, treated primarily by authors in other social disciplines.

A more cultural perspective in economics would open up the methods available to investigators, rather than replacing one method by another. The result would not be an 'anything goes' anarchy or an anti-naturalistic rejection of the possibility of social science. Culture and hermeneutics can be integrated into a consistent philosophy of social science, as realist authors have argued (Keat and Urry, 1975; Bhaskar, 1979; Outhwaite, 1987). What should result is a critical or constrained form of pluralism, which is awake to the complexity of human societies and tolerates different methods and theories, without abandoning the quest for absolute standards. Social science must not only interpret and understand the beliefs held in society, but criticise and, if necessary, correct them. Criticism should also extend to the internal practices of the social sciences, which would entail a 'critical pluralism' of method (Caldwell, 1989). While social or economic theorists can never stand completely apart from social and cultural pressures, they should nevertheless strive for a critical position that sheds light on reality.

## **5. Conclusion**

Culture and economics are not mutually exclusive, in spite of their customary separation. If all human behaviour is at least partially culture-specific, then economic behaviour is no exception and a more cultural approach to economic theory would be appropriate. This is tacitly admitted when terms such as 'enterprise culture' and 'dependency culture' appear in economic discussion, although they hardly ever encroach on theoretical terrain. The sealing off of economic theory from culture can only be detrimental. Economics should heed the long-standing criticisms from outside the discipline and adapt in a cultural direction.

The prospects for a more culturally informed economics lie with non-neoclassical economists. Most are only too aware of the limitations of neoclassical theory, but there seems to be less awareness that the objections to mainstream theory stem largely from cultural criticisms. The tendency is to speak more often of history or evolution than of culture, and little is made of the close relation between historical, evolutionary and cultural methods. Economists may have inherited from classical economics a lingering unease about culture, which has been confirmed by the misuse of culture in practice for authoritarian purposes. Culture can certainly be misused, but in its origins it was meant to be a pluralistic concept attuned to the diversity of human societies. In academic work, cultural ideas should be liberating and expansive; they should evoke suspicion of dogma and alertness to the connections between academic disciplines. Non-neoclassical economists would do well to note the cultural criticisms of mainstream theory and set aside any aspirations to replace it with another self-contained economic orthodoxy. Economics should be a genuine social discipline, culturally informed, pluralistic in its methods, and differentiated from other social disciplines only by its subject matter.

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