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THE DESOCIALISING OF ECONOMIC THEORY

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Abstract

This paper aims to show that economic theory has become 'desocialised' and separated from social theory through the adoption of individualistic methods and neglect of social relations and structures. A historical overview traces how the social content of economic theory has diminished, considering the reasons why. Desocialisation has stemmed from the desire for boundaries between academic disciplines, which drove economics towards individualism and other social sciences towards structural methods. Such an artificial divide between economic theory and social theory is argued to be detrimental to all the disciplines concerned. Restrictions imposed by desocialised theory have practical consequences for how we understand and model the economy. Some reforms that would loosen the restrictions so as to promote a resocialised economics are suggested.

Keywords: economic theory, social theory, methodological individualism,
social structure, duality, stratification

Introduction

Theoretical work in social science has been divided between economic theory and social theory, which exist in separate literatures that seldom collaborate or refer to each other. Economic theory is practised by scholars within the economics profession who publish in the associated journals. The unqualified term 'economic theory' usually denotes the orthodox, neoclassical approach: its staple components are methodological individualism, instrumental rationality, and strong equilibrium concepts. Heterodox economists reject neoclassical theory, proposing various alternatives, but form a minority group with meagre influence on the economics discipline. Teaching of economics rests almost exclusively on textbooks purveying the orthodox viewpoint.

Social theory is practised by scholars outside economics; linked primarily with sociology, it extends into anthropology, politics, psychology, cultural studies, linguistics and other disciplines. Unlike orthodox economics, it is pluralistic, having no single body of core principles. Most social theorists do not subscribe to the tenets of neoclassical economics – as the term 'social theory' implies, they prefer theories founded upon social relations and structures. They may write about economic subject matter, in fields such as economic sociology, economic anthropology and political economy, but their papers rarely get published in economics journals and lack the imprimatur of 'economics'. Few economists read this research, though its relevance for economics should be obvious. The economic/social divide in theory remains as firm as ever.

For the economic and social to occupy different theoretical realms is odd, since economic activities cannot be isolated from ones supposedly non-economic and thereby social. Only in fantasies of perfect competition do atomistic agents interact anonymously in an institution-free environment to yield efficient outcomes. Actual economic behaviour occurs among pre-existing institutions that lend it a social dimension. Economic theorising has played down the social side of behaviour, yet the quest for a purely individualistic economics has proved futile. An economic theory bearing any resemblance to the real world must be a social theory as well. Likewise, a general social theory must incorporate economic activities. Durable societies have to sustain themselves by looking after their material welfare, and in this respect social activities are entwined with economic ones. Even cultural and artistic pursuits, often viewed as aloof from the economy, need a physical setting. No social behaviour is disengaged from economic life, and a split between economic and social theory can only be arbitrary. The economic and social can, at most, be distinguished through a nested or hierarchical relation rather than a division. From a materialist angle, all social activities are conditional on material production, so that the social lies on an economic base. Conversely, a general social theory might embody economic behaviour (and economic theory) as a subset. Either way round, the two are bound together. Distinguishing the economic from the social does not warrant a dichotomy between economic and social theorising.

How did the dichotomy come about? Initially absent from social studies, it emerged during the early twentieth century when professional social-science disciplines were being forged. This paper discusses how economic theory was deprived of social content to become 'desocialised', considers what desocialisation entails, and asks whether it could be reversed. While it has succeeded only too well in demarcating economics from other disciplines, it has hampered economic thought by blinkering economists' vision and retarding their grasp of social context. Ambitions to organise a stand-alone economics profession have erected a wall between economic and social theories. The potential for resocialising economics is huge, but so are the obstacles to reforming a discipline now suffused with neoclassical thought.

The Nature of Desocialisation

A desocialised economic theory can be defined as one that minimises social relations and structures, treating them as secondary to the individual. Theorising starts at the individual level, never at the social level, and regards the individual agent as the core component. There is a blanket commitment to individualism, in which valid explanations begin with individuals; social elements, if present, should be generated from individual behaviour. Theories that breach this commitment are deemed unsatisfactory and inferior to those built from individualistic first principles. In a desocialised theory, social relations and structures have secondary status, tolerated where necessary as specific items grafted on to an individualistic framework but preferably explained as the product of individual actions. The pressure is always to remove social content that has not been reduced to the individual level. Desocialisation as a process occurs when the social aspects of a theory – social relations, structures, roles, classes and so forth – are diluted in the shift towards individualism. If pushed to its extreme, the process would eliminate social content to yield a theory composed entirely in individual terms. It seldom goes this far and usually retains some vestigial social content, albeit as sparse as possible. The desocialising of economic theory is best understood as downgrading social elements, rather than erasing them.

Total desocialisation could happen only in a hypothetical world of isolated, self-sufficient individuals living apart with no interactions, no groups or classes, and no roles or positions within institutions. Such a world bears scant resemblance to any economy or society that has actually existed. A desocialised social science would be an oxymoron and a bizarre goal for economic or social theorists. The implausibility of total desocialisation is mirrored by the difficulties in tying down methodological individualism, which has had numerous definitions: some require explanation through individuals alone, others give priority to individuals but permit limited interactions among them (Udehn, 2001; Hodgson, 2007). Only a theory devoid of social interactions would qualify as totally desocialised, and few examples spring to mind. The nearest thing would be the atomism of general competitive equilibrium, but even this purist, rarefied theory has proved mathematically awkward and faced major technical problems (Rizvi, 1994; Ackerman, 2002; Kirman, 2006). Efforts to turn the general equilibrium model into the lodestar of economic analysis have faded away, in favour of piecemeal approaches. It has been widely accepted, by orthodox as well as heterodox economists, that the reductionist dream of explanation through individuals alone is unattainable (Arrow, 1994; Davis, 2003, Chapter 2). Equivalently, all social elements cannot be expunged from economics.

Within mainstream economics, the prevalent individualism stipulates that economic modelling should use neoclassical theory based on rational individual choice. Economic agents are instrumentally rational: they have given ends determined outside the model and pursue these ends efficiently (Hargreaves Heap, 1989, Chapter 3). The accent on the individual ensures that the theory has a small-scale, disaggregated emphasis, characterised as microeconomics, and requires social or collective outcomes to be explained through rational individual behaviour. Since social structures and institutions lie beyond the core theory, they can only be peripheral (if they appear at all) and have secondary status; the theory is desocialised in the sense defined above. Some insights from psychology, sociology and other social sciences have filtered through to the edges of the mainstream without changing the theoretical core. Macroeconomics might seem to offer an exception to the individualistic slant, insofar that it follows Keynesianism and deals with aggregate outcomes that are not reduced to individual rationality. Over the last few decades, however, macroeconomics has departed from its Keynesian heritage under the increasing compulsion to have 'microfoundations' (King, 2009; Hoover, 2012). Even macroeconomic models are now supposed to have a neoclassical core, or else they are queried as being unsound.

Economists who resist desocialisation are located outside the mainstream in the various schools of thought grouped together as heterodox economics. The clearest example is American institutionalism in the tradition of Thorstein Veblen and John Commons, which opposed neoclassical theory and gave due credit to the institutional setting of economic activity (Hodgson, 2004). From this perspective, economics should start with the institutions that underlie the economy and avoid any suggestion that economic agents have fixed, absolute preferences. Institutionalists instead based their work on habitual and normalised behaviour shaped by the social environment. Similar ideas are embodied in Marxian thought with the belief that theorising should examine the material forces of production, along with their effects on institutions (Marx, 1976-81). Recent versions of such ideas are Regulation Theory and the Social Structures of Accumulation (SSA) approach, both of which address how institutions interact with the technical means of production (Boyer and Saillard, 2002; McDonough, 2008). While still materialist, they seek to evade technological determinism and allow a place for the causal effects of institutions and culture. Further distaste for individualism is voiced by Post Keynesians, in the desire to set aside the 'neoclassical synthesis' and find alternatives to neoclassicism as a foundation for Keynesian theories (Lavoie, 2006). As with other heterodox schools, the preferred alternatives turn away from context-free agency towards the social and cultural influences on behaviour. Heterodox economists have regretted the desocialising trend and argued against it, yet their views have had little purchase on the teaching and practice of orthodox economics.

The Process of Desocialisation

In its origins, economics was just a branch of philosophy whose political and social facets were acknowledged through the name 'political economy'. The economic/social divide arose later with specialised social sciences, which brought pressures for each discipline to have self-contained theories. Economics underwent a process of desocialisation whereby the social content of theory withered away into a residual to be invoked only if absolutely necessary. The process took place in three stages corresponding to the main periods in the evolution of economic thought.

Stage 1: Classical Political Economy

Modern economic thought dates back to the classical political economy of the late eighteenth and early nineteenth centuries, exemplified by writers such as Adam Smith, David Ricardo and John Stuart Mill. Classical theory hails from the early years of capitalism; it attempts to portray the new economic arrangements and capture their essence. Starting with a stylised picture of a capitalist economy, it explains economic growth at the national level (the 'wealth of nations'), a topic that would nowadays be categorised as macroeconomics. Because saving and investment are financed through profit incomes, the theory disaggregates national income into factor shares (profit, wages, rent) that accrue to economic classes (capitalists, workers, landowners). Positive profits fuel investment and growth, so the theory has a developmental flavour. Classical economists put forward a generalised model of how a capitalist economy is constituted and how it functions.

Within their model, individuals are tied to a social position, as against being autonomous. Classical saving patterns assume that profit recipients (capitalists) save, whereas wage recipients (workers) spend their whole income. The difference derives not from exogenous preferences but from the economic roles played by agents. We must know the structure of the economy before we can pronounce about economic behaviour. Classical political economy abstains from the individualism later to be a shibboleth of orthodox economics.

Adam Smith did make the famous invisible-hand argument that self interest among producers may benefit society, but this stops short of total individualism and remains confined to capitalists fulfilling their roles. The notion of 'economic man', often ascribed to John Stuart Mill, was mooted tentatively during the classical era without being absorbed into the foundations of economic theory. Classical economists avoided formal individualism – the individualistic interpretation came afterwards, fostered by neoclassical hindsight.

Classical economic theory had only sketchy institutional features and never went as far as to endorse historical specificity or cultural relativism. The pleas for competitive markets and laissez-faire policies, while responsive to current events, were intended to be universal. In the early nineteenth century, literary authors and cultural commentators criticised classical political economy for its mechanical theorising and social myopia (Löwy and Sayre, 2001; Connell, 2001; Jackson, 2009, Chapter 3). This line of critique, informed by Romanticism, saw classical economists as extending a rationalist, materialist mindset into areas where it was inappropriate, shunning culture and history in order to ape the natural sciences. The subsequent trajectory of economics did not heed the early criticisms and moved ever further away from the humanities. Judged by today's standards, classical political economy seems quite social and institutional in its outlook, but it was not seen this way at the time and came under frequent censure for ignoring social matters.

Stage 2: Neoclassical Economics

No single person can be accredited with neoclassical economics, but from the 1870s onwards a new strain of economics gradually came to the fore with the work of Jevons, Marshall, Menger, Walras and others. Neoclassical theory was assembled around rational individual behaviour: 'economic man', only casual and informal within classical economics, was augmented into a core concept. By stressing the individual, neoclassical theorists overlooked social classes and institutions, so the old interest in factor shares dwindled. Rational agents were assumed to interact through trade to yield allocative (Pareto) efficiency. The weak classical definition of competitive equilibrium, where profit rates are equalised through capital mobility, gave way to stronger definitions that insisted on market clearing (Clifton, 1977; Eatwell, 1982). Supply and demand curves made their entrance and proliferated, eventually to dominate the teaching of the subject. Orthodox economics, recast as an eternal, timeless theory, did not repeat the classical attempt to portray capitalist economies.

The classical-neoclassical transition was allegedly a step forward, for neoclassical economics claimed to encapsulate truths only hinted at by classical theory. Early members of the new school did not use the term 'neoclassical', which was coined later in recognition of Alfred Marshall's wish to find a lineage from the classical era (Aspromourgos, 1986). Other neoclassical economists, less keen to draw upon classical thought, declared the novelty of their ideas. Distinctive attributes of neoclassicism are its logical rigour, facilitating mathematical expression, and its account of economic behaviour built up from the individual level. Any continuity with classical economics resides in just a few features of the classical literature, specifically the hazy individualism espoused by some classical writers, the principle of comparative advantage summarising the benefits of trade, and the invisible-hand argument that points to collective gains from individual self-interest. Neoclassical economics seizes upon these features and restates them formally as the template for economic theory – it aspires to reach the heart of economic behaviour, once and for all, transcending the efforts of classical theorists.

This is at best a selective inheritance from the classical period. Other ingredients of classical economics, such as the accent on capital accumulation, class-based analysis, institutionally specific behaviour and an interest in factor shares, are omitted from neoclassical modelling. Orthodox presumptions about the classical-neoclassical transition should not be taken for granted. Heterodox scholars offer an alternative history of economic thought, in which neoclassical economics called forth the 'marginalist revolution' and a departure from classical political economy (De Vroey, 1975; Nell, 1980; Birken, 1988; Milonakis and Fine, 2009). Remaking economic theory in individualistic terms supplanted the classical model with a new one dissimilar in structure. The atomism, rationality assumptions, static theories, market-clearing equilibria and focus on resource allocation were alien to the classical school. Political and institutional factors took on lesser importance as the seeds were sown for economics to be mathematised, although the full extent of this was realised only in the late twentieth century. Neoclassical theory (belying its title) had little affinity with classical political economy. Other schools of thought, notably Marxian economics and institutionalism, did more to preserve the legacy of classical theory insofar that they continued to honour social and political context.

The late nineteenth and early twentieth century was the climax of positivistic science. Neoclassical economics, with its façade of providing positive, value-free knowledge, suited the tenor of the times and could be depicted as being dispassionate and scientific. Moral questions integral to economic thought during the classical era receded into the background (Alvey, 2000). The quest for scientific kudos propelled the name change from 'political economy', which had an interdisciplinary hue, to 'economics'. At first, neoclassicism faced challenges from institutional, historical and Marxian alternatives, but these were encumbered by their historical specificity and value-laden standpoint; they could not so easily draw parallels with natural sciences, the exemplars of true scientific achievement. Neoclassicism fended off its rivals and ultimately became the new orthodoxy. By the 1930s economics was being redefined in a neoclassical vein: earlier definitions, which characterised economics by its subject matter, were disputed by the Robbins definition, which saw economics as the study of scarcity and choice (Robbins, 1932; Howson, 2004; Backhouse and Medema, 2009). A static, neoclassical world view preoccupied with rational choice had taken over economics, now delineated by a single theory, not by its subject matter. Dissenters from neoclassicism might be discussing economic issues but would not be economists. The redefining of economics laid the groundwork for the modern mainstream.

Stage 3: Mainstream Economics

What is now mainstream economics derives from the technical elaboration of neoclassical economics during the late twentieth century. The mainstream originates in neoclassicism but includes variations on the neoclassical theme that relax key assumptions without abandoning them. One can mingle the terms 'neoclassical' and 'mainstream' at small risk of confusion – 'mainstream' here denotes versions of neoclassical thought from the mid-twentieth century onwards. As mainstream theory flourished, other schools of thought were pushed to the heterodox fringes of economics. Teaching was consolidated around neoclassical doctrines presented to students as the building blocks of economic analysis.

The mainstream relies heavily on mathematical methods, which have burgeoned since the 1940s (Blaug, 1999; Weintraub, 2002). Mathematisation strengthened the drift towards desocialised economics. Mainstream models appeal to rational, utility maximising individual behaviour; aggregation is not straightforward, putting a brake on social levels of analysis. Theorising bypasses preference formation, the interdependence among preferences, structural influences on behaviour, and the formation of institutions. Individuals, encompassed by their utility functions, have no identity beyond their preferences (Davis, 2003, Chapter 3). Economic theory is timeless and unbounded, as if historical circumstances are irrelevant and the same behaviour applies everywhere. Alternative types of rationality (procedural, expressive) barely get a mention, nor does non-rational behaviour (Hargreaves Heap, 1989; Stewart, 1995; Tomer, 2008). Institutions, when present, are appendages that constrain individual preferences but play no other part in forming behaviour. This shows them in a negative light as external checks on rational agency and barriers to efficiency. Theorising too much about institutions and social structures is disapproved, lest it should threaten neoclassicism and vindicate 'non-economic' methods. Since mainstream economics has retreated from evaluating the social origins of economic behaviour, the gap has had to be filled by heterodox economics and other academic disciplines, using social theory rather than economic theory.

Mainstream economics dwells on exchange (before production or consumption), but the rational-choice methods afford only a thin account bereft of social detail. Exchange is assumed to arise spontaneously from trading opportunities among rational agents, with little allowance for property rights, contracts, trading roles and price setting. The concept of the market, pivotal to orthodox discourse, has no clear definition and is linked with any trading or exchange (Hodgson, 1988, Chapter 8; Rosenbaum, 2000). Markets become universalised as a natural order that emanates directly from specialisation and trade without prior institutions and governmental backing. The supposed ubiquity of markets sits uncomfortably with the stringent requirements for perfect competition, which set a standard of anonymity and price taking that no real markets can attain. Much trade described as a market in everyday language entails personal relationships among traders and negotiated prices distant from the neoclassical ideal (Goldberg, 1980). A fuller theory should be sensitive to the social structures and relations underlying markets, along with the larger institutional context

(Fourie, 1991; Jackson, 2007). The orthodox benchmark of a perfectly competitive market is so unrealistic that it has little practical value and misleads as a policy guide.

Despite often admitting its artificiality, mainstream economists retain perfect competition and award it a hallowed place in the teaching of economics. Applied branches of the mainstream (public economics, industrial economics, labour economics, environmental economics, health economics, etc.) must diverge from it if their theorising is to be even vaguely realistic. They are forced into 'imperfectionism' that falls back on market imperfections as the only way to insert some much-needed institutional substance. Imperfectionist models quickly become mathematically tortuous, for extra constraints are added to the usual framework. The basic neoclassical model, ill-suited to portraying economic reality, is an unhelpful platform that complicates further theorising. This ought to worry mainstream economists, but they seem almost to relish the complications as opportunities for showing off technical skill and theoretical sophistication. In scientific methodology, regular resort to constraints, amendments, adaptations and ad hoc assumptions should be a danger signal: it indicates a flawed research programme with a faulty theoretical core. The case for alternatives, familiar to critics of orthodoxy, never quite penetrates through to mainstream economists, who evince doubts about the neoclassical core but are unwilling to relinquish it.

Disquiet within orthodoxy has prompted variations on the basic model ('mainstream pluralism'), which sometimes make limited use of ideas from psychology and other disciplines: examples are the new institutionalism, behavioural economics, experimental economics, neuroeconomics, transaction-cost economics, and the use of game theory (Davis, 2006). Movements away from the neoclassical framework, which might appear more fundamental than imperfections, could be seen as preparing for the end of neoclassical orthodoxy and a paradigm shift (Colander, 2000; Colander, Holt and Rosser, 2004). Yet the new fields do not sever ties with neoclassicism and keep well apart from heterodox economics. Behavioural economics, for instance, picks out partial and small-scale exceptions to orthodox modelling; experimental economics obtains results at odds with neoclassical theory but hesitates to take up heterodox arguments; new institutional economics seeks to explain institutions through methods compatible with the mainstream; game theory relaxes the atomistic anonymity of general equilibrium models but upholds the individualism, instrumental rationality and strong informational assumptions of neoclassical economics (Rutherford, 1994; Hargreaves Heap and Varoufakis, 1995; Zafirovski, 2003; Sent, 2004; Earl, 2005; Fine and Milonakis, 2009; Santos, 2011). Mainstream pluralism is marked by disparate adjustments to the neoclassical paradigm that do not cohere into a genuine challenge, as is evident from its refusal to cooperate with heterodox economics. If anything, it sustains orthodoxy, inasmuch as it gives the impression of being critical without making a clean break and deflects attention from more radical critiques. The desocialised core stays intact.

Consequences of Desocialisation

Desocialised theory glosses over how individuals are formed within society: they are the bedrock of the theory, so their behaviour is fixed and its origin goes unexplained. Silence about the roots of individual behaviour leaves the impression that human activities are innate and natural. Theory then has little feeling for culture, as it dismisses the cultivation of individuals within an institutional setting (Jackson, 2009, Chapter 2). Culture is important in social theorising through its ability to connect individual and social levels of analysis and avoid over-reliance on one level. Each level depends on the other – individual agents develop their capabilities only inside their social environment; social structures and relations persist only if they are reproduced by individual agency. This interdependence has been appreciated in recent social theory, where it is termed agency/structure duality and offered as an antidote to individualistic or structural reductionism (Craib, 1992, Chapter 7; Jackson, 1999; Layder, 2006, Chapter 8). Mainstream economics ignores duality arguments and relies on individual rationality as its sole foundation, either omitting social and cultural factors or treating them as secondary, external influences.

In a desocialised theory, the subordinate rank accorded to social levels of analysis obscures collective or class interests. Legitimate theorising begins with individuals, not with economic classes, and the economy has no social constitution. Individual behaviour seems absolute and independent of social roles or class positions. With so little said about current institutions, the details of contemporary capitalism dissolve in abstract, apparently universal analyses. It becomes harder to allow for historical specificity, as is clear from the neglect of history in modern economics (Hodgson, 2001). Collective institutions can be admitted only charily, for fear that they will upset the reductionist vision; any collective arrangements should be justified as the desirable outcome of individual behaviour. Theorising about a capitalist economy cannot revolve around economic classes, and the issues surrounding class conflicts will be sidelined.

Desocialisation of economic theory has put arbitrary limits on how it is formulated and how it portrays human behaviour: theories must fit a template. Those who stray from the template are not practising economics in the approved manner and must be undertaking social theory rather than economic theory. The individualism of neoclassical thought creates a bias towards laissez-faire policies wherever the benchmark model of perfect competition is taken seriously as a policy goal. Many mainstream economists resist this bias by stressing market failures and the grounds for state intervention by a rational, welfare maximising government (following the tradition of Marshall and Pigou). In all cases, though, the social elements subsist precariously as add-on extras within a framework of individual agents. Theorists see institutions as constraints, rules, rigidities, and so forth, which acquire negative connotations for hindering private enterprise. Seeing institutions this way is far from inevitable, and there are many alternatives in heterodox economics and other social sciences. The limits set by desocialised economic theory have no academic rationale; on the contrary, they discourage economic theorists from exploring the full range of theoretical possibilities.

A defence of the status quo in economics would be that it derives from a division of labour within social sciences, letting economists specialise in the study of typical economic behaviour. The individualism of orthodox economics would be counter-balanced by the social and structural methods adopted by sociologists, political scientists, anthropologists and others. Economists choosing one particular abstraction would not be a problem, thanks to the alternatives elsewhere in the social sciences. Such a defence is weakened by the doubts over what economic behaviour means, as well as the hermetic separation imposed through disciplinary boundaries. Research done outside the economics discipline rarely gets taken seriously as a contribution to economics – carried out by people not designated as economists, it seldom appears in economics journals and goes unnoticed by the economics profession. The desocialised theory that dominates orthodox economics has acquired a near monopoly over what is perceived as genuine economic theorising. Work coming from other disciplines, regardless of its virtues, will have trouble finding an audience and exerting an influence over policy making. Alternatives elsewhere leave unchanged the primacy of desocialised theory. A resocialised economics would have to be internal to the economics discipline, using ideas perhaps drawn from non-economic sources but then introduced into economic theory.

Resocialising Economics?

Recovering the social content of economics would mean redirecting the evolution of economic thought. One should have no illusions about an easy change of course. The momentum behind neoclassical theory gathered during the twentieth century and carried all before it; sceptical voices were swept aside as the mainstream view prevailed. After reaching a putative consensus on core principles, mainstream economists have little appetite for rethinking them. It remains worthwhile, all the same, to ask what would have to happen for mainstream economics to be transformed: the following developments would open the door to a resocialised economics.

Pay heed to the history of economic thought

A perspective on the history of economic thought is vital for a critical assessment of the discipline, otherwise trends like desocialisation will go unquestioned. Mainstream economics has jettisoned historical and comparative studies, on the premise that current theories supersede all that came before – economists should forget past doctrines and employ only the most 'modern', 'advanced' techniques. Students can now graduate with an economics degree, securing high grades, without the slightest exposure to the intellectual origins of neoclassical theory and the heterodox alternatives. The history of economic thought, together with economic history and other historical sub-disciplines, has been held in low esteem and lost ground in the teaching of economics (Blaug, 2002; Kurz, 2006). Short on knowledge of how economics has evolved, students are poorly equipped to appraise the state of the discipline and have little choice but to comply with orthodox theory. The mainstream creed has never been accepted by heterodox economists, who see the switch to neoclassicism as a mistake that ought (somewhat belatedly) to be corrected. If the history of economic thought is demoted to being a specialist enclave, then arguments about the desocialising of economics are kept off the agenda.

Drop the definition of economics as the study of scarcity and choice

Mainstream economics opts for a static, allocative definition of the subject, whereby economics devotes itself to studying scarcity and trade-offs among resource uses. Fixating on resource allocation and interpreting other economic activities as allocative choices accords with neoclassical theory – exchange becomes paramount at the expense of other, equally important topics. This narrow definition of economics originated with Robbins in the 1930s and gained supremacy only during the late twentieth century (Backhouse and Medema, 2009). Earlier definitions were broader, embracing activities other than resource allocation, and left space for variety in economic theorising. Economics should be defined by its subject matter, not its theories, to ensure that no theory has privilege in deciding who is an economist. The 'economic way of thinking', shaped by neoclassical theory and promulgated by orthodox textbooks, serves to debar those wishing to think differently. Prospects for a resocialised economics would improve if the discipline dropped a definition that overemphasises rational choice and deters economists from examining the social roots of economic behaviour.

Pursue an explicitly non-reductionist approach

Methodological individualism, woven into the fabric of mainstream economics, impedes social or cultural arguments: a sound theory must view everything through the lens of rational individual behaviour. Theories constructed around institutions or social structures do not obey this rule and are written off as incomplete. Only by discarding the individualism can economic theory possess a social level of analysis that exists in its own right, irreducible to the individual. Strong versions of methodological individualism, which aim for explanations from atomistic behaviour alone, have been revealed as unfeasible (Davis, 2003; Hodgson, 2007). The reductionist ambitions of the general-equilibrium research programme have been toned down, but individualism is alive and well in weaker versions that make do with minimal social content. For economics to be resocialised, the failure of the reductionist project and the impossibility of true methodological individualism would have to be recognised more fully than it is at present. Theorising should be explicitly non-reductionist, with a layered or stratified format that allows individual agents and social structures to interact (Lawson, 2003, Chapter 2; Hodgson, 2004, Part V). At times individual or social factors may predominate, but theorists should eschew giving universal priority to one analytical level.

Permit greater pluralism of theory and method

Mainstream economics, turning on a neoclassical hub, is happy with its monistic theoretical core and travels no further than 'mainstream pluralism' within a single paradigm. To resocialise economics would necessitate greater pluralism taking in ideas from outside the mainstream paradigm, perhaps organised into alternative paradigms. Heterodox economists have often advocated pluralism, an attitude that stems from the multiple strands within heterodox thought and wariness of uniformity (Dow, 2004; Garnett, 2006; Lee, 2011). Pluralism could bring drawbacks, as diversity based on inconsistent paradigms might descend towards incoherence: the paradigms might talk past each other, pursuing separate research agendas and building their own theoretical systems. A pluralistic economics could become fragmented into various schools of thought (neoclassical, post-Keynesian, Marxian/radical, institutionalist, Austrian, etc.) with little in common. Most heterodox schools do have shared features beside their opposition to orthodoxy, including the desire for a fuller treatment of social context. A case can be made for 'structured pluralism' that crosses the multiple paradigms within heterodox economics to find common ground on how economics could be reconstituted (Dow, 2004). Pluralism need not reach a relativist extreme; agreement on theoretical and methodological principles remains welcome, but these should be less narrow than the ones favoured by orthodoxy. Layered theory defined with suitable breadth and depth can accommodate internal variety, multiple levels of abstraction and historical specificity (Hodgson, 2001, Chapter 21). Individual and social layers can coexist within a larger theory that lets the significance of layers vary over time and place. Theorists would then be at liberty to choose an individual or social emphasis as befits the case in question.

Remove the wall between economic and social theory

The wall dividing economic theory from social theory rests on the false assumption that the former is individualistic and the latter structural, matching the customary image of academic work in economics and sociology. This crude dichotomy harms theoretical endeavours in both disciplines – there are no grounds for it. The wall was erected in the early twentieth century, when new social sciences were eager to carve out their own academic territories: potential overlaps between economics and sociology were avoided through a tacit agreement that economic theory would follow a non-social path, on neoclassical lines, and leave social theories to the sociologists (Hodgson, 2001, Chapter 13; Milonakis and Fine, 2009, Chapter 12). Professionally expedient, the arbitrary distinction was never persuasive and ignored by many writers. It survives in the estrangement of economic and social theory, which may not always adhere to their individualistic/structural stereotypes but are undertaken by different scholars, published in different academic journals, associated with different disciplines, and taught to different students. Social theory contains a pool of varied ideas that cover all social behaviour, economic activities included, and tackle the fundamentals of social interaction (Craib, 1992; Harrington, 2005; Layder, 2006). Much social theory, if applied to economics, could provide alternatives to neoclassicism as a foundation for the discipline. While sociologists and other social scientists draw on this literature, few economists do so; most seem unaware that social theory exists. Undue specialisation of academics across the economic/social divide has sealed off orthodox economics from outside influences, preventing the influx of new ideas. For economic theory to be resocialised, the wall between economic and social theory would have to come down. Theorising could be designated as economic if it dealt with material production, distribution and consumption, but not by any diktat about individualism.

Use mathematics more critically and selectively

Mainstream economics has become wedded to mathematical and quantitative methods, to the extent that mathematics is now the official medium for economic research. Verbal theories struggle to gain acceptance from the economics profession, whatever the merits of the arguments. Mathematics does not perforce bring desocialisation but has been allied with individualistic, rational-choice methods: the atomised neoclassical model engenders a neat mathematical portrayal of economic behaviour. Richer accounts of human action, with social as well as individual levels of analysis, do not lend themselves to mathematical expression. The modern economic literature rarely discusses appropriate use of mathematics, interest being confined mostly to heterodox circles (Agiomirgianakis and Mavromattis, 1998; Drechsler, 2000; Hudson, 2000; Katzner, 2003). Mathematical theories pull mainstream economists away from social affairs, which become the province of non-economic disciplines, and lay a veneer of technical sophistication on a sparse, mechanical picture of human behaviour. The remedy would be to revive the scepticism about mathematics that held sway among economists until the mid-twentieth century but has since almost disappeared within the mainstream. It is not essential to renounce mathematical techniques but merely to use them judiciously on the right occasions. Ironically, they are most successful when economic behaviour has been socially constructed in a mathematical or quantitative mould, for example when it is guided by accounting systems, budgetary rules, game-like environments, and so on. They are less successful as a global model of behaviour, yet this is how they are deployed in neoclassical theory.

Draw parallels with the humanities, not the natural sciences

Mainstream economics prides itself on being the ‘hardest’ among the social sciences, close to natural science in its methods. Empiricism and rationalism dominate economic methodology, theory imitates physics or engineering, and mathematics is the language. A strong positive/normative distinction relies on the dubious claim that the core theory is value free, so that values can be appended separately. Natural-science imitation, if pressed to the lengths seen in mainstream economics, submerges what is distinctive about the humanities. For delving into human behaviour the empirical and theoretical methods of natural science are insufficient: we cannot directly observe thoughts and motives and we cannot explain human action through logical reasoning alone. We must instead make an effort at interpretation, directed towards both individual behaviour and social context. The distinctive approach of the humanities is not empiricism and rationalism, which were designed for natural sciences, but interpretative methods centred on meaning, language, empathy and understanding (Taylor, 1979; Ricoeur, 1981; Outhwaite, 1986). These methods are adopted in history, sociology, linguistics, anthropology and philosophy (often under the labels hermeneutics and semiotics) but hardly surface in economics. An exception, normally classified as sociology, is the economic research of Max Weber, whose concept of *Verstehen* encourages scholars to interpret subjective states of mind among human actors, along with the meaning of signs and symbols; in his best known economic study, he aimed to understand the values promoted by Protestant religion and trace their links with the early development of capitalism (Weber, 1964, Chapter I, 2002). Interpretation permeates all human discourse, but mainstream economics seems oblivious to it, as if meanings were straightforward – it receives proper attention only from heterodox economists (Berger, 1989; Lavoie, 1990; Gerrard, 1993; Jackson, 2009, Chapter 10). Empirical studies and logical reasoning, which remain important in social sciences, need to be accompanied by interpretative methods. Once admitted into economics, they would cast doubt on the formal, ahistorical abstractions of neoclassical theory and raise sensitivity to historical and social circumstances.

Respond to student demands for a more varied economics syllabus

Recent years have witnessed students calling for a shift away from a narrow economics syllabus centred on neoclassical theory towards a broader one embracing other approaches. The prime example is the Post-Autistic Economics Movement that started with a revolt by French economics students against attempts to push economics teaching further towards neoclassical methods (Fullbrook, 2003). Overt protests have so far been confined to a vocal minority of students but are likely to represent latent disquiet on a larger scale. Doubts about economics teaching have been heightened by the ongoing global financial crisis: students and the general public are asking questions about why mainstream economics did not foresee problems that now seem plain. Under this scrutiny, it would be in the self-interest of economists to diversify their teaching and not let the profession stand or fall with one approach. Alternatives to neoclassical theory are readily available – they would help to meet student demands for a more diverse syllabus and offer greater relevance to the real world by acknowledging institutions and social context.

Conclusion

Can economics ever be resocialised in the way envisaged here? Intellectually the scope for this is clear enough from the work of heterodox economists and others writing on economic subjects. Using existing ideas, economics could be taught in a pluralistic, socially alert fashion with inputs from related disciplines. The roadblocks to a resocialised economics are not intellectual but practical and institutional: the economics discipline has come to regard neoclassical methods as the only legitimate ones. Generations of economics students have been taught mainstream economics and nothing else, on the pretext that there is no alternative and that modern mainstream theory is the pinnacle of economic thought. Dissenters from the prescribed maxims risk damaging their careers as economists. The power of vested disciplinary interests guarantees that it will be hard to reverse chronic trends and reshape the foundations of the subject.

A starting point, however, would be for economists to realise how their discipline has changed. In its early days as classical political economy, it was awake to the social setting of economic behaviour and did not fence itself off from social and political concerns. Classical economists theorised on several levels, individual and social, and never decreed that economics must be studied on an individualistic basis. Their moderate theoretical stance was lost in the later turn towards reductive neoclassical thought, which spread axiomatic individualism across all economic theorising and divided economic theory from social theory. The example of the classical school, if it were better known, would demonstrate that alternative foundations for the discipline are possible. Economists reluctant to take lessons from other social scientists might be willing to learn from their own forebears. Resocialising economics would require a break with its recent past but not with its origins in classical political economy.

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