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Interview of John Davis by Jonathan Wight

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John B. Davis is Professor of Economics, Marquette University, and Professor of Economics, University of Amsterdam, is author of *Keynes's Philosophical Development* (Cambridge, 1994), *The Theory of the Individual in Economics* (Routledge, 2003), *Individuals and Identity in Economics* (Cambridge, 2011), and co-author with Marcel Boumans of *Economic Methodology: Understanding Economics as a Science* (Palgrave, 2010). He has been a visiting professor at the Sorbonne, Cambridge University, Erasmus University, and Duke University. He is a former editor of the *Review of Social Economy*, and is currently co-editor of the *Journal of Economic Methodology* and the Routledge book series *Advances in Social Economics*. He is a past president or chair of the History of Economics Society, the International Network for Economic Method, the Association for Social Economics, and past vice-president of the European Society for the History of Economic Thought. He is a Tinbergen Institute Fellow, and has taught two dozen different courses.



How did you get interested in social economics and who were your mentors?

I studied philosophy and ethics before economics, and when I turned to economics this implied to me that the economy is embedded in society rather than an autonomous realm. So not only is society the more encompassing frame, and economic life only part of social life, but because values are pervasive in social life, it follows that values are pervasive in economic life – not just market values but ethical values and social values of many kinds. These two principles – social embeddedness and value pervasiveness – are central to social economics, and the richness of the social economics research program is associated with the many ways they can be investigated. They are also deep assumptions often not made explicit, and so many non-standard economists who may not self-identify themselves as social economists share a social economic view of the world. This means mentors can come from many

backgrounds. In my economics program at Michigan State University, John P. Henderson and Warren J. Samuels were my mentors. Henderson was a specialist on Ricardo and Samuels was an institutionalist, but both strongly supported the ASE. When I arrived at Marquette University to edit the *Review of Social Economy*, Peter Danner and Bill Waters, the previous editor, mentored me. They were Catholic social economists, though I was not. So again the social economic influences on me were indirect and not easy to explain. I think this kind of experience is true of many people who see themselves as social economists or as sharing a social economic view of the world. But because the community is so diverse and broadly defined it seems less visible than other non-standard research programs. Practically speaking this has meant that the history of the ASE has been very much a matter of particular people welcoming and mentoring people who themselves find they have a broad social economic view of the world. For example, it has

long been part of the mission of the *Review of Social Economy* to support young scholars.

What obstacles did you encounter professionally (and/or personally) in countering the standard economic model?

The greatest single obstacle is the profession's blind scientific positivism and denial that values underlie economic reasoning and operate throughout economic life. It's a remarkable historical (and cultural?) conundrum that skilled, intelligent standard economists can be so naïve and wrong on this subject. I have speculated recently on why this is the case ("Economists Odd Stand on the Positive-Normative Distinction: A Behavioral Economics View" – on SSRN), but it may be that one has to think more about the kind of society we live in to really explain this. In any case, to talk about economics being value-laden is the fastest way to alienate mainstream colleagues. That makes it hard to be a social economist or to do research with this conviction since one can't really identify one's perspective and expect a sympathetic reception. Rather to engage one's colleagues one needs to appear sympathetic to their positivism, not just the value neutrality idea but also much casual empiricism that says the fact speak for themselves (with a little help from econometrics). It also doesn't help that the profession seems to be becoming more applied and a-theoretical. This might be a symptom of increased doubts about the mainstream neoclassical paradigm, especially as an effect of the rise of behavioral economics, but as of yet this seems to involve very little reflection on the methodological foundations of economics.

As for the standard economic model itself, in my view things have improved in economics over the last two decades. There is now much more diversity of opinion on what rationality is and I expect this to increase. The general argument I have made in this regard (as in my 2008 *Cambridge Journal of Economics* paper on recent economics) is that all the new approaches in economics not only draw significantly from other sciences but as a result deliver critiques of some of the most basic commitments of standard economics. How this plays out in the future, and

also what the impact might be of social disapproval of the economics profession since the financial crisis on the direction of economics are yet to be seen. But we now have many competing camps in economics, not quite a professional pluralism but a kind of ad hoc increasingly pluralistic research platform (especially for younger age individuals). So I think it is an exciting time to be in economics, unlike my earlier years in economics when it was monolithically neoclassical. In my view this is also manifest in an increased vitality in social economics research. From a social economics perspective, consider that the fact there is now considerable behavioral and experimental research into social preferences, trust, reciprocity, altruism, etc. It used to be that the JEL code A13, Relation of Economics to Social Values, fell largely within the domain of social economics. But it is now descriptive of a wide range of research from economists who typically do not recognize themselves as social economists!

What analytical work of yours has made a difference to our understanding of the world and/or policy?

It's my view that the central deep assumption of standard economics is that individuals are atomistic beings. Standard rationality theory presupposes this, and I don't think one can make effective critiques of rationality without showing why the standard view of the individual is wrong. My analytical contribution on this score has been to develop an identity approach to evaluate any individual conception in terms of whether it can be said to successfully refer to individuals. My first book on this (*The Theory of the Individual in Economics*) argued that the standard neoclassical individual conception fails to refer to individuals. How ironic and telling about the theory that it is ultimately not really about individuals! My second book on this (*Individuals and Identity in Economics*) critically evaluated other individual conceptions in recent economics, and argued that an adequate individual conception in economics needs to show that individuality is both socially endogenous and relatively autonomous. I emphasize the importance of thinking in terms

of capabilities, and argue that developing and maintaining a personal identity is a special kind of capability people may or may not succeed in developing. Many economists, of course, think philosophical arguments have only limited value for economics, but I believe that this is mistaken, and that good economic theories need to be built around realistic and adequate concepts.

It is not easy to say what difference to our understanding of the world and/or policy a set of philosophical arguments might make. But I think two things can be said about the issue of the individual concept in economics. First, this concept has been central to the history of social economics – that is, a more enlightened version of what the person is – and it is arguably the basis for the main value that many social economists believe to be distinctive of social economics and what unifies its policy vision, namely, human dignity. Why do we care about inequality? Because it violates justice. What does justice require? That every person be able to live a life of dignity which they respect. Second, when one thinks about economics and policy, and asks oneself what the ultimate motivators are behind all policy recommendation, one risks irrelevance if one overlooks how modern history has made the idea of democracy an ambition of all societies and people everywhere. Democracy is seen to be a type of social organization most likely to secure the well-being of individuals. So how we think about individuals anchors all our thinking about policy. Economic policy depends on economists' explanation of individual behavior in markets. Thus rebuilding economics around an adequate conception of the individual may allow us to reformulate economic policy in ways consistent with democratic social values. I think this is fundamental to a social economic vision of the world, and where I hope my analytical work makes some contribution.

What do you think are the most promising areas of social economics today? What advice would you give to graduate students setting out to study social economics?

I'm not sure what the most promising areas are, but there are three areas related to my own interests that might be valuable social economic research topics. First, social capital theory is interesting because it examines trust and cooperation in social networks, thus combining the embeddedness and value pervasiveness principles. The social capital research program is well developed outside of economics, but has also begun to be an active subject of investigation in economics as researchers try to understand how social networks underlie economic relationships. The original meaning of social economics was the economics of the cooperative sector of the economy, different from both market and state. Social capital theory is thus classically social economic, and economists who share an interest in this sector, particularly in connection with their interest in how institutions generate trust and cooperation, are essentially operating from a social economic perspective.

Second, the financial crisis made herding part of what needs to be included in the explanation of economic behavior. Herding involves social linkages that operate across and outside markets. So again market relationships are embedded in social relationships. And as people are now well aware, herding can have extremely costly effects on how economies function and on people's well-being. I think this subject is quite under-researched. But it is not an easy subject to investigate in a systematic way. Further, its investigation can provoke serious reconsideration of the role the equilibrium concept plays and ought to play in economic analysis, and this is also a challenge. Another problem for working on herding is that it might be necessary to think more about finance – an area social economists give little attention. But altogether I think this is productive ground for social economic research.

Third, the concept of identity, on which I have worked for many years, still seems to me to be a promising subject for economics. Once one abandons the assumption that preferences are exogenous, what determines who the individual is and the extent to which individual identity is endogenous to the world needs to be explained if

we are to have a more adequate theory of individual action. I have tried to focus on the interrelationship between personal identity and social identity, but there seems to be considerable interest in the latter concept alone for what it adds to explanations of economic behavior. Needless to say, the concept of identity is hardly on most economists' radar screens, and so this subject may be an uphill research strategy. Yet it is obvious that 'identity' is an important preoccupation of people in the world we live in, so I think the subject has important potential for social economists.

Let me add two comments on research methodology. In my capacity as an economic methodologist (and currently co-editor with Wade Hands of *Journal of Economic Methodology*), I think *how* one explains the subjects one investigates is also important to the quality of one's research. First, then, it seems to me that economics research ought to be more interdisciplinary, particularly in importing ideas and concepts from other social sciences. This often generates new insights and forces people to rethink old explanations. Second, it seems to me that more research might use multiple methods of analysis to in effect triangulate upon desired conclusions. In this regard, case studies and survey research strike me as especially valuable when done well (though they are maligned by many economists). They also are a way to justify request for funding support, and, not to be overlooked, can open up new experiential windows on the world for researchers.

More generally, my advice to graduate students interested in social economics is to pursue research you think is socially valuable and of interest to you, and work to be successful in the economics profession. There is no simply way to achieve the latter, but pursuing it at the expense of what motivates you is not a happy way to live one's life. More often than not in my view the two goals are compatible in the long run.

Why does social economics matter to the world beyond academia?

Social economics matters to the world beyond academia because, in contrast to 'dismal science' economics – how most people see economics – it advances a humanistic agenda. The scarcity orientation of standard economics imposes an efficiency perspective that always emphasizes constraints on choice. You might say standard economics is all about constraints; what one can't have. In contrast, social economics basically operates with a human flourishing view; it is about what people aspire to. Scarcity, of course, is a real issue at any point in time, but when a theory is essentially static, scarcity becomes the dominant vision of life. I see this scarcity vision of standard economics as an historical artifact. It is probably reflective of societies transitioning out of widespread poverty, which used to reflect most of the world, but is not reflective of the world of relative abundance that lies (hopefully) before us. In this world, human improvement is a feasible goal, and that economics is important to its realization. Social economists with their human flourishing perspective have this alternative vision of the world.

It also matters to the world beyond academia whether economists can talk about such matters as justice and inequality. How much confidence can people have in a profession that is so influential regarding how the work works but which finds these subjects essentially peripheral to what economics is about? Social economists see subjects such as these as central to the subject, and in my view this goes considerable distance toward explaining the relevance of a social economic approach. I've continually had the experience when talking to people outside of economics that if I emphasize the normative dimensions of economics, they react favorably, saying that is exactly what they thought economics ought to be concerned with. Surely this is evidence of the real world value of the social economic approach.