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# Living with the Economists

## Charles Stafford

- *Economic Persuasions* edited by **Stephen Gudeman**
- *Economy's Tension: The Dialectics of Community and Market* by **Stephen Gudeman**

At the LSE, where I work, there are so many economists that it is difficult to count them, much less keep track of what they are up to. Many are based in the Economics Department, of course, but others are found elsewhere around the School – in such places as Finance and Social Policy, not to mention FMG, STICERD and SERC. What are these people doing?

Perhaps the most influential of today's LSE economists<sup>[1]</sup> is Nicholas Stern, lead author of the Stern Review on the Economics of Climate Change. Long before sorting out climate change, however, Stern did something that might be of special interest to anthropologists. In the mid 1970s, he and Christopher Bliss lived for eight months in the rural Indian community of Palanpur where they studied the local economy using a mix of quantitative and qualitative methods. In fact, Palanpur has become one of Stern's long-term interests: he returns there periodically to keep track of socioeconomic transformations (which, in the event, have been dramatic). So while anthropologists might object to Stern's "economistic" approach – he is an economist, after all, and used to work at the World Bank – it's hard to accuse him of knowing nothing about sociocultural variation in economic life, or about the real world in which ordinary people live.



Then there is Richard Layard, who studies the economics of happiness and wellbeing. To put it simply, the finding of Layard and others working in this field is that once people

are reasonably secure in their lives additional wealth does not make them happier. It therefore makes sense to take money away from them, via taxation, in order to fund social programmes (such as the free provision of psychological therapies) that can be shown to increase happiness, especially among the poor. Layard cheerfully admits to being an old-school utilitarian, and his take on the psychology of economic life may fairly be characterized as “universalist”. But it’s not as if he’s never heard of cultural variation: his father, John Layard, was a Jungian psychotherapist (one analysed by Jung himself) and, as some readers will know, a social anthropologist. In 1914, at the age of 23, Layard senior went with Haddon, Rivers, and others to Melanesia. He ended up conducting a year of fieldwork in Atchin – having, it seems, been more or less abandoned there by Rivers – around the time Malinowski was carrying out fieldwork in the Trobriand Islands.<sup>[2]</sup> Small world.

Of course there are LSE economists whose fathers were not anthropologists, and who work on topics that seem miles away from anthropological concerns, and whose research presumably only makes sense to specialists. A recent paper by Peter Robinson is entitled, seriously, “The Efficient Estimation of the Semiparametric Spatial Autoregressive Model”. And yet much of the number crunching and model building being done around the LSE appears, at least on the surface, to be of a more accessible kind. Francesco Caselli and colleagues have modeled the impact on corporate governance when family dynasties are in control (the impact, it seems, is pretty bad). Using data from the USA, Leonardo Felli and colleagues have reached some thought provoking conclusions about gender and race preferences in the adoption of children. John Hills and colleagues have published a doorstop of a report entitled “An anatomy of economic inequality in the UK” which is crammed full of depressing, but unfortunately very convincing, statistics. Jorn-Steffen Pischke and a colleague have written an interesting paper entitled “Zero Returns to Compulsory Schooling in Germany”, a key point being that in Germany the skills you need for the labour market are learned so early in schooling that additional years of it – typically presumed to be a good thing – are a bit pointless (actually completely pointless) in purely economic terms. Christopher Pissarides works on the issue of “search frictions” in markets, not least of the kind that make it hard for unemployed people to find work, even when work is available.

Rifling through publications by these colleagues, I was reminded of a comment by the economist Isabel Sawhill in her essay on the field of family economics: “To anyone who has been trained as an economist, the charms of economic analysis are nearly irresistible”. Her point, I hasten to add, was that these charms *should* be resisted, at least some of the time.<sup>[3]</sup>

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Of course, anthropologists have long had it in for economists. The question is: do we actually know what they do? If the answer for most of us is basically “no”, as I suspect, then *Economic persuasions* should be a welcome book – for it brings together anthropologists and economists to “engage in a conversation across the disciplines”, in the words of the editor Stephen Gudeman.

Unfortunately the book and the symposium from which it was drawn suffer from a fatal weakness with respect to this conversation. Among the twelve listed contributors there are six anthropologists and one sociologist. An historian is also listed: she provides material for the essay by one of the anthropologists. There is also a specialist in organizational behaviour: his essay is co-authored with one of the anthropologists. This leaves three “slots” for economists, which I suppose is not nothing, but then one of these is taken by an economist who is primarily an economic historian (at least as evidenced by his publications). Another is taken by a man who holds “the world’s only chair in the field of cultural economics”; he doesn’t come across as very mainstream. The final slot is taken by a New School economist who arguably has it in for his fellow economists even more than most anthropologists do.

I am not questioning the value and interest of the essays written by these scholars and I agree with, or at least can see the case for, many of their conclusions. My point is simply that this conversation between anthropologists and economists is surely rigged in the sense that nobody is present who might actually care to defend standard economics and try to explain its virtues (assuming there are any). As a result, in most of these chapters we learn relatively little, if anything, about the actual practice of economics today, and surprisingly few attempts are made by the contributors to engage in detail with the claims that named economists have made with respect to their contemporary research. Meanwhile, a sustained critique of the assumptions, methods and claims of economic anthropology is more or less out of the question, it seems.



To take a step back, the challenge given to the contributors was to think about economic life, and research on it, in terms of *rhetoric* – here roughly meaning “techniques of persuasion” (thus the book’s title, *Economic persuasions*). It is certainly true that anthropologists and economists use different rhetorical/persuasive devices as part of their disciplinary toolkits. James Carrier, in his essay on this theme, returns to the formalist/substantivist debate in anthropology, which to some extent echoes the divide between economists and anthropologists which still exists today. As Carrier notes, most model-building economists and anthropological formalists take simplification to be a

good thing, a positive step in the direction of understanding. However, the majority of anthropologists, being substantivists, worry that simplification is really a step in the direction of “ignoring context” – as when development projects are designed around simplistic (and often powerfully seductive) models of human agency that ignore local realities, and thus go badly wrong. The sociologist Richard Swedberg reprises this theme, encouraging social scientists to “resist the economists’ rhetorical use of the concept of interest” because it is, again, an oversimplification: it is “one-dimensional and profoundly nonsocial in nature” by comparison with the sociological one. The economist William Milberg meanwhile argues that while some people might see the emergence of the new institutional economics as a good thing, or at least an advance over the crude simplifications of rational expectations theory, it is in fact a “new social science imperialism”, i.e. a way of reestablishing the hegemony of economics over the other social sciences. We should beware its seductions. Stephen Gudeman (whose contribution is a revised version of a chapter from his new single-author book, see below), notes that while economics may be “consoling in the face of uncertainty”, we should resist its totalizing rhetoric.

Of course, economic life itself – and not just economists’ theories of it – may “persuade” in the sense that living in a particular environment may cajole or motivate the individuals in it to do certain things: e.g. to work, to save, to consume, to have or give up hope, and so on. Indeed, the crucial point for this book as a whole is precisely the *connection* between these two phenomena, i.e. between economic life as a persuasive environment and economic science as a persuasive discipline. This connection – noted in one way or another by most of the contributors – is perhaps illustrated most vividly in the essay by Jane Guyer (with Laray Denzer), which examines Nigeria during its period of structural adjustment and military rule. This was a time when neoliberal rhetorics were (and not to their credit) part of a complex public discourse about the economic worlds, mostly unpleasant, in which ordinary people were obliged to live. Here, Guyer explains, one found “a specific economic situation and a particular economic theory” being brought together. She is therefore especially interested in struggles with and against the official rhetoric that supported neoliberal policies, e.g. as evidenced by newspaper editorials. Guyer tells us that this Nigerian debate eventually degenerated to a phase she refers to as “cacophony and silence”.

Speaking of silence: Metin Cosgel expresses puzzlement in his essay at the near total lack of communication between anthropologists and economists, especially since both groups seem quite happy to talk with scholars from other social science disciplines. In my view, the answer to this puzzle is simple, at least on the anthropology side, and it doesn’t have very much to do with “rhetoric” of the kind discussed by Cosgel. One factor, of course, is that the mathematical/statistical orientation of modern economics makes a good deal of it totally incomprehensible to anthropologists. But the main problem (which keeps most of us from even *knowing* that modern economics is mathematical/statistical) is surely political and is illustrated in the Guyer/Denzer chapter (as well as in the contribution by Sherry Ortner to this issue of AOTC). Basically: anthropologists see modern economics as providing, above all, an ideological prop for capitalism in general and neoliberalism in particular. Who would want to talk to these guys? This is a defensible, even laudable,

stance. Still, I find it hard to believe that we have nothing to learn from the economists while they have everything to learn from us. I am also reminded that Marx, for his part, spent years in the Reading Room of the British Library immersing himself in the detail of the economics of his day before setting out to comprehensively trash it.

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At this point it must be said that the editor of *Economic persuasions*, Stephen Gudeman, is himself very knowledgeable about economics. This becomes clear on the first pages of his single-author book, *Economy's tension*<sup>[4]</sup>, where he writes about his misgivings not only with rational choice theory (which he tried and failed to apply during early fieldwork in Panama), but also with “bounded rationality” critiques of it and, finally, with the new institutionalism – which still relies, in his view, on a flawed “idea of the rational chooser”. In fact, Gudeman argues, calculative reason is something that spreads in human societies along with their colonization by competitive trade: it is an outcome of a certain type of economic activity, rather than being a natural component of human life and thought, and it is moreover something that really changes the way we live, at least partly for the worse.

Of course, competitive trade of one kind or another may be said to be part of economic life in most if not all societies. This fact leads to the main point of Gudeman’s book: that the economy is comprised of both a “mutual realm” of communal or collective life and a “market realm” of competitive trade, the latter dominated by calculation. As Gudeman puts it:

“These two value domains are dialectically connected: they often conflict and resist each other, and their relations shift over time. I call this model *the tension in economy*, and I try to show how calculative reason emerges through repetitive transactions between suppliers and buyers to become the central force in economy’s dialectic (p.4).”

To amplify this last point: Gudeman suggests that in recent human history the market realm, with its particular form of reason, has increasingly “cascaded” into the mutual realm – that is, has increasingly taken it over. This has huge socioeconomic consequences. And if economic science seems a powerful way of explaining more or less everything in our world today it is precisely because the world it explains is something it helped to create.

Given the specifics of Gudeman’s model, it might have been useful to contrast it explicitly with the dialectical model set out by Maurice Bloch and Jonathan Parry in *Money and the morality of exchange*. They too see a tension between two interacting economic domains, or “transactional orders”: a relatively individualistic one built around short term exchanges and another one built around long term exchanges that ultimately lead to the reproduction of the social. A crucial point is that Bloch and Parry stress the ideological and/or repressive potential of this second transactional order – the collective one – whereas Gudeman arguably has a tendency to romanticize what he calls the mutual realm. I am also struck by the fact that while Gudeman’s argument is essentially

psychological, i.e. it is an argument about a change in human *reasoning*, he says very little about psychological mechanisms or evidence, as such. The claim that competitive trade is the source of rational calculation in human life (cf. the extended discussion of “Trade’s Reason” in Chapter 3) is mostly asserted rather than shown, is certainly debatable, and I doubt that psychologists would find it very convincing.

Be that as it may, Gudeman’s model is thought provoking and his elaboration of it – in chapters focused on trade, money, property and other phenomena – is sophisticated. His conclusions might be said to reproduce anthropological (or at least substantivist) orthodoxy, to some extent, but his framing of this orthodoxy is original and important. Among other things, Gudeman accepts that economists’ models do, after all, have a certain relevance in most of the world, and not just in the “late capitalist” West. As a result, this book – much more so than *Economic persuasions* – suggests why economists and anthropologists might profit from having critical conversations that genuinely cut in both directions.

1. At least until the award of a Nobel Prize to one of his colleagues, Christopher Pissarides, last year.
2. A brief biographical note on John Layard can be found here: <http://www.oac.cdlib.org/data/13030/wp/tf058003wp/files/tf058003wp.pdf>.
3. Isabel Sawhill, “Economic perspectives on the family”, *Daedalus*, vol 106, no. 2, spring 1977.
4. As noted above, Gudeman’s own chapter in the *Economic persuasions* edited collection is a revised version of one of the chapters in *Economy’s tension*.