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Economics Imperialism and Economic Imperialism:

Two Sides of the Same Coin

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Abstract: We argue that in a core-periphery economic world *economics* imperialism as advanced by the postwar Chicago School and *economic* imperialism led by the economies of the north are two sides of the same coin. We first review the parallelism between postwar capitalism's core-periphery expansion of the north into the south and the Chicago's theory of economics imperialism. We then distinguish four forms of relationships between different disciplines, and using Rodrik's augmented global capitalism trilemma argue Chicago adopts his Golden Straitjacket pathway, both for north-south capitalist expansion and core mainstream economics' orientation toward other social science disciplines. The paper then uses Ricardo's classic theory of rising rents to argue the Golden Straitjacket pathway is self-undermining for both, because it produces costly rising inframarginal rents in the north economies associated with financialization and in Chicago economics associated with its defense against other disciplines' reverse imperialisms. We conclude that long-term forces operating on global economic development and the evolution of the social sciences suggest an alternative pathway for both that would produce a more pluralistic world economy and a more pluralistic economics.

Keywords: economic imperialism, economics imperialism, Rodrik, Golden Straitjacket, Ricardo, financialization, reverse imperialism, pluralism

JEL codes: A12, B41, F02

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1 Introduction

We argue that the theory of *economics* imperialism is central to understanding the postwar Chicago School of economics and that this doctrine is closely related to and an expression of capitalism's post-Bretton Woods north-south strategy of *economic* imperialism. That is, for Chicago *economics* imperialism and *economic* imperialism are like two sides of the same coin, not inextricably linked in all ways but bearing parallels and similarities that we argue are important to the interpretation of the Chicago School.

Two caveats are needed. First, we recognize other theories of *economic* imperialism, particularly in the Marxian tradition (in the early twentieth century the Hobson/Luxemburg and Lenin/Hilferding arguments) existed before Chicago's economics imperialism. These theories do not link *economic* imperialism to *economics* imperialism or see the latter as underlying the former. Our focus, however, is postwar Chicago and post-Bretton Woods capitalism where the link can be found. Second, it is evident that there is also a literature on *economics* imperialism that does not link it to *economic* imperialism. That is, there are also instances of economics imperialism that are of a "non-Chicago" nature, like the new economic history (Fogel, 1964), the economic approach to the methodology of research and scientific investigation (Radnitzsky, 1987); the economic theory of religions (Ekelund, Hébert, and Tollison, 2006); the economic analysis of political terrorism (Frey, 2008). However, we believe the considerable influence of Chicago merits special attention to its linking the two and helps identify something distinctive about postwar Chicago.

The Chicago School, then, effectively functions as the 'north' and the core of mainstream economics while non-mainstream and heterodox economics and other social sciences constitute the 'south' and the periphery of economics and social science – a core-periphery type structure. Using the theory of comparative advantage, Chicago School economics imperialism projects 'trade surpluses' in the exchange of ideas with other social science disciplines. Since trade surpluses imply capital exports, these surpluses imply exports of Chicago's 'disciplinary capital' – its rationality-individualism-equilibrium framework and the ideas of utility maximization, efficiency, etc. Similarly, capitalism's post-Bretton Woods core-periphery expansion into the south combines the north's export promotion of high value goods and import substitution against the south's high value goods. The resulting trade surpluses imply exports of private capital from the north to the south – a financialization of the south with the north transforming the development of the south. This perspective can therefore illuminate the way Chicago's economic imperialism conceives the relation between economics and other disciplines, and provide some economic arguments to explore the "exchanges" between economics imperialists and other social scientists. In the end, we come to argue (without equating them) that in Chicago's core-periphery economics and economic world, *economics* imperialism and *economic* imperialism function like two sides of the same coin.

Section 2 reviews the basics of postwar capitalism's core-periphery expansion into the south to isolate the trade and capital movement mechanisms involved. Section 3 discusses the postwar Chicago School theory of economics imperialism to identify its view of economics' relationship to other disciplines and the principles on which it relies. A brief section 4 distinguishes four forms relationships between disciplines, distinguishes *inter*disciplinarity from *multi-, cross-, and trans*-disciplinarity, and characterizes the Chicago School view of as an *inter*disciplinarity conception.

Placing this in the global economic context, section 5 introduces Dani Rodrik's augmented global capitalism trilemma, and relates its three different outcomes – the Golden Straitjacket (or Washington Consensus), Global Federalism, and the Bretton Woods compromise – to different possible relationships between different disciplines by treating disciplines as analogous to nations. We then argue Chicago's theory of economics imperialism adopts Rodrik's Golden Straitjacket pathway, both regarding the nature of north-south capitalist development in a period of financial capitalism, and regarding core mainstream economics' orientation toward other social sciences. Section 6 contrasts this pathway with two others Rodrik describes, and distinguishes these as two alternative views of both north-south capitalist development and economics' orientation towards other disciplines.

These sections constitute the foundations of the paper's imperialism argument. To address future prospects for both economics and the global economy, using David Ricardo's classic theory of rising rents as a threat to capitalist development, section 7 argues that the Golden Straitjacket twin pathway is problematic in a self-undermining way, because it produces costly rising inframarginal rents in both the north economies and in core Chicago economics. The former produces secular stagnation and weakening investment brought about by the rise of shareholder value capitalism and the growth of the financial sector in the north, whose emergence is tied to the export of multinational and financial capital to the south. The latter produces a parallel stagnation and weakening investment in core Chicago economics due to the greater costs incurred in defending the paradigm against other social sciences, a product of a reverse imperialism toward economics and economics' unintended imports of 'disciplinary capital' from them (especially psychology).

To the extent that the Golden Straitjacket twin pathway is self-undermining, both a different organization of economics and its relationships to other social science disciplines and of capitalism along Rodrik's other scenarios become possible. Ruling out his Global Federalism scenario (global integration of markets with transfer of power to the supranational level – e.g., the United Nations, the European Union) as unlikely, section 8 closes the paper with brief remarks regarding what Rodrik's "Bretton Woods" scenario might mean for both global economic development and a similar change in economics' relationship with other disciplines. We argue long-term forces operating on both global economic development and the evolution of the social sciences suggest this scenario could replace his Golden Straitjacket, and lead to a more pluralistic world economy and a more pluralistic economics.

2 Capitalism's core-periphery, north-south post-Bretton Woods development

Consider the history of post-Bretton Woods capitalism's core-periphery expansion into the south, as expressed in the neoliberal Washington Consensus (Williamson, 1989; Cedrini, 2008), and the trade and capital movement mechanisms involved. Its model in important respects was Latin America after the breakdown of the Bretton Woods and the materialization of petrodollar recycling following the formation of OPEC. The Latin American economies experienced high growth from 1950 to 1970, but their domestic development strategies were at odds with the increased globalization of financial flows (Kregel, 2008). At an early stage of the financialization of the global economy, significant increases in Latin American external borrowing were promoted as a 'new' development policy, but instead led to severe debt crises and domestic recessions. This resulted in the Brady Plan and policies designed to attract further private capital flows to repay outstanding debts, thus reinforcing the Latin American economies' external capital dependence. The 'new' development strategy accompanying this involved opening and liberalizing the Latin American economies' trade flows, ending import substitution programs that encouraged high value domestic industrialization and replacing them with export promotion focused on low value commodity production. What ensued was extended stagnation in growth, frequent debt crises, rising inequality, and a locking-in of the Latin American economies to a south position in a north-south 'comparative advantage' organization of the global economy.

The end of the Bretton Woods ushered in floating exchange rates and rising international private capital flows. The inward flow of capital into Latin America drove up exchange rates, which the previous development strategy had kept low. The anti-inflationary policies that resulted produced Dutch disease effects on domestic manufacturing, and elevated commodity production for which there was a comparative advantage relative to the industrialized economies of the north (Bresser-Pereira, Oreiro, and Marconi, 2015). In addition, since capital inflows were conditioned upon demands for privatization and liberalization of domestic economies, this undermined existing wage structures, which depended upon state subsidies for public services and low-income support. This worsened inequality and created pressures in households to participate more fully in market-based production, limiting home and community-based needs production and increasing the numbers of wage workers required per household. Latin America lost a decade of development: overvalued exchange rates and high levels of capital inflows prevented countries from restructuring their economies to relaunch growth and employment (Kregel, 2008), and productivity gains, in the absence of more effective strategies replacing import-substitution policies, were simply wasted (Ocampo 2004-5), or accrued to rentiers (Câmara Neto and Vernengo, 2002–3).

To see how these processes were extended to Europe's periphery, we compare the case of Portugal.[1] In the decades after the 1980s, the Portuguese financial system evolved from a State-controlled financial regime in which credit primarily supported the needs of the State and strategic state-owned enterprises, and in which there were strict controls on capital flows and the exchange rate was pegged to a basket of foreign currencies, to one integrated into the global system of finance and tied to a high-valued and appreciating Euro (Rodrigues, Santos, and Teles, 2016; Santos, Rodrigues, and Teles, 2017). Financialization worked through the extension of external bank loanable capital, and that targeted the non-traded sectors of the Portuguese economy, especially housing finance, private pensions, and water systems. A housing boom was generated through the extension of mortgage finance, private pensions were introduced through life insurance and pension products, and water systems became increasingly expensive as a key source of revenue used to pay back debt-funded investment.

This restructuring and integration of the Portuguese economy into the system of global finance brought downward pressure on traded good prices and a decline in manufacturing, and thus a worsening current account. The provision of mortgage finance led to a run up in housing prices, higher private indebtedness, an oversupply of expensive properties combined with a shortage of housing for lower income families. Public pension provision remained weak, private pensions for those who could afford them grew, and old age insecurity increased. Water systems were reorganized with large capital loans from external sources and a corporatization of the public sector, and municipalities lost control of their water systems with introduction of market-oriented practices in water management. Overall, economic growth was adversely affected, domestic capital was weakened, and social and economic inequality increased.

As in Latin America, the import of capital and financialization of the economy were the means by which the domestic economy was transformed. The restructuring involved expanding the role external foreign capital played where it had been oriented toward domestic-driven growth. The opening up of the economy led to a loss of control over the exchange rate, which with emerging current account deficits impacted the real structure of the economy. As in Latin America, external foreign capital colonized the Portuguese economy, biased competition in markets against domestic capital, dramatically reduced public investment, and worked to revise the wage system on the model of the more socially stratified north economies. We turn to the economic theory behind this process of structural change as a product of the postwar Chicago, seen specifically as a theory of economics imperialism.

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[1] We include Portugal as an example, instead of relying upon the more conventional and therefore obvious illustration provided by Latin American countries only,for two reasons: to show that Europe, especially in the economic periphery, is not immune to economic imperialism – often thought to only apply to the developing world – and because economic imperialism in the developing world has created models for its wider application.

3 The Chicago School as a theory of economics imperialism

Chicago economics is usually not seen to be a theory of economics imperialism, but as a theory of competitive markets. Perhaps so of prewar Chicago, but under the influence of Gary Becker Chicago acquired a different focus (see Hurtado, 2008; Nik-Khah and Van Horn, 2012). Becker argued the Chicago approach was a method of analysis rather than as a set of claims about the nature of the economy (Becker, 1976).[2] He demonstrated this by going beyond economics' traditional domain of market phenomena to what had been regarded outside it, namely, non-market social settings, as in his work on the family, discrimination, crime, addiction, etc. Indeed, Becker was a professor of economics *and* sociology at Chicago, implying that his method of explaining human behavior as utility maximizing was no less appropriate to the latter. This is questionable, however, because other social sciences employ a variety of different kinds of explanations of human behavior, many of them inconsistent with and quite different from utility maximization behavior. Thus, Becker's work is more accurately described as assuming that the utility maximizing behavior can be transferred into other behavioral domains and social sciences where it was not indigenous – that is, essentially the economics imperialism idea.

Becker did not develop an economics imperialism analysis of economics' relationship with other disciplines, but others in the Chicago School did using the comparative advantage analysis he applied to non-market domains. For example, in households women and men specialize in producing different kinds of outputs according to their 'natural' endowments, and then trade with each other as if intra-household life worked the same way as a market process. Ronald Coase, Harold Demsetz, and Edward Lazear thus argued different social science disciplines also specialized in producing different kinds of social science outputs according to their respective disciplinary 'natural' endowments, and then 'traded' ideas with one another as if exchanges in ideas worked in the same way as market exchange.[3]

Articulating relationships between disciplines in comparative advantage trade terms likened the Chicago approach to the relationships between disciplines to relationships between nations, originally the foundation of the comparative advantage theory. Thus, trade in ideas between disciplines obeyed the same logic as trade in goods between nations. Indeed, the theory of comparative advantage is the only theory of trade Chicago employs and trade or exchange is the only understanding of economic interaction it employs. At the same time, since Becker's thinking involved transferring the utility maximizing view of

[2] After criticizing other traditional definitions of economics emphasizing the market process, Becker argued that what distinguishes economics is "not its subject matter but its approach," which he identified with utility maximizing behavior, market equilibrium, and stable preferences. He asserted the "economic approach is uniquely powerful because it can integrate a wide range of human behavior," and is not restricted in application to material goods or even markets (Becker, 1976, p. 5).

[3] Regarding economics' 'natural' endowments, Demsetz comments: "Economics may be judged the more successful social science because it has explained phenomena within its traditional boundaries better than the other social sciences have explained phenomena within their respective traditional boundaries. The primacy of economics may be established in this sense even if economics never influenced the other social sciences" (1997, p. 2).

behavior to where it was not indigenous – thus essentially an imperialism idea – so that the Chicago 'trade' analysis of relationships between disciplines functioned equally as an imperialist analysis of relationships between disciplines and nations. Since disciplines and nations, then, play a similar role, Chicago's disciplinary imperialism could equally model north-south global imperialism – one theory, based on Becker's universal method of expanding the domain of utility maximizing behavior, with different functional embodiments.

To fill out this disciplinary/north-south imperialism parallel argument, we review how Chicago and its supporters explained economics imperialism toward other disciplines in standard trade and capital flow terms. They advanced their thinking explicitly in terms of trade relationships, but obviously understood the fundamentals of trade theory and knew that trade surpluses generated capital exports. How, then, might trade in ideas between disciplines that put one in a trade surplus position and another in a trade deficit position entail the export of a disciplinary capital from the first to the second?

Ronald Coase begins the argument by noting that "there can be little doubt that economics is expanding its boundaries or … that economists are moving more and more into other disciplines" (Coase, 1978, 202), and associates this "with the name of Gary Becker," and the view that "economic theory or the economic approach can form the means by which economists can work in, if not take over, the other social sciences" (*Ibid*., 206). He also makes a short run-long run distinction. "In the short run, the ability of a particular group in handling certain techniques analysis, or an approach," in effect, economics' disciplinary capital, "may give them such advantages that they are to move successfully into another field or even to dominate it" (*Ibid*., 204). This is due to "the decisive advantage which economists possess in handling social problems is their theory of, or approach to, human behaviour, the treatment of man as a rational, utility-maximizer" (*ibid*., 208).

Coase also recognizes that economics' expansion into other disciplines might be a more complicated matter than simply applying the economic approach to non-economic subject matters. In the long run, he believes, a discipline's subject matter is the dominant factor determining its development, so the success of a technique or approach introduced from the outside depends on how practitioners in that discipline make use of it. Then the risk is that "economists who try to work in the other social sciences will have lost their main advantage and will face competitors who know more about the subject matter than they do" (*ibid.*, 210). In effect, practitioners in other disciplines 'domesticate' techniques and methods introduced from other disciplines and adapt them to their own disciplinary goals. Coase is optimistic that these techniques and methods retain their original character, but it is an open question whether they are transformed in their new locations. But there is a further issue. Might this use of economics' techniques and methods in other disciplines reverberate back on economics in the form of a reverse imperialism and affect its nature as well? And might this involve other disciplines exporting their own techniques and methods or disciplinary capital to economics?

The Chicago proponents of economics imperialism ignored these questions, and saw things in one-way street terms. For example, Jack Hirshleifer adopts the idea that the Chicago School economics approach constitutes a kind of disciplinary capital, labeling it a "universal grammar of social science."

> *There is only one social science*. What gives economics its imperialist invasive power is that our analytical categories – scarcity, cost, preferences, opportunities, etc. – are truly universal in applicability. Thus economics really does constitute the universal grammar of social science (1985, 53).

Harold Demsetz then clearly links economics' imperialist success to the idea of trade with other disciplines, and identifies the basis for the disciplinary capital idea in emphasizing "the strong export surplus economics maintains in its trade in ideas and methods with the other social sciences" (Demsetz, 1997, 1).

The idea that economics is likely to have an export surplus in its trade with other disciplines gets its clearest support from Edward Lazear, who is also the explicit about using Becker's comparative advantage basis to explain relationships between disciplines.

> I have argued elsewhere that the strength of [neoclassical] economic theory is that it is rigorous and analytic [...]. But the weakness of economics is that to be rigorous, simplifying assumptions must be made that constrain the analysis and narrow the focus of the researcher. It is for this reason that the broader-thinking sociologists, anthropologists, and perhaps psychologists may be better at identifying issues, but worse at providing answers. Our narrowness allows us to provide concrete solutions, but sometimes prevents us from thinking about the larger features of the problem (Lazear, 2000, 103).

Notice, however, the asymmetry in this trade. On the one hand, economics' rigor means it is better at providing answers, so even if it does not define the issues in other disciplines, it is likely to be effective in addressing whatever they are. On the other hand, other disciplines' influence on economics should be modest, since "broader-thinking" is not characteristic of economics' "rigorous and analytic" approach. Indeed, Lazear's "broader-thinking" characterization of other disciplines borders on being dismissive. But echoing Hirshleifer (1985) and Demsetz (1985), the world Lazear imagines is one in which economics imperialism is relatively successful, and the reverse imperialism of other disciplines is relatively unlikely (see also Fourcade 2015 on economics' insularity). It follows that economics is likely to not only maintain an export surplus in the trade of ideas with other disciplines, but also export its disciplinary capital to them.

However, by the time Lazear wrote, psychology had already begun to make inroads on economics, and had done so by demonstrating in its analysis of choice behavior that it not only could initiate successful "broader-thinking" within economics, but could also develop a "rigorous and analytic" approach there in its challenges to rational choice treatment of people as utility maximizers. Lazear's argument, then, is better seen as a recommendation that economics resist psychology's reverse imperialism, and actively promote economics imperialism (Fine, 2002a, 2002b; Davis, 2016). In the language of trade theory, this was equivalent to recommending a disciplinary import substitution policy – always insist on rational choice explanations over psychological ones – and a disciplinary export promotion policy – always promote rational choice theory in other disciplines.

Yet the idea that economics would be alone in exporting its disciplinary capital was overly optimistic. Trade between disciplines – if that idea really explains their interaction – seems to operate on multiple levels, and a discipline might in effect have an export surplus in one domain and trade deficit in another. We thus explore alternative views of how disciplines interact more fully in the next section and identify and compare four conceptions of relationships between different disciplines, distinguishing the Chicago trade in ideas view as only one of these: *inter*disciplinarity.

4 Four conceptions of relationships between different disciplines

There are many views about relationships between different disciplines, but we draw on one developed by the historian and philosopher of science Jordi Cat.

> *Interdisciplinary* research or collaboration creates a new discipline or project, such as interfield research, often leaving the existence of the original ones intact. *Multidisciplinary* work involves the juxtaposition of the treatments and aims of the different disciplines involved in addressing a common problem. *Crossdisciplinary* work involves borrowing resources from one discipline to serve the aims of a project in another. *Transdisciplinary* work is a synthetic creation that encompasses work from different disciplines (Cat 2017: sect. 3.3).

The Chicago theory of economics imperialism employs the interdisciplinarity conception, then, because the interaction with other disciplines it seeks – trade as an "interfield research" – leaves the contributing disciplines largely "intact." Trade theory assumed that nations' capital and labor are immobile natural endowments, so that nations only interact through the exchange of goods and services. When disciplines are like nations, they remain relatively independent despite their exchange of ideas. On this view, there is no multidisciplinary "juxtaposition of the treatments and aims of the different disciplines involved in addressing a common problem," no crossdisciplinary "borrowing resources from one discipline to serve the aims of a project in another," nor any development of a transdisciplinary "synthetic creation that encompasses work from different disciplines."

Nonetheless, trade theory seems to misrepresent economics' interaction with other disciplines. The exchange between economics and psychology with the rise of behavioral economics suggests a greater degree of integration between disciplines that is more consistent with one of the three other forms of interaction Cat describes. To address the issue of relationships between disciplines from a wider perspective, we broaden our analysis by extending Rodrik's analysis of how nations may interact in his global capitalism trilemma to an analysis of how disciplines may interact.[4]

5 Rodrik's global capitalism trilemma

Rodrik (2000, 2011) developed his global capitalism trilemma by extending the well-known international monetary policy 'Standard Trilemma' whereby it is impossible for a nation to enjoy autonomy of monetary policy if it adopts a fixed exchange rate regime in a financially integrated world, so that monetary autonomy requires float its currency float freely or control capital movements.[5] That is, a country must choose two of the three elements. The top part of Figure 1 identifies these three elements and the possible monetary regimes from which nations can choose.

In Rodrik's global capitalism trilemma, or "world political trilemma," it is impossible that there simultaneously exist deep global economic integration, mass politics, and independent nation-states.[6] That is, the world must choose two of these three. As Rodrik puts it for the post-Bretton Woods era (Rodrik, 2000, 180): "If we want true international economic integration, we have to go either with the nation-state, in which case the domain of national politics will have to be significantly restricted [the Golden Straitjacket], or else with mass politics, in which case we will have to give up the nation-state in favor of global federalism." The bottom part of Figure 1 identifies these three possible scenarios for global capitalism.

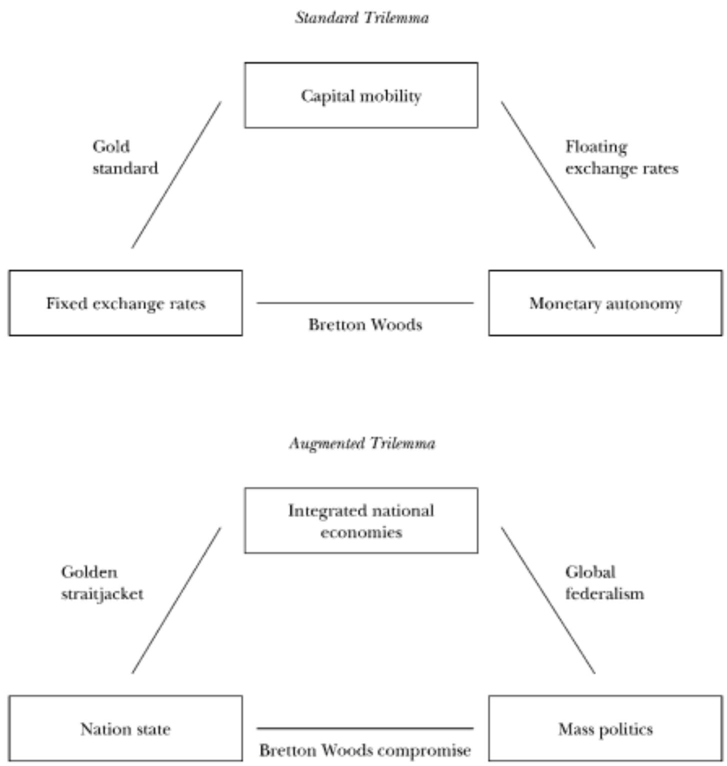
[4] Here we follow Ambrosino, Cedrini, and Davis (2021) and recommend the fuller treatment of disciplinary relationships it provides.

[5] The trilemma derives from the small open economies Mundell-Fleming model; see Obstfeld and Taylor, 1998.

[6] Mass politics essentially means democracy: that is, policy space, for nation states, or cross-national political democracy, when political power is transferred to international institutions (such as the United Nations, or the European Union).

Figure 1

Rodrik's World Political Trilemma



Our rationale for using Rodrik's framework is threefold. First, it has been persuasively argued that disciplines are like nations (e.g., Kellert, 2008), imposing institutional barriers to an otherwise integrated science. Second, disciplines, like nations, seemingly exchange ideas with one another, so that the analogy can become, more precisely, one between trading nations and trading disciplines – which, by so doing, "integrate" themselves in a "global" environment, so what we can understand about states' integration possibilities may help explain disciplines' integration possibilities. Third, since Rodrik envisions multiple responses to his global capitalism trilemma, using his framework allows us to investigate other visions of how disciplines can relate to one another.

Given the analogy between nations and disciplines, how are boundaries between nations then like boundaries between disciplines? We argue that like boundaries between nations and their border effects on their economic interaction there are 'disciplinary translation costs' between disciplines that similarly affect their interaction. The latter take the form of various protocols for how issues should be approached within disciplines, discipline-specific concepts, methodological rules tied to how a discipline's subject matter is understood, etc. that discourage exchanges and the adoption of ideas and disciplinary practices across disciplinary boundaries.

Based on Rodrik's scheme, then, there exist three possible roads to disciplinary integration. We associate with each the three different kinds of disciplinary integration in Cat classification. We keep Rodrik's three labels for his three scenarios – Golden Straitjacket, Global Federalism, and Bretton Woods compromise – but now interpret them as different types of regimes for possible relationships between disciplines. To do this, we re-label the three nodes in Rodrik's framework with ones corresponding to the different ways in which we may understand relationships between disciplines:

- 'integrated national economies' now corresponds to the 'unity of science' ideal to refer a single unified program for all social science, where scientists pursue disciplinary integration by freely transmitting ideas from one science to another;

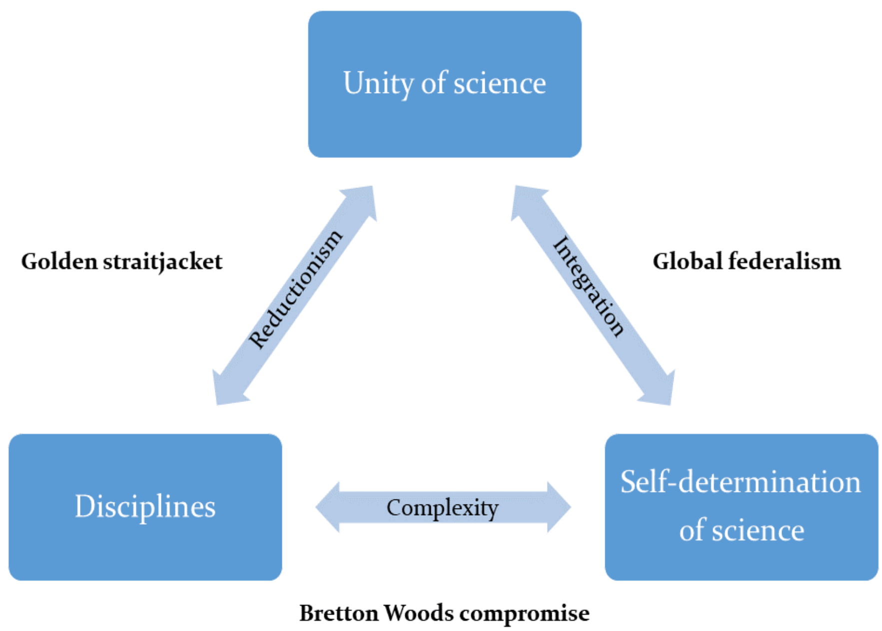
- 'mass politics' now corresponds to 'self-determination of science' to refer to when scientists in every discipline are able to freely conduct research using approaches and methodologies they individually select;

- 'nations' now corresponds to 'disciplines' as *per* the analogy between them.

Figure 2 provides our revised version of Rodrik's trilemma.

Figure 2

Rodrik's trilemma applied to disciplines



Consider, then, Rodrik's three scenarios now interpreted as applying to three different types of regimes for relationships between disciplines. As in his argument, disciplinary integration can combine only two of the three nodes.

- The Golden Straitjacket scenario ties individual disciplines to the unity of science ideal. We argue it operates in a *reductionist* manner in that disciplines continue to exist and exchange of ideas but also devote themselves to pursuing a single unity of science ideal. This scenario is *interdisciplinarity*, because disciplines retain a relative autonomy. This describes the postwar Chicago's theory of economics imperialism, because Chicago frames the unity of science ideal in its own image (via its disciplinary capital exports), securing its own relative autonomy while promoting its conception of the unity of science ideal.

- The Global Federalism scenario ties the self-determination of science to the unity of science ideal, but operates in a manner demanding a high degree of *integration*, such that disciplines must produce a single, unified science and disciplinary autonomy breaks down. This scenario moves from *multidisciplinarity* to *transdisciplinarity*, because different disciplines' self-determination is subordinated to extra-disciplinary goals. The difference between *multidisciplinarity* and *transdisciplinarity* is that the scientists in the former preserve attachment to their respective disciplines, while in the latter they fully commit themselves to shared science. Perhaps if scientists in cognitive science and behavioral-neuro psychology today aspire to the unity of ideal, this is a case of Global Federalism.

- The Bretton Woods scenario ties individual disciplines to a principle of self-determination in science. It involves a high level of *complexity* within and across disciplines since it involves scientists pursuing related or even the same issues but in their own disciplines. This scenario moves from *cross-disciplinarity* to *transdisciplinarity*. The former involves free borrowing across sciences that still preserves their relative autonomy. The latter countenances the possibility that shared paradigms may emerge to which scientists become attached despite their different disciplinary origins. Our example here is complexity theory which is pursued differently in different disciplines but also arguably possesses a *cross-disciplinarity* or even *transdisciplinary* character.

Given these three possible scenarios for how disciplines can relate to one another, we now discuss why Chicago's theory of economics imperialism takes the Golden Straitjacket pathway, and models and reflects the north-south capitalist development.

6 The Chicago Golden Straitjacket pathway as a model for and reflection of north-south capitalist development

The Chicago vision of economics imperialism is where economics continually locates its own disciplinary capital within other disciplines, but others fail to do the same for economics. That is, economics creates enduring, permanent Chicago theoretical enclaves within other disciplines that bias their development to utility maximization behavioral thinking. This conception also reflects the history of postwar north-south economic development. Since the collapse of Bretton Woods, free private capital movement has been instrumental to overall global capitalist development. North-south trade flows, which had previously secured relative autonomy for economies of the south under import substitution and strategic export promotion policies, have increasingly been adjusted in favor of the north as a consequence of the export of capital from the north.

Lazear's account of economics imperialism restricts attention to trade flows as if exchanges in ideas between disciplines based on comparative advantage explains their interaction. Yet clearly the ambitions of Chicago's proponents of economics imperialism concern the long run enduring impacts on other disciplines. Similarly, a comparative advantage analysis of global capitalism emphasizes trade while ignoring how the movement of private capital since Bretton Woods affects the terms of trade between north and south economies. Yet how postwar capitalist development has altered the terms of trade in favor of the north was behind the (Raúl) Prebisch-(Hans) Singer hypothesis that projects a decline in prices of primary commodities from the south relative to the prices of manufactured goods from the north, leaving the former at a long run disadvantage in economic development. As argued in section 1, the Dutch disease effects from high exchange rates resulting from the movement of private capital into the south after Bretton Woods had just this consequence for the structure of production in nations of the south. Yet in the thinking of the Washington Consensus, this was simply a reflection of free trade flows and the need to deregulate national economies to participate in a global capitalist system according to nations' comparative advantages – the illusion, it turned out, of being allowed to finance a nation's policy space by external borrowing (Kregel 2008).

Private capital movements into the nations of the south and exports of Chicago School disciplinary capital accordingly function in the same way. Key to their effects on their respective destinations is the argument they are the effect rather than the cause of the changes they produce. The Chicago theory of economics imperialism is silent on exports of disciplinary capital, though they are implied and promoted in their arguments. Chicago economists also knew that, if economics was to maintain a surplus balance in trade with other disciplines and its presumed "superiority", it had to keep exporting capital as well. This disciplinary capital would ultimately substitute economics' de facto rules for those in other disciplinary environments. The final step of the process is evidently Hirshleifer's "only" social science with economics as its "universal grammar". The Washington consensus is silent on the effects on nations of the south regarding the restructuring of their economies that capital exports from the north produce, as indirectly confirmed by criticisms of the Consensus (see Vestergaard 2004). Thus, the Chicago theory of economics imperialism models and reflects postwar north-south economic imperialism. Economics imperialism and economic imperialism are two sides of the same coin.

7 Ricardo's rising rents theory and the Golden Straitjacket pathway

Ricardo was an early advocate of capitalist development but believed in his time it encountered a significant obstacle in the form of a rising share of rents in Britain's national income (Ricardo, 1817/1819/1821). He associated this with how capitalism's expansion continually extended the margin of agricultural production. Rising rents materialized on infra-marginal lands at the expense of profits to capital, weakening capital accumulation and economic growth. For Ricardo, the solution was to open Britain to agricultural imports through the repeal of the Corn Laws, and thus limit increases in the rent share in national income.[7]

Ricardo's argument was that rents rose at the core of capitalism (on infra-marginal lands) due to capitalism's expansion into a new, previously non-capitalist economic periphery (his marginal lands). In his time, new lands taken into capitalist production were previously either uncultivated or under non-capitalist, small producer subsistence-type production. We may thus interpret this to refer broadly to capitalism's expansion into economic domains where it had previously not been present or dominant. In regard to how

[7] In the third edition of the *Principles* he also speculated that the introduction of machinery in production might replace labor and reduce its higher cost associated with the higher price of agricultural produce.

economies can be organized, this can include in today's context nations which limit capitalist development to promote social goals through regulation of the economy, national ownership and provision of social services, and programs of domestic-oriented growth. In effect, they correspond to Ricardo's extensive margin of cultivation. Thus if we extend Ricardo's view to the present, the current north-south capitalist development also encounters a rising rent problem in the north's core of capitalism associated with its expansion into the south that similarly weakens capitalist accumulation and threatens economic stagnation in the north.

Here, then, we first describe the rising rents associated with capitalism's current development in a period of economic stagnation in the north. Second, since we argue the Chicago theory of economic imperialism models and reflects capitalism's economic imperialism, we also describe parallel rising rents Chicago encounters in its projected expansion into non-economic social science disciplines.

First, rising rents associated with current capitalist development have been explained in the financialization of the economy literature in terms of higher debt/equity ratios across economies, increased share of financial services in national economies of the north, and the emergence of shareholder value maximization as a determinant of corporate governance.

> "Financialization" refers to the increasing importance of financial markets, financial motives, financial institutions, and financial elites in the operations of the economy and its governing institutions, both at the national and international levels (Epstein, 2001, p. 1).

Shareholder value maximization has played a central role in the current financialization process since it began to be used to justify the practice of linking of senior executive compensation to share price, which creates incentives for managers to raise firm prices through share buybacks financed by taking on debt. Buyback expenditures essentially constitute rents firms pay to debt-holders that can crowd out firm investment in new plant and equipment, and thus weaken economic growth and productivity increases – the principle manifestations of secular stagnation.[8]

In contrast to Ricardo's time when rents were primarily associated with a single sector of the economy, financial rents pervade contemporary capitalism because maintaining share price concerns all firms. Thus arguably the overall effects on capitalism of current financialization are more severe than the rising rents problem of Ricardo's time, and accordingly justify referring to contemporary capitalism as a whole as being in a new era of

[8] As a principle of corporate governance, shareholder value maximization is very much a Chicago product that was famously advanced and defended by Milton Friedman in what came to be known as the 'Friedman Doctrine' regarding the 'social' responsibility of business (Friedman, 1970). Friedman also argued that firms' attention to anything other than profits, such as community and stakeholder interests, led to totalitarianism (Friedman, 1962).

financial capitalism. We also associate rising rents with the core of capitalism because of the power and influence of large firms in the global economy's north and because the shareholder value maximization principle is most advanced in the economies of the north. Economies of the south by comparison exhibit a stronger commitment to stakeholder firm governance reflecting national social values and a wider constituency concerned with firm performance, and thus in our core-periphery characterization of contemporary capitalism occupy the periphery into which the north seeks to expand (and impose shareholder value maximization principles).

A consequence of this overall process of north-south development, we argue, is ultimately the spreading of economic stagnation to the south on the same financialization basis in the north. In Rodrik's globalization trilemma analysis, this involves the fulfillment of the post-Bretton Woods Golden Straitjacket-Washington Consensus pathway. However, in our reading of that development, just as Ricardo believed capitalism's development in his time was facing a problematic future, we see the same for Golden Straitjacket-Washington Consensus pathway. The difference between these two histories is that the core of capitalism in Ricardo's time, which was more restricted in its global reach, could use foreign markets (via imports of agricultural goods) to solve its internal problems. In contrast, in our current time, its extension from the north into the south only reinforces its problematic future as financialization has comparable negative effects on growth and productivity there as well.

Consider our parallelism between the Chicago theory of economics imperialism and north-south economic imperialism. We argue that Chicago economics also encounters a rising rents problem in the form of increased costs of defending utility maximization theory due to psychology's reverse imperialism encroachments on economics resulting from economics efforts to extend that analysis to other disciplines. Indeed, the extension of utility maximization theory to other disciplines and the extension of shareholder value maximization theory to all market economies are linked principles playing the same roles in a single dual process. Thus, rising rents associated with the financialization of contemporary capitalism have their analogue in rising rents associated with Chicago economics imperialism.

To further understand the parallel, one has first to consider that there might be a problem of foreign lending in excess with respect to capital available for home investment – a typical case of exhaustion of paradigm.[9] Economics imperialism might represent the apogee of the neoclassical paradigm, and also a sign of its maturity at the beginning of its decline, the paradigm having likely completed its full range of possible tasks. Therefore, even without presupposing a limit to disciplinary capital available for scientific progress, it seems reasonable to assume, contrary to the claims of supporters of economics imperialism, that a mature, well-structured discipline with a recognizable dominant paradigm and a high

[9] This was a problem that according Keynes that affected the world leading capital exporter, Britain, in the early 1920s.

level of exports to other disciplines tends to import from them. This occurs exactly because mature and well-structured disciplines are also in a better position to domesticate and finally integrate content coming from outside. Therefore, inter-disciplines trade works in two-ways with corresponding (disciplinary) capital flows. The more "mature" (in Kuhn's terms) a discipline is, the more it tends to import from other sciences.

Coming back to Ricardo, note economics' relationships with other disciplines lie on the periphery of economics, while utility maximization theory lies at its core (Davis, 2008). For Ricardo, rents increase infra-marginally or at the core of capitalist (agricultural) production when the margin of cultivation is extended at its periphery. Why should the Chicago School – and the core of the discipline – encounter a similar problem of rising infra-marginal rents? Because the effort to imperialistically extend its thinking to other disciplines exposes that thinking to critique and response from those other disciplines, especially psychology. In other terms, a non-negligible portion of economics' imports from other disciplines is directly connected with previous "imperialist" exports. However, this reversal in trade – exports from psychology to economics since the early Eighties – is just the visible effect of economics' imperialistic attitude towards other sciences. Export of disciplinary capital from core economics towards its periphery facilitates future inter-disciplines trade, weakening the institutional barriers that usually impede such exchanges. Imports of capital from the core cause import-liberalization in the periphery, which in turn makes further imports of capital possible and cheaper. But this also allows the periphery of invaded disciplines to grow – by adopting, when possible, the same export-led growth policies which inspire economics imperialism. Reverse imperialisms are troublesome, for economics, because they test the limits of the neoclassical paradigm at a time when economics' incursions into other behavioral domains have already deprived the core paradigm of the energy required to react effectively to these threats.

Rising infra-marginal rents are the cost of these new needed defenses of utility maximization theory resulting from reverse imperialist critiques of that theory especially from psychology.[10] The rise of behavioral economics, a new field within economics itself, necessitated an unanticipated defense of Chicago core utility maximization theory. What should have been anticipated, absent hubris, is that exposing rational choice theory, with its non-empirical, axiomatic foundations, to scientists in other disciplines who subjected theories to empirical examination, would open up decision theory to debates across economics and psychology.

The rising costs defending utility maximization theory incurred developed as follows. Rather than continue to advance the applications of the theory to additional new subjects, it became incumbent upon its proponents to increase research time devoted to defending

[10] The influence and challenge produced by Daniel Kahneman and Amos Tversky's heuristics and biases program is well known, but symbolically important is that recent Nobel Prize winner Richard Thaler long had a presence at the University of Chicago in the Business School, a research presence rival to the Chicago Department of Economics.

the fundamentals of the theory. One specific challenge was it was no longer clear what traditional welfare economics, the normative heart of utility maximization theory, applied to: the satisfaction of the preferences people would have were they rational or the satisfaction of people's actual preferences. This produced what became known as the 'reconciliation problem' (McQuillin and Sugden, 2012), where, if we accept that behavioral economics provides superior foundations for positive economics, positive and traditional normative economics are no longer consistent and need to be reconciled. Defenders of the traditional view adopted a strategy of re-explaining individual behavior using 'dual selves' models (e.g., Bernheim and Rangel (2007, 2008, 2009) and a 'preference purification' program (Hausman, 2012) whereby people's observed preferences that behavioral economists had empirically explained were set aside in favor of their supposed underlying context-independent rational preferences. This invited the reaction that it produced a rather questionable image of the individual of as "an inner rational agent … trapped inside a psychological shell" (Infante, *et al*., 2016; Sugden, 2015).

We draw the following conclusions. What is central to Chicago and the core of economics – utility maximization theory – is no longer undisputed in economics, and what lies at the core of economics is contested and under debate. This extends the rising cost of defending a core of economics as a product of psychology's own imperialistic influence on economics brought about by economics imperialism. Putting together the two sides of this overall dual development, the rising costs of economics imperialism parallel the rising costs of capitalism's north-south economic imperialism.

8 A more pluralist economics and a more balanced north-south capitalism

Rodrik's describes three alternative scenarios for capitalism, and we apply them to economics. We also characterize the current Golden Straitjacket economics-capitalism pathway as problematic due to the core costs it generates for both. Then both economics and capitalism could ultimately migrate to one of Rodrik's other two scenarios. We ruled out his Global Federalism scenario because it does not seem possible at the current point in history. Consider the Bretton Woods scenario.

In the global economy, the Bretton Woods scenario sacrifices integrated national economies and sustains nation states and mass politics (Figure 1). The reach of capital markets is restricted, nations maintain relative autonomy regarding their own economies, and democracy within nations is promoted. In economics and social science this scenario sacrifices the unity of science ideal and sustains individual disciplines and self-determination in science – a complexity outcome (Figure 2). This puts aside an over-arching unity of science ideal functioning like universal capital markets in which scientists are not subject to an external science ideal.

Under the Golden Straitjacket, Chicago thinking in its imperialist expansion validates itself as a universal science in service of a unity of science ideal where it is the superior science – the 'queen' of the social sciences. This self-image operated as a critique of 'soft' social sciences and heterodox economics. That is, Chicago dominance in social science under the flag of its own conception of the unity of science had as a corollary its dominance in a polarized core-periphery structure of economics.

Yet this dominance of social science and within economics has not gone unchallenged, and it may be self-defeating. Were both social science and economics migrate to a multi-polar, pluralistic world. In Bretton Woods terms, dominance could give way to competition between many approaches in complex interaction with one another. Then the Cold War 1950-1980 economics orthodox-heterodox divide might be forgotten as the lines between different types of approaches in economics, and between economics and other social sciences, blurs. Specialization and innovation without allegiance to paradigms would then drive the evolution of economics (Davis, 2019; Cedrini and Fontana 2018).

Though there can be no return to the Bretton Woods system as it was[11], a decentralized Bretton Woods type scenario could become a model for economics and global capitalism. Just as the dominance of Chicago School utility maximization principle has come into question, so has the dominance of its companion shareholder value maximization principle – in the economies of the south of global capitalism and also in those of the north. In both, economic stagnation has generated doubts about dominant economic thinking. In both there is push-back against rising and high social inequality. Thus, greater relative autonomy for the world's national economies could also lie in the future (as predicted by Gore 2000; see also Grabel 2018), and an era of economics-economic imperialism could give way to a more complex, more pluralistic, more democratic world.

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[11] See in particular the Symposium "Has it been fifty years already? The demise of Bretton Woods", hosted by the *Review of Political Economy* in 2021 (vol. 33, n. 4), with articles by Matias Vernengo and Barry Eichengreen.

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