



School of Economics

Working Paper 2005-08

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A Methodologically Charged Debate in the
1940s*

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ISSN 1444 8866

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this version: June 28, 2005

Introduction

In 1940, Melville Herskovits published what may be the first textbook in economic anthropology. Frank Knight, a prominent economist of the time, wrote a lengthy and critical review of Herskovits' book, which was published in 1941 together with a rejoinder by Herskovits. This paper summarizes the main points of this exchange and attempts to put them into a methodological perspective.

This paper aims to shed light on the early history of the relationship between economics and anthropology. I will specifically point at some of the limitations that I perceive in each author's perspective. If these respective limitations are typical of subsequent scholars of both disciplines (whether this is true is a question beyond the scope of this paper), then some of the roots of the intellectual gulf separating the two social sciences may be found here. (This may be true in spite of Knight's idiosyncracies.)

There are three additional reasons why the Herskovits – Knight debate is of interest.

First, both authors take methodology very seriously. To take Knight: "From the very beginning of his career Knight had a strong philosophical inclination, and an equally strong presumption that other economists should share this inclination. For example, in 1925 he wrote that "one who aspires to explain or understand human behavior must be, not finally but first of all, an epistemologist" (Hammond 1991, p.360).

Second, both authors share the purpose of promoting the interrelations of the social sciences. This renders their 'disconnect' even more poignant. Knight starts his otherwise critical review of Herskovits (1940) by stating that the book is "an able pioneer effort in a field which has long been crying for cultivation. That field ... is the interrelations of the different social

¹ Thanks are due to Steve Cullenberg for insightful comments.

science disciplines, and the objectives clearly in mind of the author are more effective collaboration, and less mutual misunderstanding and criticism, between the workers in the different branches of social science.” The purpose of Knight’s critique of Herskovits (1940) is “to contribute something to the promotion of the cause in the interest of which the book ... was written” (Knight, p.508).

Third, the confrontation between Knight and Herskovits provides an interesting contrast between ‘deductivist’ and ‘inductivist’ (my terms) conceptions of economic theory.

Knight and Herskovits on the Definition of Economics

Here, I use the word *definition* in the sense of ‘first sketch of a conception’. Gradually, as this paper progresses, Knight/s and Herskovits’ conceptions of economics will be unfolded.

Herskovits (p.46) quotes, and implicitly endorses, Marshall’s (1938) textbook definition of economics: “Political Economy or Economics is the study of mankind in the ordinary business of life; it examines that part of individual and social action which is most closely connected with the attainment and with the use of material requisites of well-being.” This definition is evidently broad enough to include the study of the economic organization of any society. But, Herskovits charges, in Marshall’s textbook the promise of breadth implicit in his definition in by no means realized. Marshall’s is essentially a discussion of price and market phenomena – aspects of our economic system that are not quite as dominant in other societies. Herskovits cites Marshall’s, Keynes’, Marx’ and general equilibrium (as enunciated by Hicks) theories as prominent examples of his thesis that economic theory as it has developed is not applicable to other, non-literate cultures.

Before I outline Knight’s response on the definition issues, it is necessary to point at a slight terminological confusion in Knight’s text. A few times, Knight appears to use the terms *economics* and *economic theory* interchangeably. This can be understood if we bear in mind the fact that Knight, writing from the standpoint of an “economic theorist” (p.508), is called to the defense of economic theory – in the face of criticism from Herskovits and other empirically-minded social scientists. However, in Knight’s scheme, there is a definite role for a more empirical economics – this becomes clear when he points at the “categorical differences between economics as an exposition of principles ... and as a descriptive exposition of facts” (p.516).

To Herskovits' charge that economics does not live up to expectations of broadness raised by a definition such as Marshall's, Knight counters that although Herskovits takes Marshall's to be *the* definition of economics, it is not: Marshall's definition does not correctly represent the modern science of economics. In Knight's judgment, Marshall's treatment of methodology is confused: "But the most careful study of Marshall will hardly yield any clear conception of the nature and objectives of economics as an analytical science" (p. 509). For Knight, the beginning of any rational approach to economic problems must be the recognition that there are universal principles of "economy" – as indeed Herskovits recognizes (see section on universals, below). Thus, Knight does not regard Marshall's focus on the "modern" economy as a vice. Knight (p.510) believes that the habit of economists to write predominantly about concepts and situations relevant to our own culture misleads no one and hardly calls for defense.

Knight's main objection to Marshall's definition is that it includes too much. According to Knight, a satisfactory definition should certainly indicate (1) a hierarchy, according to generality, of principles, and (2) the vast range of subject matter to be excluded. A definition like that of Marshall would include technology and all the empirical details of "economic" activity, i.e. virtually all activity over the whole world and over all time.

Knight's Conception of Economic Theory as a Deductive Science

Knight envisages a unique methodological role for economic theory in the ensemble of social sciences: "The very first "crying need" of social science in general, at the present juncture in history, is clarification of the old, old question of the relations between induction and deduction... [T]o no small extent this means in practice the relation between other social sciences and economic theory. For the latter is the one social science which effectively uses inference from clear and stable abstract principles, and especially intuitive knowledge, as a method. In contrast with it, all other sciences are empirical, including those which use the word "economics" (or "economic") in their designation – though it should go without saying that no science can be at once social in any proper sense and empirical in at all the sense of the physical sciences. This relationship between observation, induction from observations, and inference from "a priori" principles forms the very pivot of the problem of collaboration between the social sciences, and especially of the collaboration between economic theory and the "quasi-empirical"

sciences of history, sociology, and anthropology, including institutional – one might say anthropological – economics” (pp. 511-2).

Thus, in Knight’s conception, economic theory is the only non-empirical social science; contrary to the other social sciences, it focuses on deduction – more specifically, on construction of theories based on “Economic Man”, i.e., the economic aspect of behavior. Knight’s conception of economics as a deductive science is thus grounded in his conception of Economic Man.

In Knight’s scheme, Economic Man is only an aspect of human behavior. Knight (pp. 512-3) points out that at least four or five “fundamental” categories (i.e., interpretative aspects or levels) of social phenomena have to be recognized: (1) Physical mechanism; (2) the biological view of man – the distinctive notion here is unconscious teleology (this includes a considerable range, from (2a) the plant level, through (2b) the instinctive (animal) level; perhaps level (3) should be included here); (3) the “institutional” aspects of human life itself (perhaps to be recognized as a distinct level); (4) *economic rationality* – the deliberate, problem-solving, planned use of means to *given ends*; and, finally, (5) “*higher*” *rationality*, involving deliberation about ends.

The fourth and fifth levels are virtually universal in human conduct; together they constitute the aspect of conscious purpose, or rationality. Knight recognizes that the fourth level – purely economic behavior – in which ends are given and only the use of means in realizing them is “problematic”, is rather an analytic abstraction. Economic theory focuses exclusively on this fourth level, but we should not forget that social phenomena are never confined to just one aspect. Crucially, in Knight’s conception, the various social science disciplines do not study distinct phenomena, but rather distinct aspects of the same social phenomena.²

Underlying Knight’s deductivist conception of economic theory is a dual interpretation of Economic Man as a *conceptual* as well as *normative* ideal: “Economics, in the usual meaning, as a science of principles, is not, primarily, a descriptive science in the empirical sense at all. It “describes” *economic* behavior and uses the concept [of economic behavior] to explain the workings of our modern economic organization and also to criticize and suggest changes. It is,

² Note, however, that the first two categories refer to natural sciences; notice also that another way of categorizing aspects of social phenomena is to have them correspond to the social sciences: the psychological aspect, the social aspect, the political aspect, etc. Actually, Knight’s list of levels of “social” phenomena might be more appropriately named a list of levels (or aspects) of *individual* behavior.

of course, of some interest, in connection with the description, to point out contrast between economic behavior and actual behavior, in our own and other culture settings, which does not conform to the principles as stated. But the interest in the contrast itself arises primarily out of the fact that the conceptual ideal of economic behavior is assumed to be, at least within limits, also a normative ideal, that men in general, and within limits, wish to behave economically, to make their activities and their organization “efficient” rather than wasteful. This fact does deserve the utmost emphasis; and an adequate definition of the science of economics, as treated in modern textbooks, might well make it explicit that the main relevance of the discussion is found in its relation to social policy, assumed to be directed toward the end indicated, of increasing efficiency, of reducing waste. This practical objective requires that the discussion deal with principles as they operate in the setting of our own institutions...” (pp. 510-1).

Knight’s Methodological Perspective

Knight is an ardent anti-positivist: “Knight planted his feet firmly in opposition to a tide that swept over both philosophy and economics during the first part of this century. This was the positivist quest for science based on quantification and measurement, on empirical verification of hypotheses, and free of normative values [and] metaphysics...” (Hammond, p.539). In Knight’s eyes, the positivists are wrong about both social and natural sciences.³ Knight sees “metaphysical” concepts such as *cause*, *motive*, and *force*, as indispensable to science, in direct contradiction to the positivist conception of science.

Moreover, Knight chides positivism for unduly restraining imaginative thought attentive to the whole of experience, including its “elusive, unverifiable ingredients”; “unscientific or extra-scientific” modes of thought have “a vital function in scientific work”. Thus “the positivistic insistence on making science purely scientific, is detrimental to all science, and especially so to social science; and in the fields of the latter, moreover, positivism has been developed in its crudest and most extreme forms.”⁴

Knight repeatedly pronounces the instrumentalist view that the aim of science is to uncover mechanisms of *causality*, thus enabling prediction of the future, in order to make human

³ Hammond (p.361), attacking the interpretation that Knight thought the positivists were right about physics, but wrong about economics.

⁴ From an unpublished manuscript of Knight (Hammond, p.363).

conduct more intelligent. Yet by the positivist canon – as portrayed by Knight – any search for causal mechanism must be extra-scientific; all science can accomplish is to discover empirical regularities.⁵

A central metaphysical concept used in economic theory is *motive*. Knight holds that motive is as indispensable to economics as *force* is to mechanics. For both sciences positivism suggests that concepts such as these are suspect since they are not observable. Knight argues that practicing scientists will never be content with trying to find patterns in observable entities. But Knight does not oppose quantitative analysis as such. He only opposes narrowing science to *nothing more* than measurement and statistical analysis.

A major methodological adversary of Knight is Hutchison, whose (1938) *Significance and Basic Postulates of Economic Theory* introduces logical positivism to economic methodology: “Hutchison’s quest was to make economic scientific in the sense in which the Vienna Circle had delimited the border between science and philosophy... [F]or Hutchison a self-evident truth could only be a tautology – a definitional statement with no connection to empirical reality. And science has little to do with tautology and much to do with empirical evidence” (Hammond, p.368). In Hutchison’s scheme analytic statements (mainly tautological if/then statements) did have a role, but he thought that synthetic (in principle empirically falsifiable or verifiable), not analytic, statements⁶ are the stuff of genuine science. For Hutchison, the methods of introspection and *Verstehen*, relied on in Robbins’ (1935) methodology for verification of the fundamental propositions, are suspect because they are solipsistic and subject to rationalization.

Knight’s review of Hutchison (1938) scorns the latter’s positivism, i.e. Hutchison’s tendency to place Science (with a capital S) on a pedestal and to demand from economics that it regard human beings as objects of nature, and ignore, their motives, thus entirely neglecting the type of knowledge which is crucial to economic theory: “At the heart of Knight’s critique is his analysis of types of knowledge in science. Hutchinson had identified two types of knowledge: factual knowledge of the external world, and logical or mathematical knowledge. Knight

⁵ Knight argues against the positivist view by adducing the classic billiard ball example: “The scientist would have to say, one ball stops moving and the other begins to move, and that is all we know about it. But is it all? Try as we may, we cannot think of the phenomenon in these terms alone... The moving ball encounters a *resistance*, which it must overcome with a *push*, and we cannot put this of the incident out of our minds” (Knight, quoted by Hamilton, p.367).

⁶ See Caldwell (1994, p.13).

countered that there are three, and that the type omitted by Hutchinson is where the most important methodological issues for economics lie.”⁷ Knight argues that *knowledge of human conduct* is different from the first two types in some crucial respects. According to Knight, the role of introspection in addition to looking at outward manifestations in people’s actions gives knowledge of this third type an epistemological security greater than that of knowledge of the first type. Yet this knowledge is not empirically testable to the extent that the knowledge of the non-human external world or of mathematics and logic is. This is because outward physical acts of humans are not perfect correspondents of their motives (Hamilton, p.372). Thus, rather than being subject to testing, Knight’s Economic Man is grounded in intuition: “The principles of economy are known intuitively; it is not possible to discriminate the economic character of behavior by sense observation; and the anthropologist, sociologist, or historian seeking to discover or validate economic laws by inductive investigation has embarked on a “wild goose chase.” Economic principles cannot even be approximately verified – as those of mathematics can be, by counting and measuring” (Knight, p.512).

A major methodological ally of Knight is MacIver, who in his treatise *Social Causation* (1942), compares social causation with physical and biological causation. Knight’s (1943) response to the book is largely one of agreement. MacIver outlines four types of causality: (1) Physical causality; (2) causality of organic being; (3) psychological, or more precisely, *motivational* causality; and (4) causality of social nexus. MacIver portrays the philosophical quest for objective certainty as futile, and the rejection of less than certain knowledge as perverse. The demand for complete objective verification is especially futile in the social sciences, where much of the subject matter is inevitably subjective. Yet objectification does have an important role for the social scientist. That role is twofold: to provide clues in the search for causes, and to eliminate purported but not actual causes. According to MacIver, given limitations on certainty and given the constant flux in human nature and human institutions, the quest for causal knowledge forever remains incomplete, although progress is made in uncovering and understanding causes. So MacIver’s social scientist faces a task that is iterative and unending (Hammond, p.376).

⁷ Hammond, p. 370. Knight criticized Hutchinson’s treatment of the two types of knowledge as well.

Knight on the Relations between Economics and Anthropology

Knight (p.522) states that his review of Herskovits (1940) has the sole purpose of “making some constructive contribution to the problem of collaboration between social science disciplines in a particular case – anthropology and economics – where the opportunity and perhaps the need for collaboration is especially obvious.” Does this mean that he sees substantial mutual benefits for the economist and the anthropologist in learning about each other’s insights?

Knight does not make, or try to make, a strong case for the potential value of anthropology for economics. He asserts that, when economists compare our own and more primitive economies, it usually makes little or no difference whether the comparisons are “anthropologically authentic” (i.e., refer to the real world) or not. Moreover, he claims that while “it would seem to be definitely requisite in the teaching of economics to bring out principles affecting our own economic institutions by means of comparisons between our own and ‘simpler’ societies”, at the same time, it is “out of the question to make the comparison refer to any particular society or social type as reported by anthropological research.” Knight thus admonishes teachers and writers in economics to make comparisons only to a “hypothetical” primitive society (p.516).

Knight does consider it “highly desirable on general grounds for economists to know more about the facts of economies other than their own.” Such knowledge would be indirectly useful “in suggestion of facts, relations, and principles in one’s own economic system which might otherwise escape observation.” Knight does not see a need for the economist’s factual knowledge about ‘primitive’ economies to be accurate. In his eyes, a good economist certainly needs the “broadening” effect of travel and historiographic and fictional literature – knowledge of scientific anthropology will be useful in much the same way (p.517).

There is an asymmetry in Knight’s perceived mutual benefits of more interaction between economists and anthropologists: He discerns a greater need of anthropologists for insights emanating from economic theory than vice versa. Knight claims that the chief requisite for a better mutual understanding between economists and anthropologists (including Herskovits!) is that the latter should understand the difference between economics as a non-empirical exposition of principles and as a descriptive exposition of facts. An adequate exposition of facts requires an understanding of principles, while the need for facts in connection with the exposition of principles is far more tenuous (p.516). Knight perceives the main cause for social scientists’

misunderstanding of economic methodology to be a desire to emulate the natural sciences: “The tragic failure of social scientists in all branches to see that the disciplines and ‘approaches’ are complementary and that the problem is more effective co-operation, not mutual destruction, is merely an aspect of the naïve positivism consequent upon the spectacular success of the natural sciences ... [which] by a false analogy ... has inspired a misdirected endeavor to apply the same empirical categories in the field of social phenomena, where the relevant data and the problems are of an entirely different character. The resulting prejudice against intuitive knowledge and against deductive reasoning is the root of the main difficulties in the way of social sciences becoming either true or useful” (p.516). This is why emphasizing the epistemological differences between the natural and social sciences (outlined in the previous Section) is such a high priority to Knight.

Herskovits’ Inductivism

In his rejoinder, Herskovits rejects Knight’s deductivism, stating that “the first commandment of science in general [is] that only through constant and continuing cross-reference between hypothesis and fact can any understanding of problems and valid interpretations of data be had” (p.524). Though he acknowledges that deduction has its proper role in science, he does not accept Knight’s conception of economics as a non-empirical science based on intuitively known abstract principles.

Thus, Herskovits is critical of Knight’s proposal that “in economic exposition” it “usually makes little or no difference whether the comparisons are anthropologically authentic or not.” A statement such as this makes Herskovits feel that perhaps economists will persist, however anthropologists phrase their findings, in living in “the world of logical unreality,” disregarding those findings. Knight claims that for the teaching and writing of economics a hypothetical comparison, i.e. between our own and a hypothetical primitive society should be made. Herskovits’ conviction is that “where comparisons must be made in the teaching and writing of economic theory and principles, a fanciful picture of human life that is unlike any human existence known to us is bad pedagogy and bad scholarship... My point of view concerning scientific method is that findings must be based on fact; and that to depart from reality is to vitiate the tenability of conclusions and later statements of policy that may be based on them” (pp. 526-7).

Any methodologically conscious scholar making use of induction will have to formulate an answer to the *problem of induction*, or ‘Hume’s problem’: “No rational (i.e., formally logical) justification of induction is possible” (Caldwell, p.41). Herskovits understands that there exists no all-purpose formally logical procedure for deriving theories from data. Rather, the scientist had a “flash of insight” connecting data and theory. What differentiates the scientist from the non-scientist is “the way such intuitive flashes are used, rather than the fact that they are used... For the [non-scientist], the flash is the answer; for the scientist, it but indicates the outlet of a road to be traversed in search for the truth.” But Knight, by relying on the intuitive notion of Economic Man, “exalt[s] the intuitive flash into the method best employed” (Herskovits, pp. 524-5).

Implicit in Herskovits’ Critique: Ideal of Universality of Science

Implicit in Herskovits’ critique of economics and of Knight’s methodological position is a preference for a definition of economics that includes the study of non-modern, non-literate economies into the subject matter of economics. Why? As Knight, Herskovits regards economics as a (social) science. The ideal embodied in Herskovits’ critique is that science should aim for (maximum) universality. Economics has not lived up to this idea: “Economics derives its data not only from our own culture, but, except for economic history, from this culture as it exists today. Anthropology, on the other hand, ranging the peoples of the nonliterate world, presents materials having to do with all phases of social activity in civilizations of all kinds” (p.42).

Herskovits’ Method: Universals and Taxonomies

Herskovits’ method begins by looking at the real world, at the widest possible range of data falling within the subject matter of economics, thus including non-modern, non-literate economies. Herskovits’ method then looks for “universals” – fundamental categories all economies have in common – and, of course, for differences between economies and classifications of them according to these differences. An important question here is whether the differences are discrete or continuous. The next step then is to uncover causal mechanisms or tendencies, in particular universal ones.

According to Herskovits, a unified treatment of modern and non-modern economies is justified by basic features shared by all economies: “If we recognize that a difference of degree rather than kind exists between most of our economic institutions and those of other peoples, the unity of the data concerned with the problem of economizing must be apparent” (p.42). Universals include preferences, scarcity (no society has been discovered wherein goods produced satisfy all wants of all consumers), rational choice (this is problematic and will be discussed below); fundamental categories of production factors – natural resources, man-power, capital equipment, and technical knowledge; and the stages of economic processes: allocation of resources among productive ends; production; distribution of goods among consumers; and consumption.

Herskovits (pp. 8-12) conceives of the totality of economic systems as lying on a kind of continuum. At one pole we find the simplest economies, in which the margin between available resources and physical survival is slender indeed. But these simplest economies are few in number. They shade imperceptibly into intermediate societies.

Herskovits (pp. 13-4; 34-5) then proceeds to point out (gradual) differences between economic systems of varying complexity. For example, in the simplest economic systems, no pecuniary factor enters; in intermediate societies, the entrepreneurial function is still at a minimum, production and distribution involve little of the profit motive, and labor is only in special instances for hire. To the extent that the market in intermediate societies exists, it is a mechanism that facilitates the exchange of goods between members of different communities rather than between those who belong to the same group.

Large parts of Herskovits’ work are devoted to detailed descriptions of the great variety of allocative, productive, and distributive systems in non-literate economies. Herskovits’ efforts are thus to a large extent descriptive and taxonomic. It is, however, methodologically interesting that insofar as Herskovits attempts to *explain* phenomena, he often relies on the maximization principle.

Herskovits and the Maximization Principle

Herskovits believes in the cross-cultural validity of the rationality postulate: “The principle of maximizing satisfaction [through] conscious choice between scarce means is valid because we find that this occurs in all societies” (p.24). Herskovits and Knight agree that

maximizing satisfaction is a valid universal principle, but more particular and less general propositions have questionable validity in cultures other than our own (Knight, p.510). For instance, Herskovits (p.16) considers a person who, confronted with a problem beyond his means of solving, employs the services of a diviner, to be acting rationally.

Here we have an example of the great flexibility of the maximization hypothesis, if this is stated as “All agents maximize something,” where the “something” is understood to be utility (Boland 1981). For its believers, this hypothesis can be used to explain any human action. It cannot be falsified, since it is an existential statement (the “something” part); nor can it be verified, since it is a universal statement (the “all” part) as well.

Later criticism of Herskovits from within anthropology shows that while this statement is neither verifiable nor falsifiable, it is meaningful, in the sense of being neither empty nor self-evident: A significant group of scholars disagree with it.⁸

Herskovits appears to be aware of the fact that the maximization hypothesis cannot be grounded in observation nor subjected to empirical test, but he does not discuss the possible tension between it and his inductivism. Clearly, in practice, Herskovits’ method is not exclusively induction from empirical data.

Herskovits’ Critique of Radical Methodological Individualism

Herskovits’ belief that theories should be based on data is the basis for his rejection of Economic Man. Although Herskovits does not define this term, he certainly does not equate with the rationality postulate, since he believes in the latter. Probably he sees Economic Man as a combination of rationality and social atomism, i.e., for Herskovits “Economic Man” is virtually synonymous with radical methodological individualism. According to Herskovits, the use of the concept of Economic Man may have been defensible in the past as (quoting Knight, p.525) “merely an analytical, especially terminological device for referring to the economic aspect of behavior, an aspect universal to all behavior in so far as it is purposive,” perhaps even necessary if clarity of thought was to be achieved. But, argues Herskovits, its continued use is becoming less and less defensible as research using data concerning human societies all over the world (including his book) consistently indicates that no such creature has ever existed.

⁸ See, for example, the paradigmatic controversies in anthropology described in Plattner (1989).

Herskovits (pp. 61-2) quotes approvingly K.F. Walker who points out that a major difference between economics and anthropology is that anthropologists are focused on the community rather than the individual. They view society as a system of mutually dependent elements, and emphasize the influence of social forces on behavior. The neoclassical economist, on the other hand, begins by theorizing rational behavior of isolated individuals, and then assumes that the individual members of a social group behave the same way. Economic Man is not a social animal and radical methodological individualism excludes society. Economic relations are impersonal. In Herskovits' and Walker's critique, the social aspect of neoclassical economic theory is best pictured as a number of Crusoes interacting through the market exclusively. The economic relation is neither one of co-operation nor one of exploitation, but is completely non-moral, non-human. The failure of neoclassical economic theory to present man as a social animal is the basis of anthropologists' (and some economists') discontent with economic theory.

Herskovits emphasizes that economic analysis of non-literate economies must take into account their cultures: “[A]ny analysis of the schedule of wants of a given society which projects these wants against the supply of goods and services available to satisfy them must be supplemented by introducing a third term into the equation; the cultural definition of wants and the conventions that dictate how and when they are to be regarded as adequately satisfied. It is in terms of these factors that we will consider the economic systems of nonliterate, non-machine, and often, non-pecuniary peoples treated in this book” (p.8). In the process of “enculturation”, occurring mainly during childhood, modes of conceptualizing and evaluating are learned – and learned so thoroughly that, for the most part, they are taken for granted by the individual, and form the basis for judgments of all sorts (p.21). Thus, “enculturative conditioning” forms the principal basis for choice, and “[t]he question of rationality ... poses itself: rational in terms of what system of thought and behavior?” (p.22) In sum, Herskovits claims that people are rational in terms of their own culture.

Herskovits' Moderate Methodological Individualism

Herskovits sees himself as occupying a middle position on a methodological continuum, one extreme of which is radical individualism, while the other extreme entirely ignores individual decision-making. Thus, to his critique of radical methodological individualism,

Herskovits adds the qualifier, “Yet the individual cannot be left out of the picture, for all forms of social behavior, in the final analysis, must be referred to the behavior of individual members of a given society in specific situations,” followed by the warning: “This is why we must be on our guard against permitting the pendulum of reaction against the older point of view to swing to a point where we reify the common elements in the behavior of individuals into a construct that is conceived as existing by and of itself... All choices, that is, however they may be influenced by considerations of social standing, social claims, and social assets, are ultimately the choices of individuals” (p.7). Herskovits summarizes his position as follows: “In short, we must not reject Economic Man only the substitute Society as an exclusive formula for understanding economic behavior and as a base-point for analysis... The economic unit, we must conclude, is the individual operating as a member of society, in terms of the culture of his group” (p.8).

Herskovits’ Critique of Ethnocentrism

Herskovits’ emphasis on enculturation naturally leads him to embrace cultural relativism and warn against the danger of ethnocentrism: “This relativistic approach to the comparative study of economic behavior and institutions provides the epistemological foundation essential if the differences between the different ways of life are not to be analyzed and assessed in terms of principles that derive from a single culture – in this case, our own. The point of view this latter engenders is called ethnocentrism... This is a habit of thought that must be guarded against if understanding of any modes of any modes of behavior and value-systems other than those of one’s own group is to be attained” (pp. 23-4).

Notice that, while Herskovits claims that anthropological insights are of value for economists studying other cultures, but he does not explicitly go so far as to say that such insights might be useful in the study of our own culture. Here, his criticism may be significantly extended.

As stated above, I interpret Herskovits’ criticism of economists’ neglect of anthropology as being grounded in the ideal that science should maximize its generality. But economists who exclusively focus on our own culture do not share that ideal. Herskovits remains vague about the disadvantages of being constrained by one’s culture *in the study of one’s own culture*.

An anthropological criticism of economics will be much more powerful if it shows that anthropological insights are relevant to the study of the modern economy. Hamilton (1991) indeed makes such a case.⁹

Herskovits' Anthropologist as a "Specialist in Method"

Herskovits argues that anthropologists have been forced to develop as specialists in method, due to the danger of ethnocentrism: "The student who analyzes ... [for example, economic aspects of] his own society, is so prone to accept as given the cultural matrix in which are lodged his data that he feels no need to subject this setting to any considerable analysis. This can be a handicap, especially when generalizations having cross-cultural validity must be drawn; but it is also a short-cut for those studying their own culture. Lacking this short-cut, the student of nonliterate societies must, however, before anything else establish the nature and the underlying sanctions of the institutions in the group he studies. It is this fact that, presenting anthropologists with their greatest challenge, forced them to develop as specialists in method" (p.43).

While the anthropologist is in this sense a specialist in method, he cannot, of course, simultaneously be a specialist in all the aspects (economy, polity, literature, religion, etc.) of a society. But those who do specialize in specific aspects of society have found it difficult to submit "their assumptions to scientific test by applying them to civilizations that are quite different from our own in terms of their historic past, their environmental setting, and their technological equipment... [T]he specialization of the anthropologist along methodological lines has enabled him to amass data of value for those who restrict their attention to specific fields of human activity in single cultures. [Understanding this is] an important step in establishing the basis for a greater degree of mutual give-and-take between anthropologists and economists" (p.44).

⁹ Hamilton argues that the discipline of economics ... should adopt the methods and attitudes as well as the data and analyses of anthropology into our perspectives on economic activity – that economics should be as sensitive to the folkviews and mythmaking of our own culture as anthropologists and others are to the folkviews of other peoples" and points to "the possibility that the economics that some anthropologists have doubt applying to 'primitive' economies, does not apply to an industrial economy either. And there is the distinct possibility that some of the notions of the anthropologist fit an industrial society and that the simplistic market notions stemming from Adam Smith fit the fish and strawberry markets of non-industrial economies better than they fit the industrial economy in which they are held dearly" (Hamilton 1991, p.942).

Concluding Remarks: The Knight-Herskovits Debate in Methodological Perspective

Are we to interpret Knight's and Herskovits' opposing views in Kuhnian and/or in Lakatosian terms? Knight's and Herskovits' stances can definitely be regarded as belonging to different *paradigms* in economics,¹⁰ in the sense of "disciplinary matrices,"¹¹ because they differ on a number of fundamental issues. First, for Herskovits, all scientific theories, including economics, should be based on data, whereas for Knight, economic theory constitutes an exception among the social sciences in that it consists of induction from 'a priori' principles. Second, Herskovits has a strong belief, based on an ideal of universality of science, that economists should be interested in all economic systems, including non-modern ones; Knight, on the other hand, does not object to the neglect of non-modern economies among economists. Third, because Herskovits aims at theories that describe real-world economic systems, which are embedded in communities and cultures, for him the socio-cultural context forms an integral part of the picture. In contrast, Knight does not claim that economic theory is concerned with economic reality; rather, for Knight, economic theory concerns only the *economic* aspect of behavior – i.e., it studies the implications of rational choice while it takes preferences as *given*, thus ignoring the formation of preferences.

Clearly, these differences are so fundamental that they can be regarded as being 'paradigmatic': They go beyond subtler distinctions captured in Lakatos' concept of competing scientific research programs.¹² However, the Knight-Herskovits debate does not conform neatly to Kuhn's portrayal of the dynamics of science: Nowhere is there a scientific revolution in sight; rather, opposing conceptions of economics similar to Knight's and Herskovits' coexisted before them and continue to coexist to date.

In both protagonists, it can be observed that a paradigm has a dual role. It is the basis for scientific practice – even though scholars do not always practice what they preach. At the same

¹⁰ It is clear from Herskovits' criticisms that this debate is not merely a controversy between two scholars working in different *disciplines*. Rather, these are opposing views on the methodology of *economics*.

¹¹ This is one of the two major interpretations of *paradigm* as explained by Kuhn (1970), the other one being "exemplar" (Argyrous 1992).

¹² Lakatos' ideas about progressive and degenerating research programs (see Lakatos and Musgrave 1970) are not easily applied to the Knight-Herskovits debate; to do this would require an assessment of the historical development of actual economic research in the abstract-deductive and empirical-inductive traditions, which is beyond the scope of this paper.

time, the paradigms is its adherent's theoretical blinders. Let me conclude this paper by illustrating the latter point. Although Knight recognizes that anthropology is of some interest to economists, his *asymmetrical* assessment of the mutual benefits of increased interaction between economists and anthropologists – economists would be more valuable to anthropologists than vice versa – conveys an image of epistemological arrogance. He seems to ignore the existence of anthropological *theories* and he focuses almost exclusively on economic *theory*, so that he makes it seem that economics is mainly theoretical and anthropology mainly empirical. Herskovits, on the other hand, seems to be too rigid in his rejection of abstract reasoning (that does not aim at realism in a descriptive or a predictive sense). What he seems to overlook is that there are many ways of enhancing our understanding of the “real world”, including *indirect* ways. Deduction from abstract principles, though not directly related to facts, may lead to ‘benchmark’ insights that may help us interpret a seemingly chaotic real world. Moreover, there seems to be an inconsistency in Herskovits’ methodological stance in that he embraces the maximization principle, which cannot be justified using empirical data. A methodological statement of Herskovits’ scientific practice would have to accommodate his use of the maximization principle and thus abandon, or at least qualify, his stated position that “findings must be based on fact.”

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