The Economy of Economics. For an Axiological Reflexive Reform

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Abstract

Like most mature specialized and technicized (i.e. decontextualized, autonomized, reductionist and positioned) sciences, Economics has acquired a metaphysical aura of a keeper and preacher of objective, absolute and invariable truths about human actions and incentives. The resulting “epistemological blindness” conceals the inconsistence of rudimentary explanation of the development and evolution of human race and the obvious misrepresentation of human nature. The entire history proves that human actions are grounded in anything other but simple economic selfish interests. The self-controlled and self-restrained conduct necessary for long term perspective of large masses of people, the abominable genocide wars, the magnificent world wonders, could be only the creations of thymotic beings nurtured by coordination and cooperation.

In a century under the auspices of ecological disaster, economic shortages and global wars, Economics could not shun the political problems of social distribution and social justice if it any worth at all. A reform for explicit incorporation and employment of political values and goals, a necessary scientific revolution, is mandatory for the progress of economic science.

1. Introduction

The paper analyses, from an epistemological perspective, the status and the transformations of Economics in the last century. It proposes a comprehensive approach to the fundamentals of Economics enquiry and its correlations and consequences with public policy, discourses and mentality. It highlights the practical and theoretical consequences
of the „analytical turn” of Economics from classical political economy toward marginalist (scarcity) Economics and how this transformation affects its theory and methods without any substantial increasing in scientficity.

Moreover, this desired asocial and ahistorical analysis of modern Economics which employs universal categories - with no reference to time, place or context - could be realized only incomplete and on the surface. No socially applied theory could neglect, without the price of incomprehensibility and inconsistency, its unavoidable underlying fundamental, although non-economic, concepts such as the perspective over human nature, the drives behind social processes, and politico-moral drives of human conduct.

I suggest that the constant overuse of cognitive activity in specialized and particular settings could construct a detached sense of real and a very impoverished understanding of its object. The disconnection between economic reasoning and social ethics could have crumbling consequences over the bio-socio-cultural tri-unity of the humans; it also leads, in time, to the disintegration of social wholeness by changing living communities in formal alienated societies. The scholars from Economics, like their fellows from any other academic fields, should be the first aware about the possible misuse and hazardous by-products of their work and action in practice. The future is at the will of human understanding, therefore a reflexive understanding of its own field of interests is crucial.

2. Economics and Political Economy

Nowadays Economics is conceived as a sort of “objective” economic analysis of relation between resources, organization, and outcomes rather than a political economy thought of in practical terms and moral philosophy. The spirit of specialization conceals the intertwined relation between political and economic actions and reasoning. Economics is habitually portrayed as objective technical analysis of the demands and of finding the best ways in the allocation of resources, while public good, distributive justice or social principles for this allocation is a task assigned to citizens and policy makers. But this academic arrangement with no social responsibility is as convenient as it is false. Economic reasoning has implications for justice and human welfare, as much as political mechanisms influence and heavily decide the economic course. The economy of power makes out of politics an economic science, to the extent that economic scenery selects political settings. “One can think about political economy as the study of the social relations, particularly the power relations, that mutually constitute the production, distribution, and consumption of resources.”(Mosco, 2009, p. 24)

More importantly, economic reasoning often has inexplicit but significant concrete ethical and social assumptions. There are moral and political assumptions embedded within any major economic theory and often they are at variance. For example, rational egoism contradicts some values of communitarianism; the thesis of the subordination of equity to efficiency is inconsistent with political equality; while the implicit claim that individual wellbeing consists of a bundle of commodity and access to services contradicts the perspective on good human life we have inherited from Aristotle, which is a more real and complex one (Nussbaum, 2000). All this omissions are mainly due to the process of transforming of political economy in Economics, “through the desocialisation and dehistoricisation of the dismal science,” process that “heraled the separation of Economics from the other social sciences at the beginning of the twentieth century”(Milonakis & Fine, 2009, p.1)

3. Economic science?

Economics is not a disagreement-free discipline as most economists will fierce argue because this will undermine their own credibility. Unfortunately, economy is not at all “a unified science with a set of fundamental principles” (Cole, Cameron & Edwards, 1983, p. viii). Economists disagree about theories, not just policies (value judgments being regularly at the bottom of theoretical disputes). Methodological issues support, although not entirely, these theoretical disagreements, which concern mostly normative issues, that is, how economies should function (Tiemstra, 1998). On top of these “inconsistencies” lays the fact that the modern Economics is based upon some erroneous assumptions.

The objectivity and usefulness of economic approach. “Far too long economists have sought to define themselves in terms of their supposedly scientific methods. In fact, those methods rely on immoderate use of mathematical models, which are frequently no more than an excuse for occupying the terrain and masking the vacuity of the content. Too much energy has been and still is being wasted on pure theoretical speculation without a clear
specification of the economic facts one is trying to explain or the social and political problems one is trying to resolve."(Piketty, 2014, p. 574)

Alan Reynolds (1978) observed that most of the elaborate economic models not have any useful causal explanation: e.g. inflation is caused by the rise of wages, the rise of wages is caused by low unemployment, and low unemployment is caused by inflation; rising prices are caused by rising costs, while costs are prices as well; or magical propriety of demands which creates its own supply. In other words, inflation is the cause of inflation, cost level depends on costs, and the required labour and capital will appear wherever spending increases. The well-controlled empirical methods are really useful if they are used with moderation and limited ambition for generalization. Often, the verification of a limited range and simple correlation among two primitive aspects could employ a disproportionate waste of time and energy, and its historical or onsite application being of little interest.

Nowadays Economics cannot predict the likely outcome of specific events any better than it could in the time of Adam Smith, while in practice “short-term forecasting, however, is too often based entirely on historical relationships between a few statistics: increase in real, after-tax incomes are likely to be accompanied by increases in retail sales; increases in wholesales industrial prices are apt to be followed by increases in consumer prices.”(Reynolds, 1978, p. 944) While the predictive improvability was not proved by evolution of Economics and since this is the defining characteristic of a science, the scientific character of Economics remains unsure.(Rosenberg, 1992) This phenomenon has a very simple rationale. Economics is not a natural science, but a social one. It doesn’t analyze everlasting natural laws, but is a part of social processes of collective knowledge. Its own outcomes are part of and influence, in time, the economic conduct and processes. From here stems its great responsibility. Unfortunately, like many other social sciences Economics try to imitate the objectivity of natural sciences and applies the same corollary namely, what it is objectively evident it is what it has to be. But its fundamental task is a prospective one. We study the economic organization for improving it. As social science, Economics could not be “value-free” at all. “In general, it seems fair to say that the ethical assumptions that neoclassical Economics presupposes fall together into a family of normative ideals that privilege individualism, inequality, and the minimal exercise of public policy.”(Little, 2006) It legitimizes the current status quo of modern individualism and of an unequalitarian, violent system. In social sciences this is not objectivity, but backward dogmatism. This circumstance is proved by noticeable legitimacy Modern Economics provides to the free market inevitability.

The supremacy of market economy bias. The collapse of political endeavour of communist centralized economies placed the free market upon an unchallenged pedestal. Modern Economics rests on the assumption that market economy (and, also, the liberal democracy) is the most successful version of economic organization; hence, it is the best. But this is wrong. It might have been up to a certain level of social development. The economic, technological and cultural advance of society required new forms of political organization (tribes, chiefdoms, state) and vice versa. The liberal democracy and market economy were perhaps suitable for a kind of human being with wild urges and a particular psycho-affective structure. In time, man evolved, becoming more sensitive, cognitive and civilized and hence another type of organization is required for his/her happiness, satisfaction and, after all, for his/her own safety. The entire history of economic and political evolution of the last century is the living proof of the instability (and contingency) of this type of economic and political organization of society.

The deficient representation of human nature. Another flaw in the existing theory of capitalism, directly related with the previous one, lies in its misrepresentation of human nature, as a one-dimensional being pursuing to maximize the profit in a single-minded fashion, a money-making robot, which does nothing in its economic life besides pursuing selfish interests. As Joseph Stiglitz has observed, Economics has suffered “a triumph of ideology over science.”(Stiglitz, 2002) It incorporates a specific perspective over human being which was unacceptable sketchy, in a behaviorist manner, to its most primal aspects. “Modern Economics is the science of self-interest, of how to best accommodate individual behaviour by means of markets and the commodification of human relations. Much of it still reflects the particular philosophic tradition of British culture, inaugurated by Hume and his followers. In this economic world view, the traditional human faculty of reason gets short-changed and degraded to act as a servant of sensory desires. There is no room for logic of human values and rationally founded ethics.”(Lutz, 1999, pp. ix-x) But the essential fact about humans is they are multidimensional beings. The human happiness comes from many sources. This interpretation of human beings denies any role to other aspects of life: political,
Moreover, the overabundance of wealthy countries is bound for toward other non-economic activities and social needs for comfort, bodily well-being and pleasures as well as the social needs for recognition and appurtenance (luxury among other forms) hence any economy is self-sufficient. This bias is the result of the failure Economics theory to incorporate essential process of expending the excessive and non-recoverable part of any economy. Inevitably the specialized economic perspective misses the meaning of economies, the people will prefer to devote their further energies to non-economic purposes. (Keynes, 1932)
thymotic actions and luxuriant expenditure which drives the destruction of economic surplus in any society. Classical Economics conceives economic activity as a rational competition for scarce resources. But the social world comprises a complementary path of usefulness of excess energy. Besides its main economic supporting system (agricultural, industrial, etc.), a society is characterized by the way in which it spends its surplus. The form and role of luxury (cultural economy) defines a society more than the mode of gaining and allocating of resources (political economy). This complementary process is organic, common for living organisms and societies. Both have an excess of energy which could be used productively for growth or inefficiently wasted. The counter-economic rationality of luxury (e.g. art, non-procreative sexuality, great spectacles and sumptuous monuments) and the destructive thriftlessness (in the modern days through wars and in past in past through offering, giving and sacrifices) is obscured from the perspective of Economics. (Bataille, 1988) Any society will foolishly spend its surplus on luxury, feeding the same mechanism of inequality of thymotic domination over the others that don’t have or this surplus will be destroyed catastrophically. Taking into account the thymotic part of human being, its biological tendency to aggression and competition, the future looks dire. Our luck could be an unpredicted “benign disaster” which will redirect the course of humankind by awaking the consciousness of common destiny as species against the nowadays dominating individualistic one.

As the entire history of social evolution shows, the economic structure forms the foundation of political ones. The increasing chain of economic interdependence supported the civilizing process(Elias, 1994). In modern times, the imposition of American democracy was achieved at the expense of the great Civil War between the agricultural South and industrialized North. Communism substantiated by the Great European Proletarian Revolution(s) was made possible by socially unbalanced early stage of industrial evolution. Political ideology is co-related with a particular economic structure. At the moment the future of social organization doesn’t look too promising. The tendency of capital returns to exceed the rate of economic growth forms the main drive to inequality, dominance, backwardness and obstacle for freedom at both national and global level. “When the rate of return on capital exceeds the rate of growth of outcome and income, as it did in the nineteenth century and seems quite likely to do again in the twenty-first, capitalism automatically generates arbitrary and unsustainable inequalities that radically undermine the meritocratic values on which democratic societies are based.”(Piketty, 2014, p. 1) The market capital based on competitive economic organization is supportive of a democratic political structure as long as the inner-logic of economic mechanisms are based and influenced by human labour, skill and know-how in the production process. But when the structural form of technology, with corresponding importance of capital and labour remains the same, the capital’s share of income will increase because the long-run elasticity or substitution of capital for labour is greater than one. Modern technology uses a great deal of capital while invention and innovation processes require even more. Consequently the distance between technologized countries and the rest of the world is rising. From a strict economic point of view, “because capital has many uses, one can accumulate enormous amount of it without reducing its return to zero.” (Piketty, 2014, p. 224)

The economic development of countries, groups of interests and so on, wouldn’t decrease from itself and the gap will increase, making social tensions and conflicts stronger and stronger. In these conditions Economics should help decision makers to incorporate higher ethical principles within its rationality, as ecological responsibility, social welfare, distributive justice, and social responsibility. If scholars in Economics will continue to work “objectively”, hidden after mathematical analysis and models, the organic relation of Economy with concrete human lives will be concealed and Economics wouldn’t be a factor of progress, but a conservative backward ideological construct, which will hamper the evolution of mankind. Economic (re)distribution belongs to economic science; therefore it is a political science, just as political drives for economic benefits makes from Political Sciences an economic science. They cannot be disjoined and their progress and true utility lies in their ability to incorporate and promote the most advanced ethical principles.

4. The Advantages of the Reform

Why is an axiological reform of Economics necessary? First, because Economics has, willy-nilly, political, normative and moral purposes. There is no economic theory free of ideological preconceptions. Second, the autistic self-sufficient Economics neglects some of the essential explanatory courses of human conduct and hence, cancels
the chances for a sustainable evolution of society on scientific basis. Ethical considerations are at the very core of human development, but the “nature of modern Economics has been substantially impoverished by the distance that has grown between Economics and ethics.”(Sen, 1991, p. 7.) Third, as cognitive psychology studies reveal, the (economic) professional/specialized training affects the very way in which people evaluate, make decision and reason about world and their actions. A variety of forms of inductive reasoning and inferential rule systems are surprisingly malleable. Even after brief formal training in inferential rules may enhance their use for reasoning about everyday life events.(Nisbett et al, 1997) For example, a brief training session in cost-benefit analysis enables people to apply further the principles of sunk cost (we should not feel constrained to use something that no longer has positive value just because we had paid for it) and opportunity cost (any action we chose entails a loss of the opportunity to take an alternative action, that might have greater value). (Larrick, Morgan, & Nisbett, 1990)

The effect of an extensive training in cost-benefit analysis, in the form of Ph.D.-level training in Economics, will represent a profound alteration of the way people think about virtually any problem to which it can be applied – from a decision regarding domestic activities to the nature of one’s views on international policy (Larrick, Nisbett, & Morgan, 1993). If cost-benefit analysis is a normative capacity, the pedagogical and developmental importance of economic training is obvious. Moreover the “students would understand Economics better if we connected it with social ethics, at least by acknowledging commonly accepted moral standards at the appropriate points in the discussion.”(Tiemstra, 1988) In consequence, the specialized cognitive exercise have more deeper consequence on human way of thinking and appraising that it seems at first view. “It scarcely seems an exaggeration to say that economists reason in a way that sets them apart markedly even from their fellow academics, let alone from the population in general.”(Nisbett & Norenzayan, 2002)

5. Conclusions

It become obvious the importance of increasing the responsibility and awareness among economists on the implication and social significance of their work. Value judgments, ethical principles, and from here normative Economics could and should be openly discussed. Value judgments and ethical principles are not a matter of taste and habit; they are present at the heart of economic theories and policies as well. The economic relationships and phenomena determine in many ways the political and social rationality and drive the relationships between people and the other way round. Our world is one of countless forms and numbers of conflicts: economical, ideological, political, national, class, professional groups, and is in continuously dialectical dynamic transition from a state to another. Economists and their thinking are caught in this socio-political mesh. Their bias or preference for some or other non-economic values, principles or ideals affects their economic reasoning. From time to time this situation comes out together with the subjective aspects of their theoretical positions.

We see that our modern social organization is not as evolved and enlighten as it is thought to be. The stark competitions for resources, the fights for power are undergone in any corners including in universities, churches or entertainments places. Instead of freeing people, technological and social progress obtunds them by incensing toward following primary drives of pleasures, comfort and false empowerment. While the ultimate end of economic development is to free humans from the economic activities for gaining the necessary resources for living, the contemporary path has enclosed people in the economic world through consuming goods, entertainment, and superficially leisure time. The human being is a tri-unitary reality of organic, social and cultural dimensions, and the corresponding systems developed throughout the evolution of humankind should finally join their finalities for the future evolution of human race. The ideal of economic development is economic justice which has as ultimate purpose “to free each person to engage creatively in the unlimited work beyond Economics, that of the mind and the spirit.”(CESJ, 2014) The economists are the experts in economic knowledge. They should become aware about the dangers of over-specialization, of the political nature of economic discourse and the risk of seclusion within the boundaries of their own caste. Otherwise they will fail in their utmost duty to promote accurate and useful understanding perspectives, as well as resulting efficient tools for sustainable, i.e. equitable and society-oriented, economic progress. The environmental danger, increasing stress and morbidity are signs that “something is rotten” in people life. The economic activities for acquiring what is needed for life are still the stressful part of daily existence as it used to be for the most people thousands years ago. The time of Gross Domestic Product has past, is time for Genuine Progress Indicator and Gross National Happiness!
Reference


