Economics as a Ceremonial Institution

Mayo C. Toruño

Department of Economics
California State University, San Bernardino
San Bernardino, CA 92407-2397

mtoruno@csusb.edu

Prepared for the annual meeting of the Association for Institutional Thought in Denver, Colorado, April 15 - 18, 1998.

In his book, *Peddling Prosperity*, Paul Krugman [1994] offers an image of economics as a community of ivory tower professors seeking to develop a disinterested understanding of economic reality. This understanding is arrived at through the development of models, theories replete with dense jargon and mathematics, that provide insights into economic behavior. Unfortunately, these models are seldom delivered in the neat simplistic terms which the public at large, and politicians in particular, demand. As a result, politicians rely on policy entrepreneurs, rather than professors, to guide their development of economic policy. The policy entrepreneurs are either hacks who do not possess a proper understanding of economic theory or, if they are professors, do possess such knowledge but consciously ignore it so as to develop the simplistic, and thus usually wrong, prescriptions that must be offered to gain political influence.

While Krugman admits to shifts in thinking among the hallowed ranks of professors (from Keynesianism to Monetarism, Rational Expectations, and then New Keynesianism), he does not offer a coherent theory explaining why it is that, within the ivory tower, differing intellectual constructs wax and wane in popularity. The closest he comes to such a theory is to note that professors are attracted to the analytical structure and technical complexity of economic arguments. He acknowledges the influence of political beliefs in the professors's choice of theory but suggests that this influence is less compelling than technical virtuosity. At the very least, professors, unlike the whorish policy entrepreneurs, are keenly sensitive to the importance of logically consistent models. And it is this component of their behavior that sets them apart from the policy entrepreneurs. Professors do science, policy entrepreneurs do not.

This is not the first time that an economist has claimed that the discipline stands outside the sphere of political discourse, occasionally venturing into the fray to offer sage advice while managing to remain untainted by political norms. Versions of this idea can be found in the work of Jeremy Bentham, Nassau Senior, William S. Jevons and Leon Walras, to name a few. And virtually every economics textbook pays homage to this idea by insisting that the discipline is fastidious in its observance of the positive/normative distinction.

One of the more sophisticated versions of this idea was developed by Joseph Schumpeter [1954]. He acknowledged the influence of cultural norms and political values through the impact they have on the pre-analytic vision. In the early stages of theory building, the analyst is bound to be influenced by the norms that are a part of the culture of which she/he is a part. But once the economist begins systematizing this pre-analytic vision, by developing a logical model that can be, in principle at least, empirically tested, then science, properly speaking, is taking place. The science of economics consists of the cumulative sets of analytic constructs that economists develop and which stand above their pre-analytic origins. Economic science eliminates the value laden beliefs that infuse political debate through a process of intellectual distillation that allows the discipline to arrive at logically consistent, positive, models of reality.

A naive acceptance of this view might lead the novice to imagine that the discipline accepts a wide range of models independently of their pre-analytic origins. That is, it might be thought that economists are less interested in the norms embedded in the pre-analytic vision of a model than in its analytical elegance, technical virtuosity, or verisimilitude. Yet, the history of the discipline suggests otherwise. Legitimate models are those whose pre-analytic origins are steeped in the norms of bourgeois culture. Models whose pre-analytic origins are otherwise are greeted with indifference or disdain - even if they might be analytically elegant, logically consistent and verisimilar. The mainstream seems incapable of distilling anything other than those political values that are consistent with the market ethos.

A distinguishing characteristic of the mainstream is the unblinking conviction it has in the righteousness of free market systems. There are two versions of this idea. The conservative version (the Monetarists and Rational Expectations professors of Krugman's book) insists on the superiority of market driven outcomes and the ineffectualness (possibly tyrannical form) of government driven outcomes. The liberal version (Krugman's Keynesian and New Keynesian professors) also accepts the claim that market driven outcomes are superior, but only under ideal conditions. Unfortunately, the liberals continue, reality is less than perfect, so government must be used to nudge the market into attaining outcomes it would normally achieve in the absence of imperfection.

While the heterodoxy has always noted the mainstream's embrace of these values, one can occasionally find mainstream economists peering out of their cultural milieu and suddenly noting the normative bias of their discipline. In a revealing 1959 article, George Stigler [1959] defined most economists as political conservatives, by which he meant that they tend to champion free markets. He argued that this bias was a result of their training in the logic of the competitive market model. The habits of thought which emerge from learning that model predisposes the economist to interpret reality from that perspective even though the actual economy may depart considerably from the conditions of the model. Repeated instruction in that mode has the effect of inculcating a preference for, or at the very least increased tolerance of, free market prescriptions. In short, economics does more than generate analytical models of the economy, it socializes students into adopting a world view that is congenial to the market ethos.

This suggests that one of the functions of the discipline is to reproduce the values that are consistent with the perpetuation of capitalist, market driven, societies. The production of logical arguments that demonstrate (we'll come back to this later) the efficiency of the market are less a disinterested attempt to understand unobservable equilibrium states, than they are political or juridical arguments intended to demonstrate the limits of public authority. Far from being a positivistic enterprise that seeks to distill the value laden beliefs of the broader culture so as to arrive at accurate renditions of reality, the discipline should more appropriately be viewed as a rhetorical system primarily concerned with the elaboration, justification and advocacy of political arguments grounded in axiomatic cultural norms.

For those of us who stand on the periphery of the discipline there is a certain perverse pleasure derived from rubbing the mainstream's positivist nose in its own value laden work. The mainstream is not as pure as it likes to think. Yet, in truth, this is a dilemma only to those who believe in the myth of the discipline as a value-neutral, positivistic, enterprise. It is not a problem, in itself, to those who acknowledge the role of values in social investigation. The fact that the discipline is primarily concerned with understanding the implications and use of a specific set of cultural norms is not a cause for concern. The real issue is whether these norms serve the instrumental function of moving society toward the good or instead thwart its achievement by mystifying the nature of existing social relations. In short, is the discipline's infatuation with free market prescriptions instrumental or ceremonial?

The short answer is that it is a bit of both, though on balance it leans more heavily toward the ceremonial than the instrumental side of the scale. But more importantly, and before elaborating this point, the question carries with it a presupposition regarding the place of economics as a social institution. That is, the question assumes that economics is part of a broader social enterprise, an on-going cultural concern. Contrary to the ivory tower imagery, this perspective assumes that economics participates in the broader social dialogue and, as such, seeks to determine the contribution economics makes to that dialogue.

The dialogue I am here referring to is the language, symbols and ideas that make up a society's culture. Thomas Kuhn's [1970] notion of scientific paradigms can be extended to this context. Culture can be thought of as the paradigm through which society seeks understanding. A paradigm that is built upon a set of unquestioned core cultural values. Extending this idea further, culture can be thought of as the hermeneutic system through which society seeks meaning and understanding [Jennings and Waller 1994]. It is an evolutionary process wherein meaning is sought by reference to axiomatic beliefs that are themselves evolving over time.

Capitalism is the evolutionary outcome of western, and more specifically Anglo-Saxon, English, customs and ideals. It emerged out of the common law and equity traditions of that culture and the political theories and social upheavals of seventeenth century England. With the bifurcation of power into a private economic realm and a public political realm, that took place with the development of capitalism, there emerged a need to explain the nature and use of private economic power. The exercise of political power had always carried with it arguments regarding the legitimacy of such power, the conditions under which the sovereign could exercise power legitimately on behalf of society as a whole. But with the development of a social sphere wherein private economic power would be exercised, the need to demonstrate the legitimacy of such power also emerged. Society was in need of answers to the question, when is private economic power exercised legitimately?

Economics emerged as the rhetorical system through which these kinds of questions would be debated. It became the medium through which society would discuss the use of private economic power, the problems brought about by the exercise of such power, and the development of solutions to those problems. This is the image of economics that Wesley C. Mitchell [1967] had. The discipline was perceived as a social enterprise whose central concerns, theoretical arguments and proposed remedies evolved in response to changing material conditions. Rather than being a body of abstract principles that applies to human societies across space and time, economics was viewed as an on-going cultural project which seeks to understand and resolve continually changing economic problems.

One version of this idea, which can be traced back to mechanistic interpretations of historical materialism, argues that economics should more appropriately be thought of as the language of one component of bourgeois cultures, the language of the capitalist class. From this perspective, the purpose of economics is to provide arguments that justify the exercise of capitalist power. It is an ideological expression that emerges from the material conditions of merchants, entrepreneurs and capitalists. The development of economics can thus be seen as a reflection, at the ideological level, of the struggles that took place at the material level as business sought to gain power over its social environment.

This interpretation of economics tends to presume an adversarial process wherein differing ideological systems are contending for control of social discourse. That is, the image of economics as the language of capital presumes that there is an opposing or contrary language, say the language of labor, vying to govern social discourse. And if economics is the language of capital then socialism or syndicalism, or some version thereof, must be the language of labor. The ideological struggle is simply an epiphenomenal expression of the more fundamental material struggle that occurs between capital and labor. The triumph of economics, the fact that it is now the language of political discourse, is simply a reflection of the fact that the capitalist class has won the battle, it is the dominant class. Their ideas are the dominant ideas.

This vision of ideological struggle has always stumbled over Tory, pro-business, workers. The answer that such workers are subject to false consciousness rings hollow; not because humans are incapable of deluding themselves, but because in the context of a materialist interpretation of ideology the existence of workers embracing capitalist norms is inconsistent with that interpretation. The fact of the matter is that capitalism, as Antonio Gramsci [1971] pointed out, carries considerable legitimacy among the working classes - particularly among the most highly developed capitalist societies, such as England and the United States. The core values and beliefs associated with capitalism are embraced by the workers of these cultures. These values are hegemonic and not specific to an economic class.

The values that are hegemonic to the system are what I would call Lockeian. They are the cultural norms that evolved with the development of capitalism and which were given their first formal expression in the political theory of John Locke [1965]. His political theory has served as the paradigmatic framework through which these cultures explain the exercise of public and private power.

Locke argues that the legitimate exercise of state power is dependent on the extent to which it can regulate and preserve private property for the common good. The presumption is that such oversight will be reasonable and consistent with each individual's right to dispose of his/her property in a fashion that does not interfere with the right of others to do the same. If government cannot insure the individual's right to a reasonable use of property or is incapable of insuring the common good through the preservation of property, then such a government loses its legitimacy and the citizens have the right to dissolve it.

This theory was developed by hypothesizing the existence of a state of nature, a mythic condition in which a collectivity of free self-interested individuals enter into exchanges with one another to secure flows of real income. Government does not exist in the state of nature. Yet each individual has property, either in the form of the intangible rights to life and liberty, which all individuals are presumed to possess anyway, or in the form of real tangible assets. In a state of nature, the right to property is based on the fundamental right that every individual has to survive. And this right extends to the use of property, either directly in production or in exchange with others, to secure the necessities of life. Each individual is presumed to exercise this right in a reasonable, self-interested, manner. In general, contracts are honored and the exchanges that individuals enter into are made in good faith.

The problem is that, despite the usual harmony of a state of nature, transgressions of property and bad faith contracts do occur. In a state of nature each individual has the right to execute the law of nature, also referred to as the rule of reason, the right to survive and preserve one's property in a reasonable fashion. When transgressions of reason, violations of property and bad faith contracts occur, the offended individual has the right to rectify the wrong by exacting appropriate recompense and retribution. All of this, however, can be highly inconvenient. Thus, individuals give up their right to execute the law of nature and grant that right to a government which will now execute the rule of reason on behalf of the community. Property, and the right to survive and prosper, is thus secured through government; but only so long as property is protected in a fashion that is consistent with the common good and the preservation of life.

Locke provided the paradigm through which capitalist cultures would seek to demonstrate that a collectivity of self-interested individuals could arrive at a coherent disposition of goods, one which was reasonable and consistent with the preservation of property and life. A legitimate exercise of private economic power was one which was consistent with such an outcome. Political power, on the other hand, was legitimate only if government could mimic such outcomes by protecting property and exchanges in a reasonable fashion, one that was consistent with the individual's right to self-preservation.

Economics evolved as the rhetorical system through which Locke's vision of a state of nature would be given expression. What gave economics its legitimacy within the broader culture was the fact that it was able to provide specificity to the Lockeian vision. Economics offered theories which ostensibly proved that collectivities of individuals could arrive at coherent, reasonable, outcomes despite the pursuit of self-interest and the absence of government. The result of such theorizing was the development of political and legal arguments that demarcated the legitimate boundaries between private and public institutions. In this sense economics could be thought of as a form of political theory. It emerged as the political language of the private sphere, the medium through which the exercise of private economic power would be justified, the language of capitalism - or more broadly, Lockeian cultures.

The evolution of economic ideas can be interpreted as an on-going debate regarding the ability of a state of nature to arrive at coherent, reasonable, outcomes. Those who insist that it can are the conservative professors who are continually vigilant of public power. Those who see too many obstacles to the achievement of such outcomes, are the liberal professors who suggest that government must be used to mimic the outcomes that would occur in a state of perfection. Both camps insist on the fundamental right to property and agree that individuals are rational in the pursuit of their self-interest. The difference is that conservatives are convinced that the private sector of capitalist societies is tolerably close to the ideal state of nature, while liberals claim that it is not.

The values that are hegemonic to the system and which provides it with legitimacy to capitalists and workers alike, is the notion that each individual has the right to use his/her labor and property in securing the necessities of life. This value is axiomatic to the culture. But it has always been qualified by the claim that the exercise of that right be reasonable, meaning that it must not infringe on the equal right of others to secure the necessities of life.

There is no doubt that economics has served the instrumental function of developing arguments, and consequently state policy, that seek to create an environment wherein the pursuit of self-interest is made compatible with the rule of reason. The classical political economists, in particular Adam Smith, David Ricardo and John Stuart Mill, fall into this category. Economics has also been instrumental in delineating the conditions under which the exercise of self-interested exchange would lead to unreasonable outcomes, thus necessitating government policy. The most dramatic example in this case would be John Maynard Keynes. Unfortunately, economics has also been used to mystify and obscure the unreasonable outcomes that occur through the actual, as opposed to idealized, exercise of private economic power. This includes almost the entire corpus of neoclassical economics, and more specifically all of those arguments that claim that idealized free market systems move toward a general competitive equilibrium, a Pareto-Optimal state of affairs.

The discipline knows that the proofs of the existence and stability proofs of a general competitive equilibrium are unreasonably fictitious and worthless as guides to understanding the equilibrating tendency of real world markets [Toruño 1988]. Yet, it chooses to ignore this by granting legitimacy to theories (such as Monetarism, Rational Expectations, Real Business Cycle and New Classical economics) built upon this phantasmic vision. What's worse is that Keynesians and New Keynesians, while acknowledging that real world markets fall short of these equilibrium states, nevertheless claim the in-principle validity of such an equilibrium; even though, as just suggested, the proofs are worthless.

The sociologist Richard Harvey Brown has argued that very elaborate speech enhances its function as a ceremonial ideological system. "Just as rationality can provide a rhetoric for legitimizing past conduct, ... , it can [also] be employed as a prospective rhetoric for closing off unwanted alternatives and advancing one's own agenda" [Brown 1987, 75]. The elaborate, analytically elegant and technically virtuous models of general competitive equilibrium, and the macroeconomic theories built on the presumed validity of these models, such as Monetarism and New Classical economics, are the most obvious examples of the ceremonial use of economic language. But, so too is the more timid approach of the Keynesians and New Keynesians who refuse to acknowledge the possibility that, even under ideal conditions, self-interested exchange may not lead to the good.

"Myth," Brown points out, "is discourse that has forgotten its own poetic origins and has become literal and absolute" [1987, 98]. The mainstream's insistence on elaborating the mathematical logic of a mythic state of nature so as to demonstrate, once and for all, the absolute sovereignty of private economic power, is an example of such discourse. These economists have forgotten that Locke's state of nature was simply an allegory intended to suggest the proper use of public power. They have made it literal and have forgotten, or have chosen to ignore, that unreasonable behavior can and does occur in Locke's mythic state of nature. After all, that is why Locke's individuals consciously chose to leave the state of nature and create a government which, insofar as it is legitimate, will bring about reasonable outcomes.

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