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Economic Studies: A Rationale and a Strategy

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ABSTRACT: It is unlikely that heterodox economics will reverse its continuing marginalization within the profession; neoclassical hegemony over the staffing of economics departments and the financing and publication of research is largely self-replicating. Under these circumstances, the most promising strategy is to create an alternative institutional presence. Fortunately, this is also an intellectually appropriate response to developments within the social sciences. Economics-related specialties within sociology, psychology, history and other fields have become more sophisticated and productive, and there are increasing linkages between their work and that of economists operating within heterodox traditions. This paper describes some of these developments and proposes a strategy for constructing an academic structure, “economic studies”—modeled on cross disciplinary fields such as environmental studies, women’s studies and area studies---to sustain and cultivate them.

Economic Studies: A Rationale and a Strategy

I. From marginalization to recentering

The current situation appears desperate for heterodox economics. The institutional hegemony of neoclassical orthodoxy has reached the point at which the slow strangulation of alternative discourses appears inevitable.

This is not a reflection of the power of its ideas, but simply its power.

Above all, this is reflected in neoclassical domination of most of the economics departments in research universities. While there are still pockets of resistance, it is safe to say that this domination is more complete today than it was one or two decades ago. In particular, the higher-ranked programs seldom permit graduate students to specialize in heterodox methods under the guidance of dissident instructors. The recent assault on Notre Dame’s successful nonneoclassical department is characteristic of the times and may well be repeated elsewhere. There are two crucial consequences of the banishment of heterodoxy from the research universities. First, these are the locations at which future generations of professional economists are trained.

It is all well and good for dissenting economists to teach undergraduates or to work in applied activities, but it is primarily in the graduate teaching departments that the supply of such dissidents will be reproduced.



Second, these universities produce most of the publications that together comprise the discipline as a body of research. While there are individual outstanding contributions from heterodox economists in teaching-intensive institutions, these tend to be buried under a continuing avalanche of mainstream studies. The sheer preponderance of work based on orthodox methodologies establishes what is understood as the “accepted” wisdom of the profession. Only those who have modest teaching demands and the opportunity to teach at the level they research can generate such thick streams of publications.

At the majority of institutions, personnel policies, from the initial offer of employment through tenure and promotion, is dominated by success in publishing in the “leading” journals. These journals lead not through the quality or relevance of their contents, but through their acceptance as arbiters of personnel evaluation. To publish in them one must run the gauntlet of criticism provided by the ruling luminaries, and this demonstrates to administrators and colleagues that one’s work has their imprimatur. Department rankings are typically based on the extent to which faculty publish in these outlets, with assessments conveniently based on crude measures of quantity rather than judgments of quality, which, as research becomes more specialized and arcane, would be difficult to assess. With ever-tighter university budgets, the ability to attract external research funds has become an important criterion for staffing decisions; it is also another basis for publication fecundity. The major funders of economic research, both foundations and government agencies, tend to be guided by review boards dominated by the same figures who dominate the leading journals and departments. Standing over the funding and research infrastructure is the nomenclatura of neoclassical economics, the National Bureau of Economic Research. Membership in this elite body is passed down from graduate professor to graduate student at the top-ranking programs. It confers not only the direct benefits of research support, but also access to the crucial behind the scenes professional networking without which academic success is problematic.

This concentration of institutional power will be difficult to reverse, because it is largely self-reinforcing. The top departments crank out the top economists who referee for the leading journals and funding agencies, and they recruit and promote their own kind on the basis of the research they choose to support. Each arm of the profession supports the other, and between them there is virtually no room for nonconformists. At the margins there remain a handful of graduate programs and dissenting journals, but they account for a small percentage of the new adepts and just a trickle of the published literature. Like the condor or the manatee, they are vulnerable to a sudden loss of habitat that would render their evolutionary line extinct.

Under these circumstances heterodox economists often find they have more in common with academics from other disciplines. Their reading ranges widely beyond the leading economics journals and encompasses findings from fields that neoclassical economists seldom pay attention to. The conversations we have outside the profession are often the most fruitful and interesting for us. This is a sign of our estrangement from the institutional structure of economics, but it is also, I will argue, the source of our greatest potential strength.

By redefining what “economics” means to us and reconsidering who our fellow travelers are on this intellectual journey, we can build a new, more congenial academic home and increase our



long-run survival chances. In this paper I will explore the potential of an “economic studies” strategy, delinking our fate as much as possible from neoclassical orthodoxy and forging new alliances with adjacent academic specialties. After briefly reviewing the inherent lack of fixity in our conception of “the economic”, I will turn to an inventory of the contributions researchers outside the formal boundaries of economics are making to our understanding of how economies work. In the final section of the paper I will sketch the institutional strategy I have in mind for harnessing the potential collaboration of those who study the economy unconstrained by “economic correctness”.

II. The economy: a lot more than economics

As we all know, or should know, the concept of an “economy” as a separate, specialized aspect of life is relatively recent. Traditional societies were deeply engaged in economic activities of all sorts, but these were not viewed as falling under a distinct category. Even so apparently straightforward a concept as unemployment is, in its contemporary sense, little more than a century old. (Piore, 1987) The time- and culture-boundedness of our notion of the economic is an indicator of its essential arbitrariness, and even within modern societies there are different views as to where the boundaries should be placed. One way to approach the matter is to consider the institutions that may or may not be included in someone’s definition of “the economy”: corporations, market infrastructure (such as analysts, journalists and regulators), households, social networks in which formal institutions are embedded, etc. To some extent, *every* institution in modern societies has at least some economic functions. Another approach is to think of activities that are economic, wherever they may be performed. Thus, anything we might do that produces valued goods or services, or distributes them, or utilizes them, or increases our capacity to produce or utilize them, or cleans up after the messes we make in all the previous items in this list, could rightfully be considered economic. Bowles and Gintis (1986) have referred to these two perspectives as “sites” and “practices”. Students arrive in their economics classes on the first day eager to explore these many dimensions of economic life. To their dismay, they are instead channeled into a far more narrow inculcation of neoclassical economic doctrine. In this brief section, I would like us to re-experience this sense of restriction, keeping in mind the large gap between the realm of what might be possible in economics and the portion of this universe claimed by orthodoxy.

First, a definition: by neoclassical economics I mean that body of doctrine that models human activity as the exercise of choice according to constrained maximization. (One used to have to make an exception for macroeconomics, but that is not the case any more, as both new classicism and new Keynesianism are rooted in methodological individualism.) This definition holds even for the internal rebels who have sought to smuggle alien concepts and methods into the doctrinal core; they typically adopt the posture of accepting the orthodox model in its entirety—except for their one innovation, which they show to be consequential, at least within the narrow orbit of the mainstream theory. One could imagine a powerful heterodoxy composed of nothing more than all the bits and pieces championed by these loyal oppositionists, stitched together to replace the mainstream default position, but that would be to get ahead of our story.



There are, I would claim, three critical narrowings implicit in the neoclassical approach. (1) It considers only the realms of choice and exchange, a subset of all economic practices. (2) It considers only consequentialist rationality (and only one sort of this rationality), a subset of all economic behaviors and motivations. (3) It is compelled to make stringent simplifying assumptions in order to pursue its program of methodological individualism, and it therefore fails to address the many economic situations in which these assumptions do not hold. It will be helpful to consider these limitations more closely, because they suggest the forms of intellectual inquiry that are excluded.

1. Choice and exchange. These are, of course, important aspects of economic life. In all the roles we engage in, we are called upon to choose courses of action, and many of these choices pertain to potential exchanges we might make with other economic agents. It would be foolish to dismiss this dimension, which pertains to all economies we have knowledge of. At the same time, many activities that are profoundly economic are neither choosing nor exchanging. Working is one prominent example. Learning, in school and in practical situations, is another. Managing is a third. Neoclassical economics responds to this problem by announcing that all non-choice and non-exchange activities are outside its purview, that they belong to engineering or psychology or business administration. This has become true in a self-fulfilling sense, in that these topics have largely been abandoned by orthodox economists and left to the curiosity of other disciplines. There is another sense, however, in which these divisions are arbitrary; certainly most real-world economic problems require that we understand both the choice/exchange and performance aspects of human activity in order to arrive at an understanding. Moreover, there are important technical objections to the reduction of economic interactions to the narrow category of exchange. Atiyah (1979) has shown that contractual arrangements have temporal and performance aspects that are not captured by the metaphor of exchange, and Hargreaves Heap and Varoufakis (1995) argue effectively that Nash solution concepts have been used in a peremptory fashion in game theory to generate exchange outcomes in place of others (including conflict) which might otherwise arise, and which certainly do arise in real life.

2. Consequentialist rationality. Economic decisions, according to the orthodox view, are those that are made on the basis of an expected value calculation. Indeed, neoclassical economics has claimed as its own a wide range of decisions that have nothing else in common other than a putative consequentialist foundation. (These are typically grouped under headings following the format, “the economic analysis of”—the analysis of family formation, of voting and political strategy, of criminal behavior, health practices, etc.) What are excluded, however, are those activities that do not adhere to this model. Above all, these include normative behaviours (explained by reference to norm-following proclivities) and nonrational (in the expected utility sense) motivations.

In other words, the cultural and psychological dimensions of economic life are written off as beyond investigation, as if anything useful could be said in their absence.

3. Simple worlds. The program of methodological individualism adhered to by neoclassical economics can lead to determinate results only if a set of radically simplifying assumptions is adopted. Three stand out: there cannot be strong interaction effects between economic actors (or



the commodities they own) outside the marketplace; economic transactions must be nonrepeated and/or anonymous and therefore nonstrategic; and the role of temporality, and therefore fundamental uncertainty (which confounds expected value calculations), must be elided. For some economic contexts these assumptions are not too far off the mark, and the analytical firepower they permit may well justify them. For a great number of practical issues, however, and certainly for the economic system (however this may be defined) as a whole, to enter into such a simplified universe is to preclude most forms of historical and social inquiry other than that proposed by orthodox economics.

All three of these limitations are narrowing. I stress them not to condemn the methodology of mainstream economics, which certainly produces useful insights from time to time, but to make clear the enormous terrain that has been ceded by its practitioners. This space is encroached from multiple directions, as other disciplines, not restricted in this manner, investigate economic issues according to their own traditions. What is important for us, however, is that this space is economic: it is the realm of economic analysis needed for an adequate understanding of our world but abandoned by the institutionalized profession of economics. Simply put, this paper argues that it can be reclaimed in a cooperative, institutionally sustainable fashion.

III. The sea around us

So what are these encroachments? What other disciplines have followed the retreating tide of orthodox economics to establish their own modes of investigation? In this section I will briefly survey them. The purpose is not to provide a general introduction to all these fields of research—a task which would be far beyond the scope of this enterprise—but simply to identify the partners we would want to engage in a movement for economic studies.

A. Economics and philosophy.

Economics emerged from an amalgam of history and philosophy, and much that takes place in debates between professional philosophers is of great interest to economists. I will mention four areas, although many others would be candidates for this list. (1) There has been continued analysis of contracts as individual commitments and as social arrangements. Modern contractarianism has been espoused by Gauthier (1986), among others, and the critiques of this position are relevant to economic theorizing as well. (2) Philosophical theories of value, such as that of Anderson (1993), are essential to modern work in normative economics. (3) Utilitarianism, despite the protestations of “new” (now very old) welfare economists, remains joined at the hip to orthodox economics. This shared domain is reflected in the work of Amartya Sen, who does not have to differentiate his “economic” from his “philosophical” publications. Closely related is the general question of well-being, one of the ancient wells from which philosophy draws, and which underlies normative economic analysis by necessity.

B. Economics and history.

Recent trends in history, such as the concern with “bottom up” narratives and greater familiarity with quantitative techniques, have drawn this discipline closer to heterodox economics. (1) The history of living standards has become central to historical research, especially since the rise of



the Annales School. Advances in biometrics, greater sophistication in social history and the application of more powerful statistical methods to the routine records kept in the past have made this field essential to the understanding of the human dimension of economic “development”. (2) The accumulation of research in social history has also provided a more fruitful context for the study of economic movements. Labor history has always been a link to economics, but now consumer history is arguably just as central. (3) Corporate and industrial history has been a significant growth area. Much of this has a highly critical cast and even draws directly on heterodox economic theory for its analytical foundation.

C. Economics and politics.

(1) Neoclassical political economy, the conjoining of rational choice economics and politics, has thoroughly established itself in both disciplines. While much of this work has little overlap with dissenting traditions in economics, some of it does. Issues of power and the feasibility of collective action in particular are enriched by considering rational choice perspectives in the context of alternative approaches. (2) An important offshoot of rational choice political economy is the application of cooperative game theory, as in Taylor (1987) and Ostrom (1990). Here especially the relevance to heterodoxy is very clear. (3) Political scientists have become interested in the economic consequences of political institutions. This is a largely empirical field from which there is much to be learned. A particularly interesting subspecialty is the economics of human rights. (4) International political economy is an entire discipline within politics (or international relations) which draws on and contributes to central debates in economics.

D. Economics and psychology.

This intersection has gained in prominence with the rise of behavioural economics. (1) The analysis of behavior in the context of risk was the original inspiration for the crucial work of Kahnemann and Tversky, and this remains an important area of investigation. (2) As in philosophy, the question of well-being has been given new attention. Much of the empirical work in the psychology of happiness is essential for an improved economics. (3) The same can be said for motivation theory. Neoclassical economics is based on primitive and inflexible assumptions about the motivations that determine human behavior, and these have been disconfirmed by contemporary psychology. (4) Organizational behavior remains on the border between economics and psychology as it was at the time of March and Simon (1958). Modern institutional economics is unthinkable without a firm grounding in the empirical findings of this field.

E. Economics and sociology.

It is useful to remember that a historical thread leads from classical political economy through the historical school to the branch of sociology identified with Max Weber. The Weberian tradition remains strong, and, as heterodox economists find research and publishing doors slamming shut, much of the finest work in economics is now being done by sociologists. (1) The work of



Granovetter (1985), emphasizing the embeddedness of economic institutions within social networks, is indispensable. There is now a full generation of applied work utilizing embeddedness theory to analyze a variety of economic activities. (2) One of the most important offshoots of this approach is the study of financial networks. The social structure of finance is arguably as consequential as its market structure—itsself embedded. (3) Sociologists have long made important contributions to our understanding of economic organizations, such a firms and labor markets. Segmented labor market theory owes as much to sociologists as it does to economists, and labor process theory has been more the province of sociology than any other discipline.

F. Economics and anthropology.

There has been an open split among economic anthropologists, with one group following neoclassical economics in its attempt to demonstrate that rational choice models are applicable in all times, places and cultures, and the other emphasizing the cultural differentiation of economies. This latter approach is, of course, the one of most interest to heterodox economists. (1) Non-western economies have been studied with an appreciation for their internal coherence, as in Gudeman (1990). This is vital, intellectually liberating work. (2) Much of the best work on economic development (or the lack thereof) is being done by anthropologists who bring a sophisticated understanding of economics, frequently informed by heterodoxy, to bear on the economic life of formerly traditional societies. (3) Anthropologists have also brought their integrative cultural perspective to capitalist activities in the advanced countries. A prominent example of this is Newman (1999).

G. Economics and management.

There is a long history of collaboration between open-minded economists and management scholars, centering on such topics as industrial relations, strategic behavior and the organization of production. Two newer areas deserve special mention. (1) Corporate governance has become one of the central questions in the field of management, and much of the work is highly relevant to heterodox economists. One influential example is Blair (1995). (2) Management now has its own heterodoxy, critical management studies, with its own professional infrastructure. Bringing together dissenters in our two realms is an important task.

H. Economic geography.

This subspecialty has been a fertile ground for research into the location of economic activity for decades, but it has acquired a new prominence for at least two reasons. First, geographers have been on the cutting edge of debates over the role of international trade in industrial location. Economies of agglomeration, the role of local networks and other traditionally geography-inspired concepts have spawned a growing literature and have even edged their way into mainstream economics. Second, geographers have become the chief custodians, within the English-speaking world, of the research agenda inaugurated by the Regulation School. Simpler notions of fordism and post-fordism have increasingly opened out to a wide-ranging exploration of production systems, network effects and political-economic regimes.



I. Systems theory.

The convergence of theoretical models of complex systemic interaction across a wide range of disciplines is one of the distinctive intellectual trends of the last two decades. Systems theorists move

readily between economics, biology and physics, supplying all of these fields with methods for transcending the reductionism of less sophisticated approaches. In economics special mention should be made of ecological systems theory and its application to economic modeling. Indeed, if ecological economics is really different from environmental economics—if it is not simply the wing of orthodoxy that takes externalities seriously—it is due to the application of ecologically-inspired systems thinking to the human economy. Here then is a quick portrait, by no means exhaustive, of our partners in an economic studies enterprise. Taken together, they constitute a capacity for expanding our understanding of the economy that exceeds that of officially-designated economics, even including ourselves. If we can transform this potential into an institutional alternative to fragmentation—and the neoclassical domination of the “economics” fragment—we can redefine the margins and the center of economic research.

IV. A vision for economic studies

Interdisciplinary studies programs have proliferated in recent years, reflecting underlying trends in the interests of academic professionals and the needs of those who underwrite their work. We see women’s studies, ethnic studies, area studies, environmental studies, programs in “global change”, and so on. Each of these has its own story to tell, but we should consider why these stories are being told at the same moment in history. In part, this phenomenon is a reaction against the excessive specialization occurring at the disciplinary—and subdisciplinary and sub-sub-disciplinary—level. With little impetus for reintegration arising from the disciplines themselves, cross-disciplinary coalitions are picking up the slack. Meanwhile, we have seen a long-term shift in funding from pure to applied research, and the narrow disciplinary specializations are poorly matched to these demands. If each interdisciplinary program has a narrative of its origins in the heroic struggle of its advocates to overcome bureaucratic opposition, there is a counter-narrative, less often articulated, of institutions seeking to create the research synergies that will attract extramural revenue; the pioneers prevailed because they had willing bureaucrats to negotiate with. Indeed, the process resembles the corporate growth model of Penrose (1959), in which enterprises leverage their existing human resource assets by searching for new ways to combine them and new markets to enter.

I see no reason to doubt that these imperatives will not extend to economic studies as well. We have already seen that the “autistic” tendencies of neoclassical orthodoxy have led to counterproductive specializations, unsatisfying to outside funders and many practitioners alike. The potential for a new coalition across specializations is enormous, and such a coalition would most likely outperform traditional research units in applied work on real-world economic problems. Administrators would still have to be convinced, of course, but they would not have to be dragooned.



So what would economic studies consist of? We can think of it at two levels, at a single campus and as a global profession. At the professional level, it would have at least one peer-reviewed journal, essential both for communicating its work and generating the coin of appointment, tenure and promotion. It would have a professional association, with a public face to present to the world and a social network to aid its members. It would also have regular conferences, so that new cross-disciplinary allegiances could be solidified. In other words, it would look like most other interdisciplinary studies movements.

At the campus level, economic studies would offer courses initially to undergraduates and eventually graduate students. As an undergraduate teaching vehicle, it could begin by offering a concentration, then a minor, and finally a major. It would have the accouterments of an academic entity: an office, letterhead stationery, a seminar series, opportunities for faculty development. The longer term goal would be a graduate program, so that the field could more readily reproduce itself, and so that the convergence of teaching and research discussed earlier would be facilitated. Initially, no new faculty lines would be required; courses could be crosslisted, and only a modest administrative budget would be needed. As the program establishes itself, it can begin to make the case first for portions of existing lines and eventually for dedicated new positions. As with most clubs, the single most important question is, who gets to join?

Different campuses will propose their own answers; here is mine. The criteria for membership should be: (1) the study of economic life in at least one of its dimensions, (2) acceptance of the principle that no single method is privileged in this study—that the full range of disciplines with a tradition of research on economic questions has a legitimate contribution to make to common understanding, and (3) a willingness to read across the relevant disciplines, reflected in research methods, citations, etc. The one thing economic studies colleagues would *not* do is make claims or adopt methods that directly contradict the claims or methods of other colleagues, whatever their discipline, without taking them into account. Such a set of criteria would include many economists, including some neoclassical economists. They would be welcomed eagerly, respected for their skills and open-minded attitude. It would include most heterodox economists, of course, but the center of gravity would not reside in economics as a discipline; there are too many others who would qualify.

I would like to conclude by sketching a plan to get from here to there.

A. Convene an international founding conference. Secure the attendance of several participants with strong name recognition in the fields we are trying to attract. Let there be much pomp and celebration, along with coherent intellectual statements of the foundation on which economic studies will rest.

B. From this conference will come a book with essays by the better-known attendees, making the case for economic studies as an academic entity. This is the book you would show your dean or provost to get approval for an economics studies program locally.

C. If necessary (if there is no immediate stampede on the part of deans and provosts), a campus would be selected for a pilot effort. Such pressure as we could generate would be concentrated, and the honor of being a first mover (with more pomp) would ideally attract a friendly administrator. This pilot program could then be the subject of popular and professional writeups



and used as the model for future expansion. The odds are strongly in favor of such a strategy succeeding within a short time frame. As indicated above, administrators are generally receptive to requests for new interdisciplinary studies programs. Moreover, an interdisciplinary program specifically geared to economics studies would enjoy unique advantages. It would tap into a reservoir of student demand to learn about the economy, and not just a single way to go about studying it, during a period of declining student interest in mainstream economics and rising pressure to fill seats. It would provide a more effective context for research in areas in which neoclassical economists have largely assumed themselves out of the market, particularly in matters related to globalization and the transition to sustainability. Above all, it would appeal to the broad expanse of academics who feel themselves to have been ignored or dismissed by those who currently speak for the economics profession. Indeed, the esoteric proclivities of the mainstream of our discipline may be our greatest asset.

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