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# MULTIDISCIPLINARY ECONOMICS

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*A methodological account*

PIET KEIZER

# **Multidisciplinary Economics**

A Methodological Account

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# Multidisciplinary Economics

*To Leni, my wife*

*To Irene, Reitse, and Marian, my children*

*Welcome to this collection of frameworks of interpretation and learn how to  
communicate with people who are different*

## ■ PREFACE

### Mission of the Book

After forty years of studying, teaching, and doing research I decided to write this book. During my student period (1965–1972) I felt an increasing sense of dissatisfaction with textbook economics: ‘there is something essentially wrong’. Attending many lectures in neighbouring fields led to the experience that in these fields also there was something essentially wrong. In 1982 I submitted my PhD thesis, which contained an institutional explanation of the phenomenon of inflation. With hindsight I can say that this text was the beginning of a long journey towards what I call multidisciplinary economics now. I theoretically integrated two social-psychic variables in a typical economic explanation, namely ideology and militancy of relevant social-economic-political groups. According to the staff, who were responsible for the pass or fail decision, the thesis was good, but not straight economics. This was not a surprise since heterodox economics was not taught, and even forbidden as part of literature lists.

I decided to study sociology, psychology, and philosophy in depth. It led me to conclude that orthodox/neoclassical economics is an analysis of the economic *aspect* of human behaviour rather than an explanation of actors in a real-life economy. So, orthodox analysis cannot unconditionally be applied to real-life economic events. Under the name ‘economic naturalism’ neoclassical economics, as we know it from textbooks, is doing exactly this: empirical research on the basis of economic aspect-analysis.

When reading neoclassical texts it is remarkable that the essential concepts are not clearly defined. There is much confusion about the meaning of the terms ‘economic’, ‘rational’, ‘social’, and ‘logical’. Textbooks do not discuss the philosophical foundation of their approach. For readers, it makes the scope of orthodox economics unclear. In my book I show the partial character of the orthodox paradigm, present careful definitions of the terms just mentioned, and offer a more realistic paradigm and analysis by integrating the three primary human motivations, which are the economic, the psychic, and the social motivation. In the distinction between three irreducible motivations, it is possible to define the concepts in relation to each other. Economic motivation concerns the relationship between man and the natural environment, including other humans, as far as they are considered as just potential valuable natural things. The psychic motivation concerns the relationship between man and his Self. The social motivation concerns relationships between humans and groups of humans, where the fact of being human dominates these relationships. Within groups people are inclined to enjoy solidarity, while in relationships between groups humans are inclined to rival each other. By first developing an aspect-analysis of the psychic and of the social aspect, we can integrate these aspect-analyses in one paradigm, which is about the homo oeconomicus-psychologicus-sociologicus. In

this paradigm human nature is less partial and not constant. In every situation the composition of motivations and their relative strength might be different. This variability makes it possible to also develop a macro paradigm, based on the rich material offered by heterodox economics. This paradigm says that macro events are not the result of the aggregation of micro events. Like the micro, the macro level is irreducible and deserves its own paradigm. This paradigm says that reality is an open network of many subsystems, which are highly related to each other. The whole of this open system has properties, which evolve over time, and have a significant effect on the behaviour of persons and organizations on lower levels of analysis. On the lowest level the system has a significant effect on the composition and relative strength of the three primary human motivations.

Heterodox economics, economic psychology, and economic sociology offer much raw material, which is necessary for a shift in the way readers interpret their reality. With respect to the current economic crisis it is obvious that a more pluralistic economics would have led to more realistic policy advice from economists over the last few decades.

When we look at the way leading economists analyse the current economic crisis in Europe, we see that they are educated in a neoclassical way only. Every national economy is approached separately and presented as a firm, which is not competitive enough to operate on the global market. But the European depression came from outside, and many of the national economies are in one and the same depression. They all are pressed by Brussels to cut government expenditures and moderate wages. Because of the interrelationships between the various members of the EU the typical microeconomic analysis of the neoclassical approach create a dangerous downward spiral: less economic growth and less budgetary discipline. Since the EU is a large part of the global economy, this development is a threat for global development. In a climate of depression—not of recession as the neoclassical economists call the situation—price adjustments make a return to a balanced economy improbable. For economists who are not educated in a pluralistic way, which implies comparison between the paradigms of different perspectives—it is difficult to react adequately; their policy advice is always the same, whatever the context of the problems at hand.

The choice in favour of pluralism means that I do not consider myself a modern economist. The modernity project aims at the production of objective knowledge, which is a reliable basis for human action. Neoclassical economics—orthodox economics applied to the real-life world—presents itself as an objective, or at least as a hard and scientific body of knowledge. To me this is beyond humans. Reality is intrinsically an open system, which is permanently bombarded with external shocks. Scientists must not present their analyses as objective and hard. This view contains an element of intolerance: those who say they disagree have not understood it, and have not reached the true scientific level. Pluralism means that knowledge always remains subjective. If many scientists agree with each other, knowledge becomes intersubjective, but never objective. The subject of the scientist will always be involved—it will always be a human construction. Postmodern scientists characterize the failure of the modern project as ‘the end of the Grand Narrative’. I disagree; it is only the end of one so-called objective narrative. But every person can

always develop his personal grand narrative. Other people might become inspired by particular constructions and begin to participate in the further construction of them. In a democratic world scientists are free to compete with popular schools of thought. It means that competitors should also be offered the natural resources to really compete, and to establish their own essentials and definitions of important concepts. In the medieval and in the modern world essentials were considered to be objective and eternal (essentialism). In a plural and democratic world different subjects tell different stories about the human condition. My book stands in this tradition. One of the consequences is that now and then I start a sentence with 'I' rather than with the usual 'we'.

## Target Groups

The primary target groups of the book are the various groups of economists. Most of them are specialized, thereby missing a sophisticated frame for the context of their problems. Of course, the book is also valuable for non-economists, who have a job in which knowledge of human behaviour is important: business administrators, public administrators, lawyers, sociologists, psychologists, and political scientists. Nowadays many PhD economics students don't have a background in economics. This book is an excellent introduction to the fields that deliver the raw material needed for an analysis of the situation of the problems. These students all can profit from the insight the book is offering: that some fields have primarily a subsystem character, while others essentially analyse an aspect-system. The book offers an overview of many relevant currents in the three primary human sciences, namely economics, psychology, and sociology. Knowledge of philosophy is needed to see the broader picture, thereby improving understanding of the phenomena under scrutiny.

## ■ ACKNOWLEDGEMENTS

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