

Intersubjectivity in Economics

Agents and structures

Edited by
Edward Fullbrook

Economics as Social Theory



INTERSUBJECTIVITY IN ECONOMICS

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INTERSUBJECTIVITY IN ECONOMICS

Belief in the nineteenth-century neoclassical vision of atomistic economic agency, the foundation of twentieth-century economics, is now fast disappearing. This collection of lively essays responds to the emerging consensus that understanding the economic realities of today and of tomorrow requires theoretical approaches that recognize the intersubjective nature of economic reality.

It is now self-evident that interdependencies between the tastes, preferences, demands, goals, ethics, perceptions and decisions of economic actors are pervasive. Intersubjective economic phenomena can no longer be sensibly treated as inconsequential exceptions to an atomistic neoclassical rule. Economists today face the challenge of developing conceptual frameworks and analytical systems for comprehending the economic realities structured by intersubjectivity.

The essays in this volume, many of them outstanding and some likely to become classics, survey the foundational steps in this project. This international collection brings together theorists of note from Europe and America who, from a variety of perspectives, explore the possibilities for a non-atomistic economic theory. Each essay is both an independent exploration and a starting point for work by others.

Edward Fullbrook is the author of numerous academic works – books, chapters in books and journal articles – in economics, philosophy and social theory.

ECONOMICS AS SOCIAL THEORY

Edited by Tony Lawson

University of Cambridge

Social theory is experiencing something of a revival within economics. Critical analyses of the particular nature of the subject matter of social studies and of the types of method, categories and modes of explanation that can legitimately be endorsed for the scientific study of social objects, are re-emerging. Economists are again addressing such issues as the relationship between agency and structure, between economy and the rest of society, and between the enquirer and the object of enquiry. There is a renewed interest in elaborating basic categories such as causation, competition, culture, discrimination, evolution, money, need, order, organization, power probability, process, rationality, technology, time, truth, uncertainty, value, etc.

The objective for this series is to facilitate this revival further. In contemporary economics the label 'theory' has been appropriated by a group that confines itself to largely asocial, ahistorical, mathematical 'modeling'. *Economics as Social Theory* thus reclaims the 'theory' label, offering a platform for alternative rigorous, but broader and more critical conceptions of theorizing.

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INTERSUBJECTIVITY IN ECONOMICS

Agents and structures

Edited by Edward Fullbrook

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(with F. Varela), Kluwer, Boston, 1992 (a philosophical study of the concept of "origin" in biology, cultural studies, artificial intelligence and anthropology); *La Panique*, Delagrangue, Paris, 1992 (a philosophical analysis of the most elusive collective phenomenon in human affairs: panic); *Introduction aux sciences sociales, Logique des phénomènes collectifs*, Ellipses, Paris, 1992; *Aux origines des sciences cognitives*, La Découverte, Paris, 1994 and English translation forthcoming Princeton University Press (an intellectual history of cybernetics from 1943 to 1954); editor of *Self-Deception and Paradoxes of Rationality*, Stanford University Press, 1998 (a confrontation of continental and analytical philosophy on the phenomenon of self-deception). His current research is focused on the paradoxes of rationality, especially the antinomies of reason in the age of rational choice theory, analytic philosophy and cognitive science.

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A few years ago, while presenting a paper in a session on mathematical economics at a conference in Brussels, I noticed the most improbable thing. In the third row a very young man was sitting on the edge of his chair, apparently rigid with interest. The discussion that followed confirmed this unlikelihood, so after the session I approached him. He said his name was Thierry Levy, that he was a graduate student in Paris, and that he knew some French economists who would be interested in my paper.

So I sent copies of that and another paper to Levy. He wrote back saying he had sent them on to his contacts and was now sending me something that he had written. A few days later my heart sank when a 40,000 word typescript arrived. Titled “Conventions et Fondements de l'Echange marchand et de la Monnaie”, it had no apparent connection with anything in which I was interested. But for honor's sake, I decided to give it an hour. That was the beginning of this collection.

As editor of the series *Economics as Social Theory*, Tony Lawson generously gave me both his moral support and a free hand for this project. Jean-Pierre Dupuy's encouragement, advice and practical assistance were essential for getting it started. Likewise André Orléan. I am also grateful to Geoffrey Hodgson and Ralph William Pfouts for their encouragement and early support. Thanks also are owed to Marc Lavoie, Peter Earl, Robert Lane and Pierre Bourdieu for assistance in lining up contributors. But most of all this collection is indebted to the many-faceted and wise assistance of my partner, Kate Fullbrook.

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INTRODUCTION

Why intersubjectivity?

Edward Fullbrook

Science and anti-science

"It often happens," observed John Stuart Mill, "that the universal belief of one age of mankind ... becomes to a subsequent age so palpable an absurdity, that the only difficulty then is to imagine how such a thing can ever have appeared credible" (*Principles of Political Economy*, "Preliminary Remarks"). Although the belief that neoclassical economics' concept of an atomistic economic man suffices as a conceptualization of economic agency never quite gained universality among economists, it was long compulsory for them to profess allegiance to it. Such compliance is evidenced by the fact that the terms "economic man" and "*homo economicus*" were, until recently, used without qualification to refer to their neoclassical or atomistic construction. Likewise "economic rationality". Today, however, many of the former verities of economic orthodoxy are increasingly subjected to critique as the spirit of scientific inquiry recrudesces. All around us, belief in the sufficiency of the nineteenth-century neoclassical vision of economic agency is now disappearing like snow at the end of winter. In response, this collection of papers is about conceptualizing *non*-atomistic economic agents and the interactive structures to which they give rise.

The neoclassical atomistic *homo economicus* is a conceptual Frankenstein. The idea was fabricated in the late nineteenth century to serve the dream of constructing models of the economic universe in the image of Newtonian mechanics. Such models treat economic agents as if they were particles obeying mechanical laws whose behavior could, in principle, be described by a solvable system of equations. Determinate models of economic behavior, even when not reified as a belief in a determinate economic universe, require "economic agents" possessing properties formally corresponding to those of Newton's particles. Above all, economic subjects must be declared atomic. Application of atomism to the economic realm means treating human desires and proclivities as fundamental data, which, like the masses of physical bodies in classical mechanics, are not affected by the relations being modeled.

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Application of the doctrine of atomism implicitly divides interactions between entities, be they inanimate or not, into two primary categories. Some interactions result in a change only in the *behavior* of the individuals, whereas the rest – and this is the set that atomistic conceptualisation excludes – result in a change in the *properties* of the individuals. In the human realm, this is the distinction between *intrasubjective* and *intersubjective* relations. A purely intrasubjective interaction between two human subjects or between a human subject and socio-cultural-economic structures (for example, markets), is one that leaves the subjects, like Newton's atoms, unchanged as entities. An intersubjective interaction is one that does not.

In terms of economic model building, the difference between intra and intersubjective relations is fundamental. Neoclassical economics' two basic functional concepts, supply and demand, are predicated on the assumption that no intersubjective relations enter into the determination of market supply and demand. They are conceived as simple additive aggregations of the supplies and demands of the individual subjects. These conceptions preclude any intersubjective relations between economic agents influencing the determination of their supplies and demands, because such interdependencies would void the definition of market demand and supply. This formalistic imperative has meant that, for more than a century, intersubjectivity has been taboo in mainstream economics.

From the vantage point of a high-tech, instantaneous mass communication consumer society, the notion that economic agents are autonomous subjectivities and that, therefore, economic phenomena are exclusively *intrasubjective* appears as a palpable absurdity. In our age we all know that what we think, desire and decide as economic actors depends a great deal on what other actors are seen to think, desire and decide. But this was not always so much the case. When neoclassical economics was in its formative stages (1870–1890), economic activity was primarily about satisfying material needs in a pre-electronic world. Prior to the last century, most people in the West lived at or near subsistence level. Inter-subjectivity does not enter directly into the determination of the biological requirements of sustaining a human life and of providing it with basic physical comfort. So at the time of economics' founding and through much of the nineteenth century, basing the concept of *homo economicus* on atomistic individualism and sensationalist psychology, although limiting the scope of its inquiry, left it with a wide field to cover. In other words, it was an age when *intrasubjective economics* could arguably claim as its domain the greater part of economic phenomena. But in our age, outside of the poorest countries, the economic realm to which intrasubjective economics pertains grows smaller and smaller every year.

Indeed, for a long time now it has been impossible for neoclassicalism to offer justifications of its lingering hegemony by appealing to economic

reality. That has increased the difficulty of concealing the fact that formalist expediency, rather than scientific curiosity, accounts for neoclassical economics' atomist metaphysic. Supporters of this metaphysic, especially in economics textbooks, have proceeded as if the atomist framework of classical mechanics characterizes the physical sciences in general. This is very far from the truth. Scientists settled upon the concept of immutable units for this particular field of inquiry, not for ideological or philosophical reasons, but because it fits this particular class of physical phenomena. For other modes of physical interaction and other classes of physical entities, natural science has not and does not always proceed from the presupposition of immutable units. Chemistry is the most obvious example, its primary focus being the property changes in units of matter resulting from their interactions. If, instead of being pragmatic and pluralistic, natural science had taken a dogmatic approach to its metaphysics, insisting upon the same set of presuppositions for every class of physical phenomena, then very little of modern science would exist.

As noted, something like this did happen in economics. This collection of essays is about changing that, about accelerating the breakdown of the anti-scientific ethos that blocks critical inquiry, about creating, in addition to the intrasubjective economics of neoclassicalism, an *intersubjective economics*. This is a project for a century. Initially, it requires conceptual ground-work. That is the business of this collection. Each chapter is an independent exploration, each a possible starting point for work by others.

Ideally, the concept development required for this undertaking falls into two categories. First, concepts of non-atomistic agents must be formed, concepts subtle enough to capture the ambiguity and complexity of the intersubjective agent. Second, social, cultural and economic structures created by such agents must be identified and analyzed in terms of the way they in turn shape and reshape the agents. Hence, the division of this collection's chapters into two parts: agents and structures. But of course intersubjectivity means that agents and agents, and agents and socio-economic structures are interdependent, so that conceptualizing one level inevitably involves concepts relating to the other. In all the chapters, therefore, you will find considerations of both kinds of concepts.

Intersubjective agents

Theories of human behavior tend to divide between the extremes of free-will atomism and social determinacy. The causal monism of these polar opposites makes their conceptualization relatively unproblematic and therefore attractive to theorists. Intersubjectivity, the third possibility, presents a much stiffer challenge, as it falls in the tangled and recursive middle ground. The first chapter, by John Davis, seeks to conceptualize the interface between the individual and society, with the aim of creating