

Role Of Values In Post-Modern Economics- A Review

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Abstract

Economics has only danced on the fringes of this world view transition, but it is particularly suited to make a contribution to the discussion for several reasons. First, it is a social science where people are the basic building blocks of a unified theory rather than the particles of the physicist. The "objectives common to most" assumption of the economic rationalist model does not serve us as well as the physicist's assumption that particles have common objectives. They almost always seem to. Therefore, only the most ardent supporters of economics as science have promoted the pure value free reductionism position in economics. No one has really succeeded in making this position operational. This weakness in our positivistic armor makes us open to subjective methodology. A second, and more important reason for economists to enter the discussion is that the unifying force of our rationalistic model is the freedom of all participants. This notion of freedom as the real driving force of economic efficiency and social harmony positions economics on the bridge between the two world views. In economics, freedom is a concept that is compatible with both the post-modern world view and the modern mechanistic world view. In the modern view, freedom of choice makes markets work, but that freedom is constrained by the rules of the mechanism that must be followed. The freedom-authority-responsibility triad is always held in precarious balance, and, if that balance is not maintained, the existing world view will eventually be challenged. In the post-modern world view, freedom is not constrained except for the call to toleration, and, as we will see later, this autonomy makes it hard to develop the shared values needed to make a post-modern world succeed. In short, because economists know much about the freedom and control struggle, they need to be a voice in the discussion of world view transition. Third, economists must enter the dialogue because they can explore the policy implications of post-modern thinking. When the rubber of a world view hits the road of human experience, the world view can be seen from a fresh perspective. Hopefully, economists can add new insights that will be useful. This paper will attempt to comment on some aspects of the shift from modern to postmodern thought. First, it is instructive to contrast paradigm shifts of the past to gain perspective on the topic. Second, what are the symptoms of the present paradigm shift and to what degree are we now post-modern? Third, what impact might the shift have on economic thinking?

Introduction

Economists, like all mortals, spend most of their time thinking about definitive realities. We have made a profession of discovering laws of human behavior that govern resource use. We use our laws to generate policy and our desire is to progress toward the absolute truth of economics so that we need not live amid chaotic unpredictable happenings. We are proud that our discipline is a science and we feel more kinship at times with the natural sciences than we do with other social sciences. Unlike other social sciences, we build on the notion that people have common objectives and are rational. From this basis we are only a stone's throw away from

objective science and highly reliable policy. Our definitive reality is the mechanistic world that is ours to conquer. The post-modern world view is changing this agenda of thought. What we think is now less important than how we think. J. L. Burkholder has proposed that "a subtle and profound change has come upon us with respect to how we perceive reality. This change is sometimes celebrated as liberation. It is to be liberated from a world of external restraints in favor of subjective freedom."¹ Reality becomes a subjective individual matter in which perspective, context, frame of reference, and individual perception are the important factors. As confidence in enlightenment rationalism fades and the contours of subjective relativism

appear, religion is in a precarious position. On the one hand, there is kinship with the enlightenment belief in objective rational reality. On the other hand, there is kinship with the subjectivist battle against the reductionism of the rationalistic world.

II. Economics has something to offer the dialogue on shifting world views.

Economics has only danced on the fringes of this world view transition, but it is particularly suited to make a contribution to the discussion for several reasons. First, it is a social science where people are the basic building blocks of a unified theory rather than the particles of the physicist. The "objectives common to most" assumption of the economic rationalist model does not serve us as well as the physicist's assumption that particles have common objectives. They almost always seem to. Therefore, only the most ardent supporters of economics as science have promoted the pure value free reductionism position in economics. No one has really succeeded in making this position operational. This weakness in our positivistic armor makes us open to subjective methodology. A second, and more important reason for economists to enter the discussion is that the unifying force of our rationalistic model is the freedom of all participants. This notion of freedom as the real driving force of economic efficiency and social harmony positions economics on the bridge between the two world views. In economics, freedom is a concept that is compatible with both the post-modern world view and the modern mechanistic world view. In the modern view, freedom of choice makes markets work, but that freedom is constrained by the rules of the mechanism that must be followed. The freedom-authority-responsibility triad is always held in precarious balance, and, if that balance is not maintained, the existing world view will eventually be challenged. In the post-modern world view, freedom is not constrained except for the call to toleration, and, as we will see later, this autonomy makes it hard to develop

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II. Are We Post-Modern Now?

The natural sciences have led the way in the change from an objective predictable world to a world where what is real is dependent upon perception. Hsieh and Ye summarize postmodern science as follows: The emerging new unifying paradigm of self-organization has stressed the connections among reversible and irreversible time, order and disorder, chance and necessity, physics and biology, mind and matter. In doing so, it also enlightens us about the ontological question of being and becoming. The answer lies in the self-organizing dynamics. We may also add that general relativity theory, quantum mechanics, theory of chaos, thermodynamics, and biology provided the scientific foundation of the new synthesis...² Erich Jantsch speaks of a broad concept of evolution that drives the new paradigm. "It becomes possible to view evolution as a complex, but holistic dynamic phenomenon of an universal unfolding or order which becomes manifest in many ways, as matter and energy, information and complexity, consciousness and self-reflexion."³ Prigogine and Stengers have

shown that, under certain conditions, entropy can create a new order rather than disorder, because the passive particles of classical physics can now be seen as active matter.⁴ One need not be a dedicated student of natural science to recognize that classical physics and the mechanistically ordered world of Newton are giving way to a dynamic, evolving, self-organizing notion of how the world works. What is less clear is how these notions transfer to the humanities and the social sciences in general and to economics in particular. Social theorists like Habermas and Giddens draw on Gadamer to question the connection between the natural sciences and the social sciences. Habermas believes that natural science leads us to believe erroneously that humans function with a full knowledge of their behavior and its consequences. He also believes that the reflective ability of the agents in natural science is far less than the ability of humans to examine and alter behavior. While I agree with these qualifications, I would argue that natural science still leads social science thinking in the areas of methodological theory. When economists build models assuming that people are rational and that they have objectives common to most, they are practicing a methodology that is closely related to the natural sciences. The instrumentalism articulated by Milton Friedman in his oft quoted article on methodology would clearly imply that Habermas' critique is irrelevant.⁵ The conceptual method of economics parallels closely the method of natural science even though it is less precise in practice, and, if natural science moves away from a positivistic framework, economics will follow in its footsteps. This is not simply some effort to be a science. It is the normal movement that occurs in all disciplines as scholarly regimes or paradigms change. Keynes saw the breakdown of positivistic thinking in natural science and used it as an argument in his own attack on neo-classical economics. He saw his own critique of full employment equilibrium as akin to the

mathematicians need to find a non-Euclidean geometry to explain why supposedly parallel lines intersected. He commented that rebuking the lines for meeting is not the answer to the problem.⁶ By implication full employment equilibrium models needed to be discarded as a general theory of economics. Economics is perhaps the last discipline to be influenced by post-modern thinking. In literature, the task is to de-construct the content into what it means to the reader. In theology and ethics the context and historical situation make each event unique. Morality and ethics becomes situational rather than based on reason and rules. Overall, the focus of concern has gone from systemic patterns to the particular, from the search for truth to an appreciation of what matters to individuals, from modeling to story and rhetoric. We no longer search for the meaning of things. We now search for what they mean to me and my meaning has integrity in its own right. At the popular level, the idea of political correctness is an application of a self-organizing or self defining world view at work. Everyone's definition of good has merit or at least should be respected. Post-modern does not mean post-market. It does not mean that we do economics totally different. Supply, demand and price are not made obsolete by the changing world view. The invisible hand is not negated by subjective reality. However, these forces of the market are now more deeply embedded into society and the dynamics of change take on more importance. Furthermore, it will be harder to appeal to data to prove someone right or wrong, because there will be no absolute truth in numbers. Post-modern writers seem to vary on how they understand reality. A few may feel that there is no such thing as "a real thing." Others concern themselves only with our inability to grasp a real thing. None argue that reality can be understood in any objective sense. When it comes to policy, I believe that the inability to grasp something real and the absence of objective reality amounts to the same thing. In both cases, what we

actually do depends on what we have created as true for us. Hermeneutics may presume definitive reality, but if that reality is inaccessible until we define it as it seems to us, then reality can hardly be considered to be objective. In practice, we are becoming post modern. Indeed, whether we like it or not, the ordered world of classical physics and mainstream economics is being pressured at both the theoretical and practical level. Diogenes Allen comment, "That we live in a self contained universe can no longer be supported by a philosophic consensus."⁷ Three decades ago economists were riding a crest of popularity while today economists manipulate their systems of equations in relative obscurity. In many quarters the relevance of mainstream economics is seriously questioned. In modern terms we are in the process of falsifying ourselves. Whether we like it or not, the world is moving toward post-modernity at a rapid pace and economists will eventually be on board as well. The movement from the medieval world to the modern world was traumatic to say the least. The ordained station in life mindset had to be fused with the individualistic freedom concepts. The movement from the modern to the post-modern will be even more problematic because the role of a transcendent God of creation is even more removed from the consciousness of the contemporary mind.

III. How does Post-Modernism Impact Economics?

Is there a connection between the philosophy of post modern thinking and the realities in the economic world. According to Doug Brown, "The postmodern drift of capitalism is doing many things, but the production of "social heterogeneity" is the most pressing. The high tech revolution, time-space compression, and the disembedding effects of global self-regulation are not only causing greater insecurity and de-centeredness along with the injustices that have always been part of capitalism, but they are producing a social

condition in which the ability and means for people to define themselves differently from one another has dramatically increased. The postmodern drift is causing more pluralization, differentiation, individualization, fragmentation, dis-integration and diversity".⁸ In short, according to Brown, people are adrift in a sea of uncertainty and the answers of neo classical theory seem inadequate to deal with the diversity and fragmentation. The economy is losing its order, its systemic rhythm, and its ability to solve problems that people are experiencing. Rich and poor are not finding fulfillment in the outcomes markets have delivered and they are starting to doubt its processes. A disembedded technical allocative system free of social and moral values can work its magic if there is enough non-economic social glue to foster a community of shared values. When this glue breaks down, the entire system is endangered. Public confidence is required for systemic viability. In the pre capitalist era, economic activity was embedded into cultural, social, and religious life. Resources were produced and distributed according to one's place in the social order and the religious values of the community. As Amintori Fanfani wrote in 1935 Economic activity, as an aspect of human action for the attainment of human ends, must take place within the moral sphere, which is circumscribed by social customs, political regulations, and religious principles. The means of acquiring goods will not therefore be classified as practicable or impracticable according to greater or smaller returns, but according to their conformity to the moral lines within which every action must be contained At bottom then, the primary characteristic of the precapitalist spirit is that the choice of means of acquiring goods is determined by criteria, not of pure utility, but of utility only in so far as is compatible with the vigorous existence of extra-economic criteria.⁹ With modernity came the notion that resources could be allocated efficiently by an invisible hand. This hand did not need to be subject to

social values and religious beliefs because it functioned according to laws of the universe that worked in a self adjusting manner. This disembedding of economics from culture not only moved economics away from values but it made all but the most basic intervention in economic issues a harmful thing that could only lead to reduced social welfare. For such a detached system to survive, people must believe that absolute laws of order exist in the universe, that it is safe to rely on the mechanics of the system to provide for prosperity or at least subsistence, and that the system will be fair according to some broadly accepted notion of justice. Modernism provided a rationale for the first two of the concerns and some compromises in social policy reduced the fears of the third concern. According to Brown, Karl Polyani, Charles Wilbur and others, the welfare state and a negotiated wage system in capitalistic countries made the mechanized system acceptable to the masses who benefited from the power of the production mechanism. However, hidden in this system of modernity was an Achilles heel that, over time, has eaten away at the foundations of capitalism. Individual freedom of action can not be isolated from individual freedom of thought. It is a small step from freedom of thought for everyone to the notion that there is no hierarchy of views and no absolute laws to depend upon. In other words, modern thinking naturally gives way to post-modern relativism. Once the notion of a mechanistic self-adjusting set of laws breaks down, the confidence that there is order in economic matters evaporates. The safe haven of objective truth in economics is gone and the drive begins to embed economic matters back into the cultural and religious fabric of society. If post-modern economics has a social agenda, it is to facilitate this embedding process in ways that are meaningful to people. The sad part of the story is that, when that embedding process begins, the same pluralistic concepts that destroyed modernism have made it impossible to

create a shared set of cultural and religious values from which economic concerns can be addressed. The embedding process is thwarted and a frightening fragmentation follows in all areas of life. In short, pluralism is a concept that, for all its appeal, can not provide a social glue that lasts for either the modern or the post-modern world view. The one positive element in the story so far is that it is again appropriate to bring values into economic discourse.

IV. What Role Will Values Play in Post-Modern Economics?

So far there has not been a great deal of optimism held out for the Christian economist. Society is fragmenting and people are losing faith in a mechanistic economic system. Absolute values are thought to be obsolete and efforts to re-embed the economy back into a society with shared values of any kind are hindered because the freedom-authority-responsibility ingredients of social glue are unbalanced toward the freedom side. The concept of authority, a term which is being used here to refer to a collective will, is viewed as a bad thing because broad based collective action has been failing throughout the world. Responsibility is frequently viewed as a quality that is generated out of the despair of irresponsibility. That leaves freedom as the primary good quality to bring in the good life. Unfortunately, its chances of saving the world from disorder are far better when the modern world view prevails than when the post-modern world view dominates. In a post-modern world a different social glue must be developed. The new social glue must include several important ingredients that have not been prominent in the modern world. First, there must be a renewed interest in moral philosophy as a guide to what is important in economic life. We must be able to articulate why the questions we explore are important. We must struggle, as Adam Smith did, with the nature of people and what moral constraints could be expected of them. The

spiritual and religious center of being human must not be ignored by economists.

Second, we must understand that technology should be driven, rather than be an autonomous driver. It impacts thinking and practice and must be accountable to those effected. Perhaps this area comes as close to illustrating the post-modern mentality as any economic area of study. It is like the blind men trying to describe an elephant and coming up with varying realities. Technology as some constant put into a production function can hardly deal with the social processes involved in its development and use. Third, the new social glue must contribute to an increased sense of homogeneity among people. People must feel like they belong to a primary group of some kind in their work and in their leisure. We have long since lost the identity of an extended family and technology is fragmenting occupational identity now as well. In the post modern age of self definition here are few categories available that can be used to bring meaningful definition and identification to someone trying to understand who she is. Fourth, the new social glue must include a coherent explanation of the method of economics. Commenting on McCloskey's critique of economic methodology, Steven Shulman writes, "Economics is another form of communication, an ongoing conversation conducted in terms of metaphorical allusions, established conventions, appeals to authority and other rhetorical devices."¹⁰ From the NAFTA debates one wonders whether there is a way to distinguish between analytical substance and argumentative rhetoric. After the former neatly specifies a function the latter comes along and becomes a violent shifter of the uncton. Finally, the new social glue must integrate the social and natural worlds into a more holistic framework. Creation, environmental integrity, and the role of people in the world needs to be part of the concern of the economist. Our models will be less precise, but they will be more rich and meaningful. They may predict less well, but

influence behavior more. They may once again matter to those trying to sort out economic concerns. How can this social glue be generated? Can something be sprinkled into the neoclassical brew in sufficient doses to salvage mainstream economics and make it viable? These questions remain for brief comment and further exploration. Two general comments seem to be appropriate at this point. First, post-modern economic thinking is far more comfortable with the agenda listed above than is neo-classical economic analysis. The contemplation of values is an important part of post-modern analysis. Second, any particular conclusions that result from thinking are useful only as they evolve from a tradition of shared values. It is the interaction of alternative traditions that finally forges a social glue that makes it possible for society to survive. Toleration, variety of belief, and small scale social groupings, would be the logical outcomes of this post-modern order. Out of this mix would need to come a set of shared values that people could depend upon. In spite of this, I am not optimistic about the prospects for the post-modern world.

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