

Change in economics and changing economics

25th ESHET Summer School in History of Economic Thought, Economic Philosophy
and Economic History

Università di Torino, Campus Luigi Einaudi, August 28 – September 1, 2023

John B Davis

Marquette University and University of Amsterdam

What is this talk about?

The talk comes from the closing chapter in a book forthcoming in 2024 with Cambridge University Press: *Identity, Capabilities, and Changing Economics* (paper for the talk posted on my SSRN page)

The opening chapter of the book argues against mainstream economics' 'view from nowhere' abstract, formalist conception of objectivity, and in favor of a 'view from somewhere' conception of objectivity that embeds economics in the world (paper published in *Journal of Economic Methodology*; shorter version on my SSRN page)

This paper/chapter today applies the 'view from somewhere' conception of objectivity to how economics changes

An argument I make is that social values are objective and influence change in economics – thus 'positive' economics reflects its normative commitments

The four sections of the paper

- (1) The methodological problem of identifying change in economics and an argument for explaining it in terms of economics' relationships to other disciplines
- (2) Four forms of relationships between disciplines, economics' unstable form, and an open-closed systems view of disciplinary boundary crossings with a core-periphery model of economics
- (3) Two sets of external forces influencing change within economics
- (4) How these external forces acting upon economics could influence economics' internal development and relationships to other disciplines

(1) The methodological problem of identifying change in economics

The methodological problem: disciplines always have 'new' and 'old' contents. Are always changing or not?

The 'inventory' method aims to identify and tally up 'new' and 'old' ideas

Two problems: 'new' may be 'old' ; when is there enough 'new' for change?

Historians' approach: how economics' place and role in the world 'as a whole' affects social relationships and social policies; e.g., Keynesian economics and demand management policies as new and a change

A more fine-grained method: change in economics 'as a whole' comes from the effects of changes in its relationships with other disciplines – change in its disciplinary identity

(1) The methodological problem of identifying change in economics

Disciplines can be identified in terms of their *scope* (their disciplinary boundaries and how much they cover), *domain* (their interpretation of their subject matter within those boundaries), and *definition* (their summary view of their subject matter)

Postwar economics' borrowing from mathematics

But change in a discipline's boundaries – its scope – may or may not change its domain and definition; two opposite cases:

- (i) classical political economy to neoclassical economics
- (ii) behavioral economics

Change in economics using a core-periphery model of economics: changes in economics' scope and boundaries (its periphery*) may or may not change its domain and definition (its core)

(2) Four forms of relationships between disciplines

Jordi Cat's forms of disciplinary interaction: cross-, inter-, multi-, trans-

Differ as to whether

- (i) borrowed/imported concepts and theories change a discipline
- (ii) significant interfield development occurs

Ordered from when a discipline is most closed to most open

Economics is a largely closed or interdisciplinary field; one that borrows without much changing its core

But is its interdisciplinary status stable?

The ambiguous case of behavioral economics regarding the core of economics

(2) Four forms of relationships between disciplines

The stability issue: what happens to 'foreign' concepts and theories entering a discipline? Are they 'domesticated' or do they transform its core?

We need an analysis of 'disciplinary boundary crossings'

Consider economics' core as a closed type of system – the mainstream – and its periphery – heterodoxy and other science influences – as an open type of system

I use Sraffa's 1931 Classical analysis of closed and open systems:

closed systems, cores, are only *incompletely* closed and are completed by open systems, their peripheries

E.g., the Ricardian core and the neoclassical general equilibrium core

(2) Four forms of relationships between disciplines

An understanding of evolution is needed to complete this open-closed analysis
Think of the evolution of ideas (not species) and consider Brian Arthur's *Nature of Technology* computational theory rather than Darwin's biological theory
Arthur: evolution in ideas can be transformative because adoption of new ideas is often opportunistic (e.g., the Keynesian multiplier idea); relationships between disciplines thus tend to be multidisciplinary
A multidisciplinary economics : no core-periphery divide, porous disciplinary boundaries and opportunistic borrowing, and a complex pluralistic economics
Are there external forces acting on economics' internal development that would accelerate such evolutionary change, moving it from an interdisciplinary to a multidisciplinary field?

(3) Two sets of external forces influencing economics

Up to now I've used the core-periphery and open-closed concepts to describe the structure of economics

Turning to how economics changes I will use those concepts to explain external forces operating on economics and its internal development

The two sets of external forces I distinguish are respectively science-wide forces affecting economics' internal research practices and social values operating on economics subject matter

The first operate at the core of economics in how it is done and work like closed systems

The second act more on the periphery of economics and are more like open systems

I will put these together to explain how economics may change

(3) Two sets of external forces influencing economics

Economics' development is occurring in an evolving world influenced by two specific sets of external forces acting on its internal development:

(i) Forces involving the evolution in science-wide research practices:

Specialization, formal modeling, the 'empirical turn'

(ii) Forces associated with popular expectations and social values regarding the role, nature, and responsibilities of economics that we can interpret using the World Values Survey (WVS):

The Inglehart-Welzel World Cultural Map's two axes: (a) traditional values vs. secular-rational values; (b) survival values vs. self-expression values

(3) Two sets of external forces: (i) Change in economics' research practices: specialization, formal modeling, and the 'empirical turn'

All are increasingly important as research technologies in economics

They concern *how* economics is done, not *what* it is about

All distance economics from theory, and thus weaken its internal core-periphery divide and its interdisciplinary isolation from other fields

Specialization: lateral rather than vertical links means weakened generality

Formal modeling: specific causal relationships vs. broad intuitive theorizing

The 'empirical turn' and the 'data explosion' mean evidence rules, not theory

(3) Two sets of external forces: (ii) Change in popular expectations and social values regarding economics' responsibilities

The World Values Survey (WVS) is the product of a large global network of social scientists surveying changes in social values across over 100 countries since 1981 (see Inglehart et al., 2014)

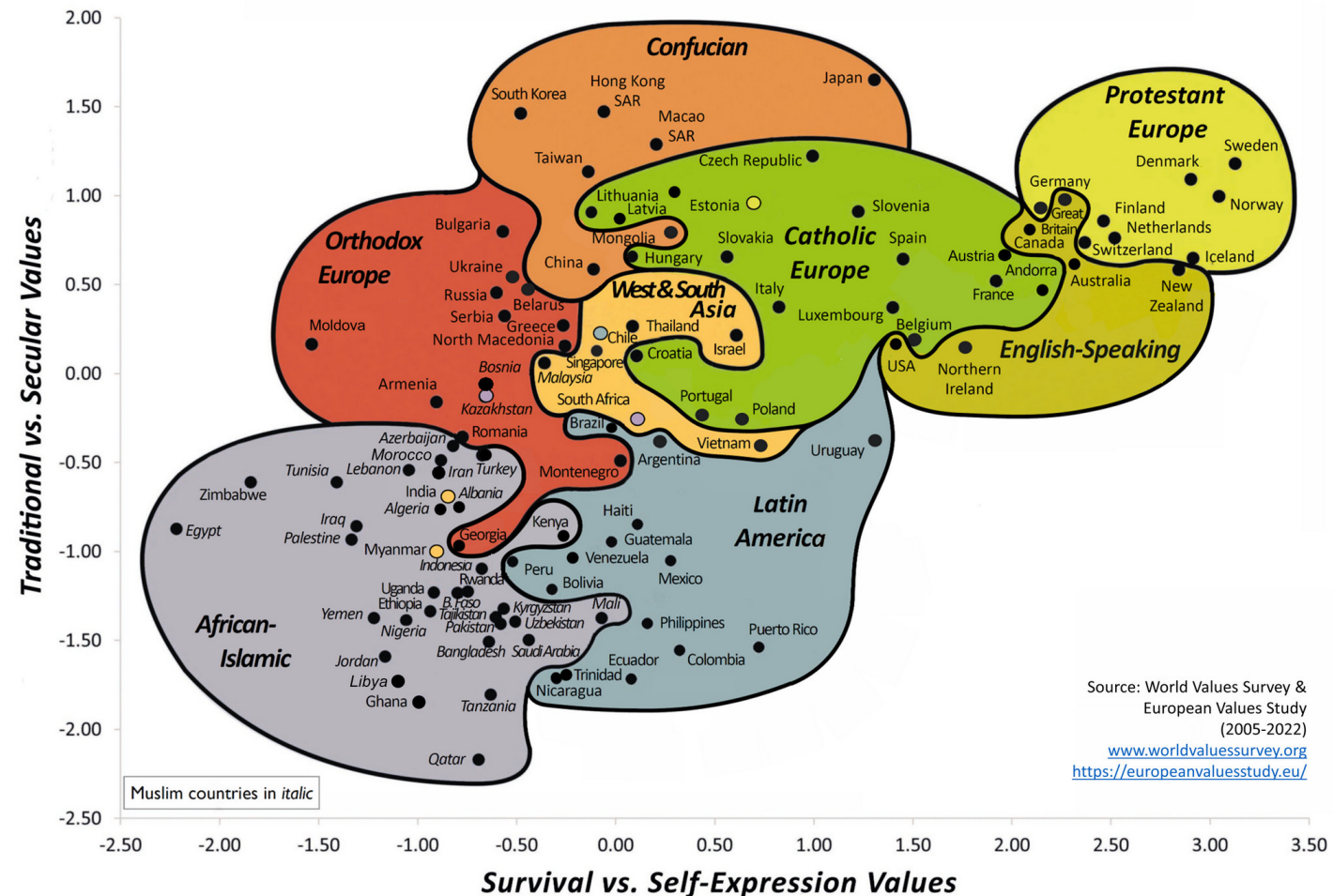
It tracks shifts in two main worldwide polarities in social values over time according to countries economic development:

traditional vs. secular values and survival vs. self-expression values

Social values are thus objective (not subjective) in the sense that they reflect facts about what large numbers of people value

(3) Two sets of external forces: (ii) Change in popular expectations and social values regarding economics' responsibilities

The Inglehart-Welzel World Cultural Map 2023



(3) (ii) Change in popular expectations and social values: (a) secular-rational values

Developed economies as increasingly post-industrial, knowledge societies are shifting from traditional values to secular-rational values

How does mainstream economics fit this social value shift?

- Rationality, optimization, and instrumental reasoning

- The economics of the family, religion, and government

Mainstream economics has abandoned traditional values in favor of secular-rational values

Its development is thus consistent with this particular dimension of change in developed economies' social values

(3) (ii) Change in popular expectations and social values: (b) self-expression values

What about the shift from survival to self-expression values?

a shift yes, but self-expression is understood only as subjective preference satisfaction

In the WVS, self-expression values are understood as:

Emancipative values: freedom of choice and equality of opportunity, prioritize lifestyle liberty, gender equality, personal autonomy, and popular voice

Human empowerment: strengthening people's capabilities, aspirations, and entitlements, democracy, out-group trust and cosmopolitan orientations

Overarching goal: expanding individual agency

Mainstream economics' development is thus *inconsistent* with this particular dimension of change in developed economies' social values

(4) How change in economics could come about

How might change in economics' research technologies and changing worldwide social values influence economics' internal development and openness to other disciplines?

The first functions as a closed system at economics' core because research technologies are systematic and regimented, but only as a relatively closed system because they only concern *how* economics is done

The second function as an open system on economics' periphery because values are general in nature, but can nonetheless complete the first, how economics is done, because they concern what economics is *about*

Thus, the second effectively closes the first and drives change in economics

(4) Change in economics: one implication

Back to the mainstream's 'view from nowhere' versus a 'view from somewhere' economics

The mainstream view from nowhere gives us a context-free, abstract, ahistorical, economics; but the evolution in research practices is weakening its theory commitments

The view from somewhere gives us a context-dependent, historical, socially embedded economics and brings in new theoretical contents

This suggests that the abstract view from nowhere, *Homo economicus* conception is likely to lose out to a concrete view from somewhere, embedded individual conception

(4) How would economics be different?

This development of economics would reduce its core-periphery nature and disciplinary isolation other disciplines

Economics' interdisciplinary character would increasingly be replaced by a more multidisciplinary economics

Economics could become a more pluralistic, non-hierarchical field with many competing approaches, perhaps rotating in importance according to the challenges economic explanation faces in a continually changing world

(4) Change in economics

Economics does not operate in a scientific vacuum imposing its ideas on the world – an imperialistic, performative economics

This scientific conception of economics has been promoted by mainstream economists to elevate their influence and self-regard

But as the WVS shows, in post-industrial, knowledge economies people increasingly expect economics to be in service of social needs and open to heterodox ideas and ideas from other social sciences

Thank you!