

# Economics as a Performative Science in a Stratified World

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# Mainstream economics in relation to inequality and stratification

- We live in a world in which inequality is being institutionally strengthened through the enhancement of stratification processes
- Stratification processes result from structures that systematically privilege higher and de-privilege lower social economic strata
- The economics profession's stratification processes involve replacement of its traditional, independent 'reflexive domains' by a self-managed, stratification-reinforcing journal research ranking system
- Scientific behavior gets replaced by bureaucratic behavior and economics also becomes increasingly performative
- Economics then risks becoming a bubble science and cause of crises

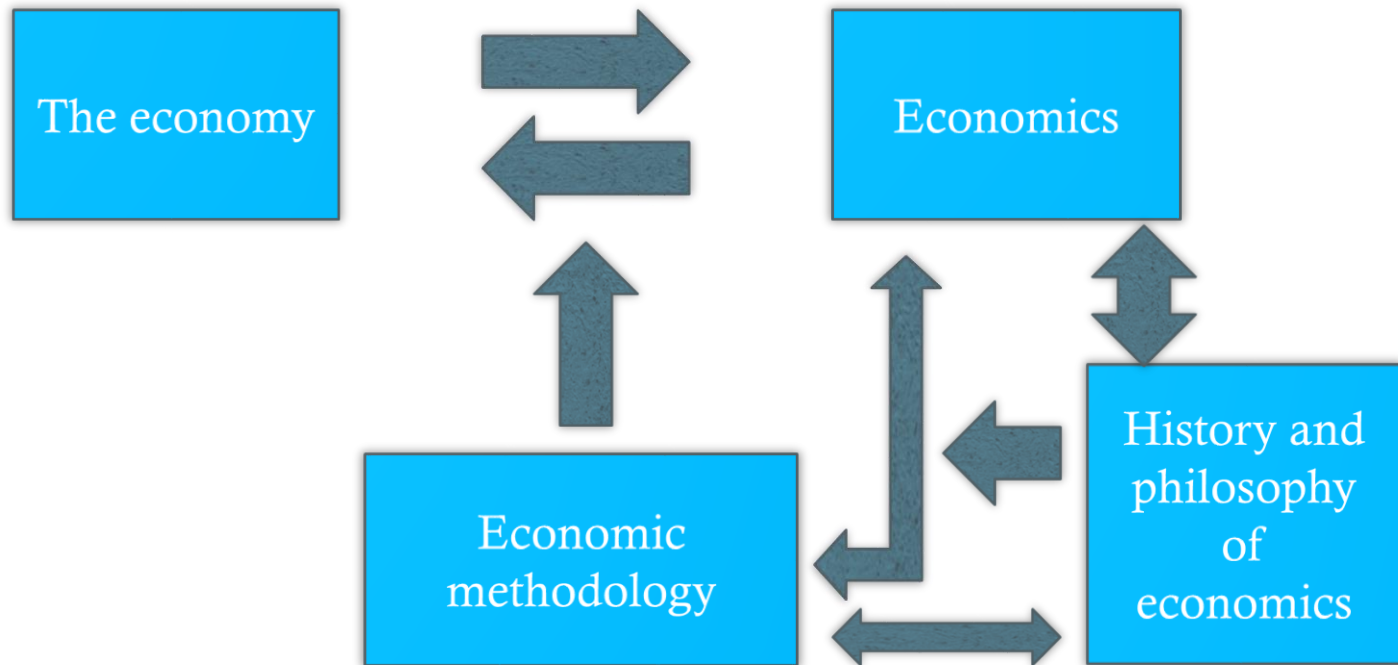
# Economics' traditional reflexivity

- Economic methodology and the history and philosophy of economics are economics' traditional reflexive domains and its principle forms of scientific 'self-consciousness'
- *Economics* explains the economy in terms of the relationship between theory and evidence
- *Economic methodology* explains the theory-evidence relationship as reflexive – theory depends on evidence and evidence is informed by theory – and evolving – there is always new evidence so must always be new theory
- *History and philosophy of economics* explain economics as a science relative to the adequacy of its methodological practice

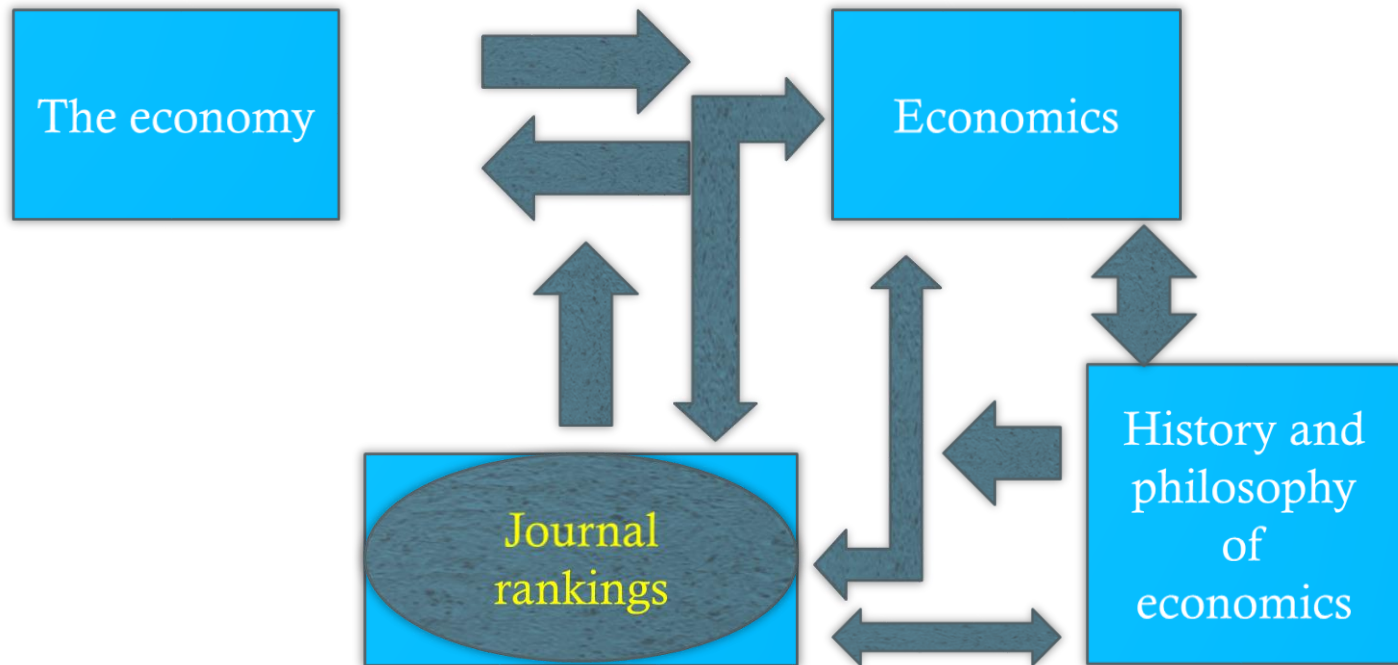
# Mainstream economics' new reflexivity

- Methodology, history, and the philosophy of economics are largely marginalized
- Research quality is judged through journal ranking systems and their supporting apparatuses that are *status quo* biased and reinforce social and theoretical stratification in the profession
- The Mathew Effect operates: “the accruing of greater increments of recognition for particular scientific contributions to scientists of considerable repute and the withholding of such recognition from scientists who have not yet made their mark” (Merton, 1968, 58)
- The main stratification process: research from top institutions only goes to top journals => top journals only publish research from top institutions => top journals remain top journals and top institutions remain top institutions

# Economics as a scientific system



Performative economics  
remakes the economy in its  
own image



# Economics as a performative science

- Performative sciences work to remake the world in their own image through policy and institutional design changes that incentivize behavior to fit the theory
- In response to the emergence of behavioral economics rational choice theory has become a normative theory; performativity functions in form of defense that proves the theory
- Orthodox research functions as a *self-fulfilling prophecy* since its production is self-validating; non-standard or heterodox research functions as a *self-defeating prophecy* since its production is self-refuting
- Performative practices: reward reputation, reinforce elite institutions, incentivize training to the *status quo*, incentivize fitting evidence to theory with sophisticated econometric technologies, establish practitioners' expert status, domesticate other science imports, increase positivism, close off discourse about the nature of science, eliminate dissent in the name of science
- A performative science becomes increasingly self-referential

# Labor market theory in a stratified world

- A performative science must adjust to and accommodate reality
- Piketty: rise of top income shares in the US 1980–2010 due especially to rising inequality of labor earnings; 2 causes:
  - Managerial compensation  $\leftrightarrow$  labor-saving technology change
- Chicago tournament theory and winner-take-all economics
  - Workers rewarded by rank in an organization
  - Marginal contribution does not determine compensation
  - Small differences in ability yet significant differences in compensation
  - Compensation determined by lottery and random assignment in a world of scarce chances
  - Stratified labor markets are efficient with ‘optimum labor contracts’



# The risk of being a bubble science

- The history of science is replete with bubble sciences - sciences believed to be correct that were later superseded
- Scientific advance is not cumulative and smooth but subject to crises, paradigm shifts, and stranded theoretical asset write-downs
- The mainstream's increasingly performative character in a period of increased theoretical rivalry in economics puts it at risk as a bubble science
- The lost opportunity of the Cold War ideological peace dividend

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