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Abstract: This paper uses Beck's concept of reflexive modernity, and a Foucauldian approach, to critique the positivist philosophy associated with contemporary conventional economics, and to show its inadequacy for the environmental emergency. The paper suggests economics is not neutral but performs an ideological function in justifying the political and social order. Economics can be deconstructed by tracing its history, thereby laying bare its philosophical and political roots. The environmental debate repeats past debates of the 1920s and 30s. By employing the 'subjugated' institutional economics approaches economics can be redefined, and the path to a truly Green New Deal can be unearthed.

Introduction

The brief for this symposium begins with the claim that 'The need to reconstruct (or reorient) economics is almost unanimously acknowledged.' Within conventional economics however – which forms the vast majority of the discipline – only lip-service is being paid to reconstruction, in spite of repeated failure to predict economic crashes. No noticeable changes have occurred to the processes or the outlook of the discipline (Hodgson 2009). Yet this lack of response is itself noteworthy. Why is a discipline that has suffered such a glaring failure to predict major events displaying such intransigence? In addition, why does such a discipline continue to hold such high esteem?

This essay suggests that these occur because economics performs a vital ideological function in justifying the existing social order, by enabling what Habermas referred to as the 'scientization of politics', whereby political questions are removed from the political forum and instead decided by technocrats (Habermas 1971). It is important to this project that the philosophical and

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political dimension of economics is actually denied, the requirement is for economics to be viewed as an objective 'science'. This is increasingly hard to maintain in a contemporary society marked out by constant emergencies, however. Additionally, denial of the philosophical basis of economics entails considerable rewriting of the history of economic thought in order to airbrush out the philosophical and ideological underpinnings of the discipline. An economics that acknowledges its roots and is able to encompass emergencies such as the environmental emergency will need to be totally redefined and will be completely different in character from conventional economics.

The deconstruction of economics

A new philosophical political economy is more likely to occur because of the social changes we are witnessing around us than because of any change in attitude of the economics discipline. Although the social changes were in evidence before the pandemic, it highlighted the elements of reflexive modernity outlined by Ulrich Beck. The pandemic heralded new discourses of equity and intervention, encompassing areas such as profiteering and personal debt repayment that would have been unthinkable in previous years. This has been accompanied by a general expectation of government action to alleviate hardship and misfortune. There has been a reversal of neoliberal rhetoric, and even limited amounts of economic planning.

Just as important is the overlap of science and politics in the new discourses. The concept of scientific uncertainty has been a major part of debates and is now a common idea. The issues around comparisons of different and uncertain hazards (such as balancing a lack of education against health risks) are also widely appreciated and matched by a general scepticism regarding what experts can and are telling us. Challenges to expertise are now frequent.

This reflexiveness, Beck suggested, was part of the emergence of a new society no longer based around the production of goods, but rather on the avoidance of 'bads'. Beck called this new social formation the Risk Society. He suggested that the hazards we now face are different in character to before. Risks are now immense, transcending time and space, and are also largely manufactured; they

are the side-effects of industrial society. Modern risks are also largely invisible and require expert knowledge and equipment for their exposition (Beck 1992a).

This is occurring at the same time as the previous positivist methodology of science is proving inadequate for the new society. The ontology of risk avoidance is different to that needed for the production of goods and shows up the limitations of positivist conceptions of knowledge (Beck, Bonns and Lau 2003). Universal laws, for example, are inapplicable or uncertain when hazards have no space or time boundaries. If hazards are also part of complex systems an atomistic approach or an approach reliant solely on empirical knowledge is inadequate (Beck 1992b). Indeed, Beck suggests that risks can no longer be calculated objectively under these conditions, so physical and social science now overlap (Beck 1992a).

Underpinning this is the Humean critique of causality – empirical regularities cannot yield knowledge of causes (q.v. Benton 1977). However, Beck suggests that an aetiology of risk is a vital part of ascribing institutional responsibilities in the risk society (Beck 1994) Proposals such as ‘the polluter pays’ are inadequate unless ultimate causes can be established (Beck 1992b).

In addition, the massive risks we now face go beyond the boundaries of institutional controls. Obtaining insurance against nuclear catastrophe, for example, is not possible, and no corporation would have the resources to offer compensation for such an event.

Furthermore, Beck suggests risk (and probability) is non-empirical. Any probabilities attached to non-repeatable events (such as catastrophes) are not testable or refutable (Beck 1992a). Moreover, a risk, along with its associated probability, is not an observable phenomenon, risks are latent before damage becomes manifest. As Beck puts it, ‘threats are not things’ (Beck 2009). This means, as we have seen throughout the pandemic, that ‘safety’ is also not a scientific concept, but rather an overlapping of science with political and social judgements.

All of this has occurred while the discipline of economics has been the subject of yet another legitimization crisis, triggered by the inability to predict the 2008 crash. There has also been a perceived lack of engagement of the discipline with the environmental emergency, and environmental protests are common. What this paper suggests is that there are good philosophical explanations for both of these.

The underlying philosophical issue is the impossibility of separation of fact and value in human sciences. For the philosopher Brian Fay, all knowledge is instrumental. He therefore denies that ontology and epistemology can be neutral. He claims that positivist accounts of social science are contradictory, as accounts of social knowledge contains an implied political theory (Fay 1975). That is, metatheory cannot be separated from theory.

Fay suggests that's the point of adopting positivist accounts of the social world is to generate, in Comte's phrase, 'prediction and control', that a positivist science helps us predict and thereby control our social (and physical) environment. The corresponding political theory Fay calls 'policy science', whereby the technically 'best' course of action is promoted (Fay 1975).

The conundrum is that this 'policy science' (we might prefer the phrase 'planning'), which Fay associates with the industrial society (Fay 1975), is at odds with *laissez-faire* (or even reformist) economics. In fact, this conundrum is at the heart of both the lack of predictive ability of conventional economics and its weakness at addressing issues of ecology. We will return to this issue shortly.

Ruptures in the construction of economics: Power

An economic science which is justified in terms of prediction and control, but which spurns the latter and is poor at the former, may well find its legitimacy under scrutiny. The status of the discipline appears undiminished within policy circles, however. Foucault suggested that the high status of economics is due to the ideological function it serves in maintaining the social order (Foucault 1979). For Foucault ontology and epistemology are political. Economics claims the mantle of a 'science', but what knowledge is regarded as scientific or otherwise is, Foucault suggested, not fixed but instead historically situated and governed by rules, which determine what is to count as truth, what is to count as evidence, and what questions can be asked (Foucault 1968, see also Kologlugil 2010). Foucault called these rules 'discursive rules' and their practice 'discourses'. [1]

The question that interested Foucault is why the discourses of science played out as they did. For Foucault the issue of what is regarded as scientific is an issue of power. The main source of power in modern society, he believed, is discursive power over thought and action, or as he called it 'the conduct of conduct'; conduct

is orchestrated (Lemke 2002). Foucault believed human sciences, especially economics, are part of a system of governance, whereby the discourses which maintain society are themselves maintained by institutional practices. The scientific disciplines will therefore maintain discipline over their members, they will exercise power to enforce discursive rules. Those who attempt to go beyond the discursive rules (perhaps by pointing out the inadequacies of the discipline, for example) will be punished, or even excluded from the discipline (Foucault 1968).

The reply to the question of ‘how economists are taught philosophy’, which was the title of this symposium, is that economists are taught through a discourse which formulates what is investigated, what counts as economic knowledge, what questions are asked and what counts as evidence, a discourse which is policed by the economics discipline, but increasingly self-policed. The discourse is part of an ideological power structure and of a system of governmentality (Foucault 1988 cited in Lemke 2000, p. 5). This economics discourse wishes to claim the mantle of an objective science, and therefore tries to avoid acknowledgement of philosophical discussion, and few economists realise they are engaged in a philosophical discipline.

Concocting alternative approaches to philosophical political economy is therefore likely to be inadequate until we have deconstructed the orthodoxy, not only exposing its internal contradictions, but also exposing the hidden assumptions by showing how they are neither objective nor universally true (Roseneau 1992 cited in Screpanti 2000 p.8)

To do this, and begin constructing a counter discourse, Foucault suggests we look to the discipline’s past, or more specifically the battles over discursive rules (de Lima 2010). This study Foucault referred to as an ‘archaeology’ (the study of the archive). By showing how the claims to scientific truth constantly shift, we can undermine the claims of economics to a universal ‘truth’, and make manifest the political foundations of the discipline (Kologlugil 2010).

A good place to begin an archaeology of economics is with the contradiction between the political theory of policy science inherent in positivism, and the political program of the economics discipline. This contradiction can be seen as driving the trajectory of economic thought. Myrdal pointed out that if economic science is indeed about calculating the best means for a given end (as J.S. Mill suggested), we would arrive not with *laissez-faire* conclusions but instead some

idea of economic planning. *Laissez-faire* requires a separate justification than that provided by a 'scientific' economics (Myrdal 1933).

This is evident in the Marxist exposition of the labour theory of value, but also in the early neoclassical formulation of marginal utility. As Joan Robinson pointed out, if applied to income or wealth the theory would suggest a raft of interventions and progressive policies (Robinson 1962). This issue underlies the 'socialist calculation' debate of the 1920-30s. Several economists, most notably Fred Taylor, then president of the American Economic Association, pointed out that if economic functions were objective, with feedback mechanisms to flag incorrect pricing, then governments could employ markets for economic planning (Mulberg 1995).

The analysis of the market socialists showed how the neoclassical objective approach to science was actually at odds with *laissez-faire*. The response of the orthodoxy was to attempt to revise the very ideas which made the neoclassical school cogent; they insisted upon ordinal, non-interpersonal utility functions (or even as with the revealed preference theory, denied the existence of utility), or moved to concepts such as indifference analysis and Pareto efficiency in an attempt to defend both *laissez-faire* and positive science. However, the new approaches were even less observable than the neoclassical formulation of Marshall and Pigou, and the developments made orthodox economics vacuous (Mulberg 1995).

The response of the Austrian school was to sacrifice the idea of science and defend *laissez-faire*, indeed Hayek railed against 'scientism'. The debate led to the now ubiquitous 'choice' definition of Robbins. For the Austrian school economic functions are not objective, but are based on the idea of choice, which is unobservable and inscrutable (Buchanan 1937). One cannot see the act of choosing or have a positive science of choosing. Market socialism was held to be unviable because economic commodities were unknown and also because of the huge difficulty of coordinating such a vast array of economic variables, particularly in factor markets. They were particularly scathing of the static character of orthodox economics and its reliance on equilibrium (Mulberg 1995).

Many of the subjective, unobservable economic concepts developed by the Austrian school as alternative to the neoclassical approach, such as opportunity cost and 'normal' profits, have however been uncritically incorporated into the

orthodoxy, alongside the neoclassical concepts they were supposed to replace. Contemporary economics is therefore both vacuous and contradictory.

The deconstruction of environmental economics and its ecological reconstruction

The orthodox approach to environment shows up these contradictions. The problem is viewed in terms of market failure (Perry and Primrose 2015), and there are two main streams of policy: cap-and-trade based schemes (such as the European Emission Trading System) and taxation – indeed an open letter was published recently by leading economists calling for a carbon tax (Wall Street Journal 2019). These policies were devised as market-based corrections of the market failure, but actually both of these policies have economic planning at their base (Rosewarne 2002). The levels of taxation or cap remain political decisions about who gets what, but these decisions simply have a numerical guise. Economic planning is therefore already being practised in the imposition of cap and tax levels. Furthermore, if environmental protection is to be taken seriously these caps and taxes may well need to be at unconscionable levels, which would create vast issues of distribution and governance. In addition, the conventional approach only considers each ‘commodity’ singly. However virtually everything that is produced has some impact on the environment, if not on carbon, then upon other aspects of global warming or environmental degradation. Protecting the environment fully in this manner would then involve virtually everything we produce being subjected to differential taxes or caps. This process would then begin to approach to very sort of planned economy that these market-based policies were designed to avoid. If environment were taken seriously the full implementation of these policies would actually yield a version of market socialism through the back door.

The other main contradiction within the orthodoxy is that the Austrian subjectivist approach, which the orthodoxy attempts to incorporate, has a corollary that macro measures are inconsequential. GDP would not then be used as a measure of value. Indeed, Myrdal pointed out that means cannot be separated from ends. This suggests costs and benefits cannot readily be distinguished. In the words of Hirsch, GDP does not ‘add up’ (Hirsch 1977).

Nonetheless maximising ‘growth’ of GDP has become something of a religion for policymakers worldwide. However environmental solutions will often lower GDP – if production is more technically efficient (such as avoiding travel by working from home) we will spend less on it. GDP will therefore fall. By contrast, expenditure on end-of-pipe amelioration of pollution will add to GDP, while avoiding the pollution in the first place will not. This only appears to be a problem because GDP is being incorrectly used as a measure of value.

In fact, faced with the extreme environmental emergency we now have, it may be that the ‘choice’ definition of economics is obsolete. We may not have any real choices anymore – do we really ‘choose’ whether to breathe now or later? To the extent that depleted resources can be held to be chosen, such choices are zero-sum, and we only choose at the expense of others. Methodological individualism breaks down in these conditions, and market mechanisms may be inappropriate under these circumstances.

There is therefore a need to literally redefine economics. This author offers the following definition:

Economics concerns the selection and implementation of allocation mechanisms for depleted or for scarce resources.

There are four common methods of allocation:

- Ration (including equal-chance lotteries)
- Need or right (including social norms and custom)
- Price

A failure to implement beneficial allocation mechanisms will result in allocation by maladministration (including diktat, supplier convenience, and artificial exclusion).

Examples of these are already familiar, such as wartime rationing, pension rights and free health systems. Allocation by price is also included – a Soviet-style planned economy is not being suggested. Pricing systems would be run according to two main principles – demand management and market management.

Demand management has been at the base of the Green movement for many years, and authors such as Veblen and Galbraith have written on the manipulation of market choices for decades. K.W. Kapp suggested replacing an emphasis on the maximisation of GDP with a new objective of the provision of economic security (Heidenreich 1998). This would indeed be a Green New Deal, whereby we replace uncertainty driven by peripheral and manipulated consumption with certainty of the provision of needs and ‘real’ wants.

Markets can (and indeed must) also be managed. The Green movement has traditionally focused on laws such as limited liability, but there has also been interest in corporate law (e.g., Schumacher 1973). However other laws will also require overhauling, including labour laws, land ownership and international trade law. A reconstructed philosophical political economics would focus on the political economic *process* rather than the end – state, the latter would be determined by environmental parameters.

Conclusion

The positivist philosophy associated with conventional economics is inadequate for the New Risk Society now emerging. However, making ‘the role of philosophy in an economist’s work’ explicit engages us in an entire deconstruction of the role and practice of economics. It raises the question of the ideological function the discipline currently plays for industrial society and the role it will play for emerging risk society, and it makes manifest the political basis of economic theory. The history of economic thought is a key component of this enterprise, as it enables us to challenge the idea of a universal economic ‘truth’, using the words of economists themselves.

A Foucauldian archaeology of economics also uncovers the rupture between the claim to ‘positive’ science of conventional economics and the subjective and political Austrian school. While this essay has focused on issues of aggregation, the abandonment of positivism and its associated dichotomy of facts and value also means moral philosophy becomes relevant, and much of the environmental ethics arguments around issues such as intergenerational equity and the ‘all-inclusive’ principle are pertinent to the ever widening debate on distributional justice. It is unclear why the exclusive emphasis on (a limited notion of) freedom

within neoliberalism should go unchallenged. As Myrdal points out, ethics can be applied to means as well as ends (Myrdal 1933).

A reconstituted philosophical political economy will require, as Foucault suggested, a combination of ‘subjugated knowledge’ and popular movements (Foucault 1980, p. 82). This paper has shown how is the work of the original institutional school and a critique of the market socialists could be combined with ideas from the Green movement to formulate such an alternative, and offer a truly Green New Deal.

Endnotes

[1] The same term is used by some postmodern approaches, but it is used in a different sense by Foucault. It has little to do with language (or ‘discourse analysis’). It is also different to the ‘rhetoric of economics’ approach of, for example, McCloskey (1988).

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