

Chapter 2 The Reification of Economics

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First, I should like to point out that this is not an academic essay but an observation about:

- a) the presentation of economics as 'scientific',
- b) the influence economics has exerted on bureaucracy and governments, and
- c) the consequent effect it has on the lives of the entire population.

This article principally refers to economics as it is presented in Ireland and perhaps more generally in the Western world.

Economics is a social science. It deals with the decisions of individuals, companies and governments. I do not wish to enter the age old debate of whether social sciences can be truly called 'scientific', or by what definition of science they may be so called. However, it appears to me that the discipline of economics has focussed more on statistical and mathematical developments than on the human factor in economics. Economics departments spend more time and energy, it would appear, on learning and developing mathematical models of behaviour, particularly at a macro level, than on the human behaviour these models must replicate.

This has increased the public perception of economics as 'scientific', 'correct' and powerfully predictive, but at the expense of true representation of the individual units of economics, namely producers and consumers. The conclusions of economic theories or models are most often presented to the public as 'fact', without a full explanation of the assumptions about human behaviour upon which these theories are based being made known. This might be excused as the methodology of economic research is mainly mathematical and therefore beyond the comprehension of 'Joe (or Joan) Public'. However, ordinary people do know about the economic decisions they make, and can comprehend quite well the human behaviour basis of economics. Moreover for an economic model to be successful in the terms of the discipline it must necessarily exclude a number of factors involved in decision making as 'less important' and operationalize or objectify a small number of 'major' factors. If Joe/Joan Public was more aware of the limits of such modelling s/he would be better able to challenge the basis on which economic conclusions are deduced and thus the theories to which they give rise.

Another factor which gives rise to the public perception of economics as 'objective' is the apparent consensus that often exists within the discipline on the relative importance of different theories. Keynesian theories about the importance of aggregate demand and how this can be stimulated to provide full employment appeared to obtain broad consensus agreement within the discipline in a relatively short time. Now, for many the Keynesian model can be largely disposed of while Friedman secures considerable support within the discipline. The only question for economists would now appear to be how we might best achieve the free market model in practice. It is a sign of sterility and insecurity in the discipline that there is not more dissension and debate about theories, their benefits and faults.

It is further interesting, in view of the prevailing consensus among economists, that they can do such a U-turn on theory as the one from Keynes to Friedman without any apparent loss of face, and without losing its 'objective' status in public

eyes. I believe this may indicate a symbiotic relationship between governments and the discipline of economics wherein each relies on the other to validate its existence and practice. It is considerably beyond the scope of this article to question whether the 'needs' of government determine which economic theories gain precedence or whether it is the discipline of economics which has such a strong influence over government. Either way, the result, in the Western world, would appear to be that governments seek to implement the prescriptions of the dominant economic theory and present this to the electorate as 'scientific' rather than as a more political position. The dominant economic theory has a tendency to be followed by government in a manner totally disproportionate to its ability to predict the outcome of its prescribed economic policies.

Finally, in order to elaborate my argument, I wish to attempt a summary criticism of the current dominant economic paradigm, i.e. the free market. Friedman argues that economic freedom is an essential prerequisite for political freedom; that both parties to an exchange involving goods or services can benefit so long as co-operation is strictly voluntary. He argues that prices perform the functions of transmitting information, providing incentives for least costly production, and determining distribution, i.e. who gets how much of the 'production cake'. Price mechanism and supply and demand are described as mathematical objective laws. However this is based on a number of ideological value positions, e.g. "equality of outcome is in clear conflict with liberty", and that "inherited inequality of property is no different theoretically than inherited inequality of talent but that property is easier attacked or 'redistributed'". These statements imply two things: firstly that liberty as a value is more important than equality; secondly that inequality of outcome is due to inheritance rather than environment. Neither of these is scientifically proven but rather both are political or value choices with which one may or may not agree. Further, the 'laws of supply and demand' only recognize peoples' needs where they are backed by money.

Friedman's answer to poverty would appear to be the introduction of a "reverse income tax" for those totally unable to provide for themselves. It is very doubtful whether this is operable in practice or not, so Friedman's model does not provide at all for the poor in terms of capital, skills, education, etc. I believe that the free market model is based implicitly on an acceptance of poverty; and that poverty indeed serves functions in a capitalist economy. However, neither economists nor governments acknowledge this, but rather expound it as a 'scientific' theory leading to freedom and relative equality of all. Some of the functions of poverty were outlined by Gans as ensuring that:

- i) dirty, menial and undignified work gets done;
- ii) the poor buy shoddy stale and damaged goods and services subsidizing inefficient production or provision of services;
- iii) the poor can absorb the economic and political costs of change or growth in society.

The free market model does not explicitly address whether the economic power of different groups is fair or desirable but rather assumes this to be given and natural, a result of differences of ability. However it has been clearly shown that positive discrimination can change outcomes. They are not entirely genetic or natural but also environmentally determined. In other words the free market model generates differences of power between people not based on what is natural or genetic, but which are environmentally determined where the prevailing economic system is part of the environment.

What I have sought to argue in this article is, firstly, that the discipline of economics has apparently adopted the discipline of mathematics as an appropriate role model to follow. This has been to the detriment of the social aspect of human behaviour in economics. This has allowed economics to present as 'fact' models of economic action which are relatively poor replicas of real situations. Secondly, the discipline of economics seems to have identified its future as lying with serving the 'needs' of bureaucracy and government and this has led to ideological and sterile theory replacing constructive debate in economics departments and outside academia. Thirdly, this consensus in the discipline seems oblivious to the human suffering which it can cause through its collusion with government in the reification of theory and its implementation as 'objective' policy, and to its moral obligations in this area.

Bibliography

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