

Socialism, Knowledge and the Instrumental Valuation Principle

June 2008

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Keywords: socialism; instrumental valuation principle; knowledge; individual dignity

“The essential need ... is the improvement of the methods and conditions of debate, discussion and persuasion” (John Dewey, *The Public and its Problems*, Henry Holt: New York, 1927: 364)

Introduction

This paper is motivated by a desire to contribute to the literature challenging the dominance of neo-liberal oriented economic reform, and offer an alternative vision inspired by the overarching emblematic: “*liberté, égalité, fraternité*”. Albritton and Westra (2004) consider that “socialism” is one of the most influential, yet controversial and much maligned terms of contemporary society; at once being a source of solidarity and identity and simultaneously a pejorative term prompting notions of emasculation, inequality, and enmity. In advancing his notion of a thin socialism Stephen Cullenburg (1992) suggests that perceptions of the failure of socialism are grounded in Utopianism that all too frequently accompanied socialist discourse. There have been extensive efforts to redress such perceptions from models of market socialism, to attempts at “recasting egalitarianism” (see Bowles and Gintis, 1998); to participatory models of socialism (see, for example, Adaman and Devine, 1996), to “new socialisms” (see, for example, Albritton, *et al*, 2004, and Burczak, 2006), and so forth. Our aims are much more modest: we wish to explore the potential that the ambiguity of socialism may afford in aligning with the instrumental valuation principle (IVP), associated with Institutional Economics and the pragmatic philosophy of John Dewey, to offer a dialogue in enhancing human dignity. As of necessity our arguments are fairly abstract, but do, we feel, reflect Dewey’s dictum that inquiry is action. Moreover, we justify this by drawing on the notion that theory may be viewed as an attempt to critically comprehend and policy is a suite of critical actions attempting to either preserve current arrangements or to bring about some desired state of affairs (see Poirot, 2008).

Neo-liberalism has successfully challenged the vision of socialism and collective action: indeed, the rhetoric of globalisation, the hypermobility of finance capital and the dominance of multinational corporations are all cited as reasons why policies of nationalisation and public ownership are outdated, misguided, and highly inefficient. The seemingly all-encompassing pervasiveness of market relations is rendering any alternative as illusory in much mainstream socio-economic discourse. We agree with John O’Neill’s (2003) observation that this is a major impediment not just to socialism, but to pluralism in thought. Notions of state failure have dominated the tenor of policy debate within mainstream economics over the past twenty or thirty years (see, for example, Fine, 2001; and Arestis and

Sawyer, 2001), leading to the frequently held view that mainstream economics (if not economists) is associated with an endorsement of a ubiquity of markets.

Over thirty years ago John Kenneth Galbraith (1972) noted socialism seemed a busted flush, and if anything this feeling is amplified in contemporary society, with socialism seemingly the domain of a few eccentrics confined to the margins of socio-economic commentary. Yet such a perception partly derives from the association of socialism with centralised state ownership, control and collective planning, and its seeming antagonism towards decentralised decision-making, private property and markets. Hodgson (1999) observes that the emergence of the term ‘socialism’ coincides with that of ‘individualism’; both commonly invoked as antonyms. This need not be the case, as He states:

“... in all its diverse meanings, the modern concept of socialism is very much a product of eighteenth century Enlightenment. Socialism has made strong appeals to the Enlightenment ideals of equality and co-operation” (1999: 17).

The rights and dignity of the individual can be upheld with such an underlying value orientation. Moreover, public ownership need not be the only model that promotes such ideals. These are massive subject areas, and this paper only endeavours to modestly contribute to this complex and highly contested terrain.

Hodgson (1999) further notes that socialism suffers from the ambiguity of its alternative structures: a case of strong on criticism, but weak on alternatives. He argues:

“Without a fundamentally different, and detailed alternative proposal, we have no sound basis to give ‘socialism’ a meaning that is different from that which it has acquired and largely retained since its inception” (1999: 16).

In general terms, we agree with much of Hodgson’s arguments, although we believe that ambiguity is not necessarily a vice. We take heart from Joan Robinson’s (1962) reference to the difficulties in defining ideology. She employs the analogy of attempting to define an elephant: “But how to define an elephant? ... I cannot define an elephant but I know one when I see it” (Robinson, 1962: 8). We also note that there is considerable currency in the notion that, *pace* Cartesian based approaches, meaning is context dependent, and, hence is not fixed. Moreover, Klaes (2004), drawing from Popper, in defending the vagueness of the term ‘evolution’ in economics makes the point that a definitional mode of thinking is limited in appreciating whole fields of research. Instead, Klaes considers that the polymorphicity of a term can signal an umbrella term where the amorphousness and heterogeneity of employment potentially offers points of advantageous connections between groups. This is what we consider the term ‘socialism’ to offer. For us ‘socialism’ has much in the way of the same qualities: it is a value system, we believe, that shares much in common with the principle of instrumental valuation, despite the hostility of the latter to any dogmatic “isms” (Tool, 1993, *et al.*). Both share an egalitarian orientation, both challenge hierarchical elites and power structures, and both stress the importance of co-operation – instrumental valuation through deliberative democracy. This paper appeals the IVP, founded on a synthesis of the works of Thorstein Veblen and Dewey (Tool, 1995), as a nexus for discussion, debate, and connections on alternatives to the current neo-liberal hegemony.

The socialist calculation debate and more contemporary debates, such as that between Adaman and Devine (1996, 2001, 2006) and Hodgson (1999, 2005) are highly instructive in terms of evolving meanings of socialism and knowledge. Critical to models of planning are conceptualisations of knowledge, and it is here that we appeal to Dewey’s notions of fallibility and reflexivity of knowledge in tentatively advancing our case. Our approach complements Theodore Burczak’s (2006) imaginative marriage of post-modern Marxian theory of class process, Hayek’s subjectivist theory of market processes, and the capability

theory of justice. We believe that socialism resembles Klaes' notion of an umbrella term embodying a plurality of ideas predicated on democratic and egalitarian values offers an exciting avenue in the promotion of individual dignity – a narrative too long considered a neo-liberal shibboleth.

The second section reviews aspects of recent debates on socialist models and knowledge – principally between Adaman and Devine, and Hodgson; the following sections post some observations on IVP and its potential resonance with egalitarian values. The final section considers the promotion of individual dignity based on the arguments to this point.

Socialist economic models and the issue of knowledge

The socialist calculation debate was vitally important in establishing the terms of future discourse in this area. The most notable Austrian contributions were made initially by Mises and latterly Hayek. In terms of our discussion here, two important and divergent socialist contributions are worthy of note: First, Abba Lerner's and Oskar Lange's attempted rebuttal of Mises' dismissal of the possibility of rational economic calculation under socialist central planning, and second Karl Polanyi's rejection of Mises' framing of socialism. Both are fairly well known and the details need not detain us. However, there is merit in noting that Lerner and Lange attempted to advance a system of central planning based on Walras' general equilibrium approach, where price vectors were established following Walras' *tâtonement* procedure.

Hayek's intervention, on both theoretical and methodological grounds was decisive. It contested socialism's ability to generate sufficient information to co-ordinate economic activity and conjectured that socialism would inevitably emasculate the individual. Of course, the context of Hayek's contribution is significant in appreciating his perspective. Epistemologically, Hayek may also be seen as offering an important critique of the neoclassical general equilibrium model: for Hayek the market and the economy are processes of discovery with limited knowledge and extensive uncertainty; not static tractable solutions with passive agents.

O'Neill (2003) highlights the commensurability of epistemological framing. In criticising the market economy Polanyi (1944) also rejected what he saw as the "ill-liberty" of central planning (more recently see Jessop, 2002 and Burczak, 2006). For us, Polanyi's rejection of Mises' framing holds particular appeal as it opens up and broadens the conception of socialism to a plurality of meanings beyond the confines of central planning and nationalisation of industry¹. Such a model is likely to be highly undemocratic in practice, particularly where industries remain organised on a large-scale national basis (see Clarke 1993). At the same time, for an economic system to be democratic requires a level of subsidiarity, variety and choice which is simply not present under centrally imposed planning regimes:

“No convincing scheme for durable economic decentralisation has been proposed, without the equivalent decentralisation of the powers to make contracts, set prices, and exchange products and property rights, through markets or other forms of property exchange. This does not mean that markets are regarded as optimal or ideal,

¹ Arguably, this reveals a productivist bias repeated in much traditional socialist thinking from Marx onwards. Yet, as Baran and Sweezy (1966) argued, in contemporary capitalist societies, some of the worst exploitation by corporations takes place in the sphere of consumption, particularly in the deregulated and privatised utilities where production for social need has been replaced by the profit motive.

nor that an entire economy is made subject to “market forces”. It does mean, however, that markets and exchange are necessary to sustain genuine economic pluralism and diversity” (Hodgson 1999: 31).

Hodgson’s (1999, 2005) observations on, and criticisms of, various models of socialism, particularly Adaman and Devine’s (1996, 2001) proposals for a participatory model of socialism, provide a valuable reference point for our purposes.

Adaman and Devine have in various publications advocated limits to the market mechanism, proposing instead greater recourse to a democratic system of participatory planning. They state:

“Democratic participatory planning is envisaged as a process in which the values and interests of people in all aspects of their lives interact and shape one another through negotiation and cooperation. In the course of this process tacit knowledge is discovered and *articulated* and, on the basis of that knowledge, economic decisions are *consciously* planned and coordinated” (Adaman and Devine, 1996: 531-532, emphasis added).

Whilst the objective of participatory planning is highly laudable, and the first sentence of the quote is very much in the spirit of this paper, the second is not. As Hodgson correctly highlights, there are profound problems with Adaman and Devine’s analysis of knowledge; particularly regarding the impression that they presume a linear progression of knowledge, and the overt presumption that tacit knowledge is codifiable (see also Poirot, 2008).

Taking the latter point initially, Hodgson (1999, 2005) provides a compelling critique. For example, he contests:

“The idea that this [tacit] knowledge can be readily extracted from its institutional carriers, and freely codified and processed by a committee ... perpetuates a fatal error of Enlightenment thought: that such matters can largely be made subject to reason and deliberation; and that the mind may soar free of all habits, preconceptions and institutions – of which in fact it is unavoidably obliged to make extensive use” Hodgson (1999: 60).

In response to Hodgson’s critique Adaman and Devine (2006) admit to ambiguity in the employment of the term “articulated” in their 1996 work noted above, and claim to mean “articulate” in a different sense to Hodgson’s interpretation. Unfortunately, this aspect of their response to Hodgson is not entirely convincing as they do not elaborate upon what they do mean by “articulated”².

The codification of tacit knowledge is an error that has been committed by some mainstream economists, such as Dasgupta and David (1994), who argue that tacit knowledge is an increasingly redundant concept since the boundary between tacit and codified knowledge is determined by costs and benefits, and the increasing sophistication of information technology is converting tacit into codified knowledge. Instead, following Darwinian evolutionary biology, Nightingale (2003) argues that tacit and codified forms of knowledge are not

² There are compelling grounds for Hodgson’s interpretation – note the context of Adaman and Devine’s (1996) use of “articulated”; it is certainly employed as verb, and the term “consciously” lends credence to the interpretation of “articulated” as ‘to utter’ and hence potentially codify. There is a tension in Adaman and Devine’s explanation and their endorsement of Hodgson’s reading of “tacit knowledge” as embodied in the practices of individuals or groups. They do, however, reject electronic models of socialism on this basis.

alternatives as Dasgupta and David, and Adaman and Devine (appear to) presume, but complements. Nature retains and re-employs earlier adaptations, such as non-conscious knowledge, to support more recent evolutionary adaptations such as conscious thought and speech³. Consciousness is a process acting as a searchlight permitting the selection of images and focal awareness. It crucially relies on tacit knowledge to accomplish this (Hodgson, 2005). Thus, “The physical structure of the brain, and not external costs and benefits, determines what can and cannot be made conscious” (Nightingale, 2003: 156).

Importantly, learning can convert conscious deliberation, or rule following into a process of routine and into tacit background knowledge. Hence, expert knowledge acquired through practice over a period of time is difficult, if not impossible, to codify, and creates the distinction between ‘know how’ and ‘know that’ (Nightingale, 2003).

Dewey (1963) and Veblen (1990) have both argued that knowledge is socially embedded, and that knowing is a type of practice. Conscious knowledge is socially constructed in particular cultural contexts, and is vested in institutions (Hodgson, 2004; Poirot, 2008); and is hence neither absolute nor relative: it evolves. Following Dewey, the dualisms of fact-value, and objective-subjective are rejected. Instead, knowledge is tentative in that it may possess a temporary warranted assertability on the basis of supporting evidence, but this can never be conclusive. It is also not independent of reality, and is in part constituted by individuals’ interactions with that independent reality, i.e., individuals’ experiences. Hence, mainstream economic allusions to knowledge as a stock, and the potential conflation of tacit and codifiable knowledge are utterly rejected, as is the Cartesian mind-body dual.

The acquisition of knowledge through inquiry is a value-laden exercise, and the process of inquiry is a process of valuation: in effect no scientific endeavour can be value free (Klein, 1995). The dictum of the analyst as independent spectator is rejected: inquiry is action, and action is partly constitutive of reality (Haack, 2004, Khalil, 2004). An analyst’s beliefs and imagination are as intrinsic to discussions of reality as empirical evidence: warranted beliefs partly shape reality (Khalil, 2004).

Thus, knowledge is a capacity, whereas information is a state. The alleged convertibility of tacit into codified knowledge is deeply flawed; conflating knowledge and information. This also relates to the initial point indicated above: Adaman and Devine appear to assume that the establishment of committees will generate more information that acts to increase knowledge (in a linear fashion). This fails to appreciate the social embeddedness of knowledge, at the centre of Dewey’s and Veblen’s arguments, and that consciousness is socially constructed. Hence, Hodgson’s (2005) allusion to knowledge residing in institutional customs and traditions (habits) in complex systems of historically layered institutions. Moreover, Adaman and Devine imply that their committee system will create knowledge and increase certainty: witness their reference (1996: 553) to the diminution of principal-agent problems, and the embracing of more extensive tacit knowledge. Again, this fails to appreciate the fallibility of knowledge stressed by Dewey. Even if principal-agent problems are addressed, there can be no presumption that eroding information asymmetries will enhance knowledge.

The foregoing, of course, does not in any sense mean that the state or deliberative processes should not be heavily involved in addressing socio-economic problems. Important as Hodgson’s contentions are concerning the nature of tacit knowledge they do not represent a

³ Drawing from evolutionary biology, evolutionary psychology and the work of John Searle, Nightingale (2003: 155) observes that consciousness depends on three inter-related neural systems: a proto-self, and unconscious neural image of the body that monitors and responds to internal changes; second, unconscious images of external objects; and third, second-order neural maps of the relationships between the foregoing.

necessary nor sufficient justification for market provision per se. O'Neill (2003) drawing from the early twentieth century associational socialism of Otto Neurath⁴ considers that Hodgson's epistemological position is, in some respects, close to Hayek's emphasis on the necessity of markets and prices to co-ordinate activity. O'Neill claims Neurath's observations on the achievement of the co-ordination of scientific knowledge demonstrates that the market is not a necessary institutional feature to co-ordination. Indeed, following Hodgson, he argues:

“... the co-ordination of knowledge, tacit or articulated, is a ubiquitous problem that exists at all points in the social and economic order ... The market is not a requirement for co-ordination and ... in some cases can become a hindrance” (O'Neill, 2003: 200).

Market provision begets commodification which begets quantification through the prerequisites of monetisation and commensurability in exchange value. The problems with a culture of quantification engendered by a ubiquity of market relations are well documented (see, for instance, Georgescu-Roegen, 1971; Porter, 2004), and need not delay us here. Markets as institutions do have important roles in terms of co-ordination and creation, or dynamism, but so too does the state. Indeed, as Burczak (2006) and Moreau (2004) argue, the state may have a *creative* function to perform in an evolving economy through the enablement of individuals and the enhancement of individuals' capabilities. This requires more imagination than the blanket call for state ownership. The main flaw in central planning is not that it is more inefficient at allocating resources than market based systems, but rather that it stymies innovation and human creativity. The work of Peter Murrell in particular has shown that Soviet bloc countries performed as well as western capitalist states in the short term in resource allocation. Where Soviet economics lagged however was in long term dynamic efficiency, which involves 'not the allocation of existing resources but the potential for dynamic and transformative growth' (Hodgson 1999: 59). This is because the forms of knowledge that lead to new innovations in products, services and processes do not arise in the main from formal planned research, administered by committees (whether of multinational companies or state bureaucracies) but take place through the coming together of individuals in a free, open and democratic exchange of ideas.

Some observations on the instrumental value principle (IVP)

Theories of value in economics have been abridged from the Classical delineation of use and exchange value domains to concentration solely on the latter. Indeed, some commentators consider that mainstream economics is devoid of value theory, whether labour or marginal utility theories, with price theory eclipsing theories of value (Samuels, 1998: 125). Nevertheless, mainstream evaluations are grounded on utilitarian-oriented notions of value and resonate with the Paretian rubric. Following from the embeddedness of the mainstream approach in the Cartesian notion of the objectivity of science, it may be contested that both utilitarian-oriented and Paretian approaches provide an insipid credence that the status quo is morally neutral (Avio, 2004). Hence the status quo acts as a default position and as the efficiency base (see for example, Samuels, 1995; Tilman, 1998). A Panglossian support for capitalism frequently follows.

⁴ Neurath and Dewey share some association in the unity of science project to which Dewey (1939) contributed and Neurath co-edited. It is obvious that there is some correspondence between Dewey and Neurath on issues such as subsidiarity, but there appear to be important differences; chiefly, relating to Neurath's embrace of logical positivism and Dewey's rejection of it.

This paper does not endeavour to advocate the labour theory of value as an alternative to the dominance of mainstream price theory. Instead, it argues that the synthesis of Dewey's⁵ instrumentalism⁶ and Veblen's (1994) delineation between classes of institutions⁷ offer a potentially lucrative prognosis of democratically-established governance arrangements.

Dewey (1939) recognised that the word 'value' embodied considerable ambiguity. For instance, the verb "to value" implies subjective feelings relating to the cherishing, or prizing, of something, and moreover, involves appraisal in terms of placing a value on, as well as assigning value to. Indeed, Dewey (1939: 383) argued:

"All conduct that is not simply either blindly impulsive or mechanically routine seems to involve valuations. The problem of valuation is thus closely associated with the problem of the structure of the sciences of *human* activities and *human* relations" (original emphasis).

⁵ John Dewey has frequently been proclaimed as the USA's most prominent philosopher (see, for instance, Bertrand Russell's *History of Western Philosophy*), but as Haack (2004) reports Dewey insisted that philosophy had to be wedded to life in that it had political and social relevance. Dewey was a leading and active social reformer and was involved in the founding of several associations, including: the American Council of Civil Liberties, and was a member of the commission dispatched to Mexico to investigate Stalin's charges against Trotsky.

Dewey is strongly associated with other pragmatist philosophers, especially Charles Sanders Peirce. Space precludes any exploration of this association, beyond noting that Dewey and Peirce shared many perspectives (see Haack, 2004), and indeed, Peirce may have had a greater influence on Veblen than Dewey (Waller and Robertson, 1993). However, Dewey is acknowledged as providing a central influence on development of the instrumental valuation principle: hence the focus on him.

⁶ Dewey's instrumentalism should not be confused with the instrumentalism of some contemporary commentaries, most notably Milton Friedman in economics. This approach considers that scientific hypotheses possess no truth value in themselves, they are merely tools for prediction. By contrast, Dewey defines instrumentalism in terms of how thought functions in the experimental determination of further actions (Haack, 2004: 16). In effect, instrumentalism refers to the connectedness between means and ends; and, as Tool (1993) notes, alludes to a continuum between means and ends (or consequences).

⁷ Veblen (1994: 208) argues that: "... institutions – economic structure – may be roughly distinguished into two classes or categories, according as they serve one or other of two divergent purposes of economic life". These purposes include acquisition or production, pecuniary or industrial activities, and Veblen further delineates between "salesmanship" and "workmanship", and "vested interest" and the "common man" (see also Tool, 1993). Moreover, Veblen highlights a dichotomy between "invidious" and "non-invidious" interest. Veblen's categorisation is the basis of his criticisms of the "leisure class", that part of society that does not contribute to economic well-being and extracts pecuniary benefits from others. While this undoubtedly resonates with Marx, Veblen did not tar all capitalists with the same brush: he admired those who contributed to industrial technology and production. This, "The relation of the leisure (that is, propertied non-industrial) class to the economic process is a pecuniary relation – a relation of acquisition, not of production; of exploitation, not serviceability" (Veblen, 1994: 209).

From Dewey's theory of knowledge and his adumbration of the means-end continuum⁸, value adopts a processual, or ethical dialectical quality (Waller and Robertson, 1993). This is in direct contrast to other principles of value, such as utilitarianism, where the acceptance of 'given wants' infers an ethical relativism that may engender an ethical absolutism. Specifically, Tool (1993: 126) argues that society distinguishes between admissible and inadmissible wants, and therefore, "... any unwillingness to uncritically accept the market satisfaction of wants evades judgemental responsibility". This, for Tool, can result in ethical absolutism that favours the status quo. If compelled to make judgements about acceptable and unacceptable preferences, unreflective decision makers may opt to employ the status quo as an absolutist benchmark⁹.

For Tool (1993, 1995) the origin of IVP embodies the historical application of reason to experience that is reflected in the creation of a technological continuum.

"This continuum – the cumulative 'increase and diffusion of knowledge among men' – is pursued by tool and idea combinations in quest for a causal understanding of observable realities. The instrumental value principle is a processual construct, in accord with evidential social reality to which it is addressed" (Tool, 1993: 125).

In this respect Tool asserts that the IVP cannot be considered to be taxonomic, since it is an evolutionary concept; or teleological since, following Dewey, ends are causal and provisional; or hedonistic since agents are viewed as being moulded or conditioned by their institutional environment and are conditioning of that environment. This diverges from the absolutism of other value systems or ideologies. As Dugger remarks these so called "ism-ideologies" are frequently employed to defend existing hierarchies and power structures, and detracts from the potential of inquiry to address social problems. Dugger citing Tool notes:

"This retarding element [propensities through acquired habits to retain and perpetuate hierarchical status and the existing power structure] is intellectually solidified in the form of "ism-ideologies", such as capitalism and communism. These ism-ideologies are systems of ideas and assumptions that support particular institutional forms. They come to determine the way problems are seen and their assumptions become "first principles" or "eternal truths" that lie beyond the realm of legitimate inquiry. Fully developed they block inquiry ..." (Dugger, 1995: 198, citing Tool's 1979 *The Discretionary Economy*: 26-29).

Samuels (1995) considers that economics is a contributor to the social valuation process, but following Dewey and Veblen, mainstream economics acts in the manner of an ism-ideology and blocks inquiry (Dugger, 1995; Tilman, 1998). Beyond Dewey's criticisms of utilitarianism, he was scornful of neoclassical economics, believing that neoclassical

⁸ Dewey advocated a means-ends continuum: as the means (of inquiry) are selected this influences, even determines, the ends-in-view (effectively the immediate ends or consequences), but these ends-in-view develop into instrumental means to further ends-in-view. Contra utilitarianism and consequentialism, means and ends are not duals but elements constituting a continuum. Given the fallibility of knowledge inquiry is a process proceeding from doubt, or a problematic situation, to settled belief, but this belief can never be taken as given: there is always doubt and a need for on-going revision.

⁹ The social embeddedness of knowledge and inquiry, and the process of inquiry as a process of valuation profoundly shape the institutionalist approach to valuation. Clarence Ayres was arguably the initiator of the principle of instrumental valuation, but his reliance on technological progress as a locus of value has been criticised in subsequent contributions (see, for example, Dugger, 1995; Samuels, 1995; Tool, 1993, 1995). Hence, we concentrate on these subsequent contributions, particularly that of Tool and Samuels.

economists were the apologists of capitalism (Tilman, 1998: 147)¹⁰. Of course, it is well documented that Veblen had a profound disdain for neoclassicism and much of the apparatus of capitalism (see Veblen, 1994). Yet both held deep suspicions of communism and socialism (see Veblen, 1990)¹¹, especially as manifest in the former Soviet Union. In his call for voluntary agreements Dewey (1962: 118) makes the following point:

“A coordinating and directive council in which the captains of industry and finance would meet with representatives of labor and public officials to plan the regulation of industrial activity would signify that we (the US) had entered *constructively* and *voluntarily* upon the road which Soviet Russia (sic) is travelling with so much attendant destruction and coercion” (emphasis added).

Dewey’s passage demonstrates the desire for dialogue and pluralism that informs the IVP. The principle is not absolute, but provides a *framework* of discourse and policy analysis, and embodies pluralistic values (Samuels, 1995, 1998). It does not imply a particular pattern of ownership or governance, and, “Accordingly, it is neither identified with nor supportive of any Grand Alternatives, the isms of political economy – capitalism, socialism, communism – all of which offer timeless, institutionally defined economic models” (Tool, 1993: 126). Instead, it furnishes *criteria* for the selection of alternative institutional structures. Here the instrumental value principle furnishes a clear association between scientific inquiry and social well-being, with institutions being evaluated on the basis of the instrumental use of knowledge. For Dewey, intelligence is an instrument for the advancement of social well-being (Samuels, 1995). Hence, institutional change *should* be governed by intelligent action guided by desired future consequences of that action (ends-in-view), and that this should be facilitated by widespread participation in decision-making processes that reflect the pluralism of society (Atkinson, 1987; Samuels, 1995; Tool, 1993, 1995, *et al.*).

Tool (1995: 23), following Foster, designates the following as the essence of the IVP:

“... do or choose that which provides for the *continuity* of human life and the *noninvidious* re-creation of community through the instrumental use of knowledge” (emphasis added).

To reiterate the principle is an instrument of policy analysis, and not policy *per se*. It furnishes guidance on policy evaluation (Samuels, 1995). The principle as a process of valuation is emphasised further by Samuels (1998), who argues that it provides only a mode of discourse as opposed to a calculus of “best solutions” of valuation can be conclusively reached. The worth of actions, measures and institutional arrangements, and the problems of policy have to be addressed through inquiry.

Avio (2004) notes that there are two possible interpretations arising from the process of instrumental valuation: “Plain meaning”, where the principle is a directive as to how to

¹⁰ Tilman (1998) outlines John Dewey’s dismissal of the neoclassical conflation of value, and the presumption that the only measure of value is price. Dewey asserted that this stemmed from neoclassical economics’ methodological individualism with its consequent lack of social realism. As Tilman (1998: 149) observes, “Dewey, of course, viewed this as a self-serving and unscientific doctrine aimed at reinforcing social hierarchy and inequality both of which he strongly disliked”.

¹¹ Veblen was sympathetic to much of Marx’s writings, but was highly critical of what he viewed as Marx’s teleological, metaphysical and overly rational approach. Marx’s teleology arises from his analysis being driven by its desired outcomes; as opposed to consequences emerging from analysis. Veblen also considered Marx’s value theory to be metaphysical as it lacked empirical support, and he criticised Marx for presuming that agents were inherently calculative (see, for example, Veblen, 2000; Hodgson, 1999).

proceed, and the principle is a description of successful inquiry. The two are not inconsistent, and both infer that the valuation process/process of inquiry are directed in particular directions by the instrumental principle, and that, moreover, outcomes cannot be judged independently of process (means).

IVP, Capabilities and Self-Worth

Undeniably the IVP lacks precision. As host of questions arise: What are the guiding principles? What is the basis of judgement? Whose judgement counts? Klein (1995) notes various judgemental criteria from Veblen's "enhancing human life"; John Commons' "reasonable value"; Ayres' "toward a reasonable society", to Tool's Veblenian invidious-noninvidious distinction. There are ambiguities in the terms "reasonable" and "non-invidious". As Klein observes, for Hayek this could mean avoidance of "serfdom", for Marx a classless society, and for some contemporary economists the freeing of the market. "The problem is in giving teeth to the notion of reasonableness ... we might be left with very inadequate reeds on which to rely" (Klein: 134 and 138).

This ambiguity is inevitable given that the principle refers to a process of valuation: value emerges following inquiry and discourse. Inquiry is framed by notions of reasonableness, which Samuels (1995) asserts, are guided by Veblen's discussion of progressive change. Social value is an evolutionary process that is a matter of a continuous revising synthesis. Tool's structure further contributes to the framing of the process. Tool cites Veblen in his delineation of invidious and non-invidious. Invidious refers to a comparison of individuals on the basis of providing some value or relative worth. Thus, invidious distinctions relate to judgements on the basis of race, gender, wealth, power, tradition, etc.

"Those groups and individuals against whom invidious distinctions is directed are denied options, entitlements, and the full development of their *capabilities* (for example, access to education, occupation, or income). In consequence, the development of individuals' creative potential and productive capacities (and their *self-worth*) are arrested or eroded" (Tool, 1993: 122-123, emphases added).

Three critical points emerge here: First, there is a potentially lucrative correspondence between Tool's interpretation of the IVP and the capabilities approach associated with Martha Nussbaum and Hilary Putnam (and others such as David Levine and Amartya Sen; see also Burczak, 2006), and opens up the possibility of the IVP informing fundamental human rights. Levine (2004: 102) states:

"The central element of this way of thinking [the capabilities approach] is that we are poor not primarily because we lack goods, but because we lack the ability to be and do things that are essential to leading a human life".

There is clear commensurability with Tool's invidious criteria and Levine's, *et al*, emphasis on rights of opportunity¹²: both question the consequences of prevailing power structures on a

¹² Nussbaum's description of capabilities essentially amounts to rights of opportunity, and includes life (including freedom from premature mortality) and bodily health (including reproductive health, adequate nourishment and shelter) and bodily integrity (freedom from violence, rights to mobility and choice in reproductive matters). Given the foundational right to life and freedom from premature mortality access to non-frivolous health care can be viewed as a basic human right. This is an important point, and a reflection of a more general point that freedom from poverty should be seen as a human right (see Putnam, 2003). Such a correspondence may not be entirely surprising given that Nussbaum and Putnam share the same philosophical influences as institutional economics having common affiliations to Dewey and Peirce (see Haack, 2004).

global scale. Moreover, Levine also associates poverty with the absence of the opportunity to be creative at work. Levine's argument draws strongly from Marx *and* Veblen¹³, and we venture corresponds with a commitment to human dignity.

Second, there is a need to ground the valuation process in democratic procedure. As noted, from Dewey, the process of inquiry necessarily changes the constitution of reality and change will change communities: changed communities should be re-created following non-invidious deliberation. As Tool recognises, power structures afford elites the ability to impose invidious distinctions: consequently, the locus of instrumental valuation should reside in a process of deliberative democracy. This is the basis of the reform we find appealing. The means of achieving progress must be democratic and the ends-in-view must also be democratic. For Samuels the IVP has two roles: advancing a pluralist society, which is free, open, democratic and liberal, and to advance deliberative over non-deliberative decision-making. The precise nature of this emerges over time and is context dependent¹⁴. Due to space constraints we do not discuss possible approaches or models of this here; although note the highly insightful contributions of O'Neill (2003) based on Neurath's associational socialism, Burczak's (2006) allusions to a synthesis of capabilities, post-modern Marxism and Hayekian subjectivism, the collections edited by Bush and Tool (2003) and Albritton, *et al* (2004), and Hodgson (1999) on the evolution of capitalism, among others. Instead, here the remainder of the paper concentrates on the following:

Third, while not advocating socialism, there is a particular interpretation of socialism that appears to be at the root of Tool's *et al*'s eschewal. From Tool's earlier quote, above, socialism is generally equated with a particular mode of ownership of resources. However, it is obvious that while the IVP does not support this *ex ante*, it does clearly have an egalitarian ethos that most socialists would approve of. Indeed, Tool refers to a widening income gap in society as a profound social problem, and advocates increased incomes for the poor on the basis that this acts to enhance capabilities. There is an obvious stress on redistribution as opposed to mainstream economic (and co-incidentally neo-liberal) notion of efficiency¹⁵.

This unsurprising given the underlying framing of IVP with its emphasis on establishing a system of institutional apparatus that enhances the individual through the empowerment of the individual. Thus, Veblen's invitation to overcome the embedded habits associated with "imbecile institutions" to signal social progress resonates with Marx's analysis of the superstructure and subsequent Gramscian notions of hegemony. Veblen (1994) depicted science and technology as elements of progressive change, "... yet he remained cognizant of the retardant and ... atavistic effects of politics, culture and society" (Tilman, 1995: 241). Hodgson (2004) also recognises that Veblen highlighted conservative features of some institutions, and that social change can only arise through a change in the habits of thought of

¹³ Levine explicitly attributes the source of his argument to Marx. However, while he fails to recognise Veblen, it is important to appreciate that Veblen, like Marx, considered that a fundamental feeling of self and identity was associated with work. Veblen went further than Marx in considering that humans possessed an instinct for creativity – for craftsmanship. Hence, highly routinised work that fails to engage the worker is dehumanising in that it curbs human instinct in addition to being a source of alienation: in effect, an invidious source of distinction.

¹⁴ Avio (2004) has presented a case that the IVP lacks an analysis of legitimation in its reference to deliberative democracy. Avio advocates the employment of Habermasian discourse analysis.

¹⁵ Indeed, the framing effects of efficiency have been criticised as is the imposed equity-efficiency dual (see, for example, Atkinson, 1995). Again, there is considerable scope for correspondence.

the community¹⁶, and there are likely to be forces resistant to change. Indeed, Veblen was pessimistic that these conservative forces, embodied in habit, would act as a block to instrumental knowledge. He focussed on the potentially retarding role of “imbecile institutions”, such as monarchy and the papacy, and how such institutions could remain “triumphant” for protracted periods of time.

In its search for “reasonableness” the IVP invites potentially profound institutional reform to the evolving system of capitalism and its supportive superstructure. At the heart of this is an engagement with the promotion of individual dignity, a dimension we feel that has to some extent been overlooked in recent contributions to the recasting of socialism, and one which fully embodies the overarching emblematic: “*liberté, égalité, fraternité*”.

Individual Dignity

Albritton (2004) and O’Neill (1998) are among those who challenge the basis of the neo-liberal case for individual freedom; solely predicated on negative freedom, and the view that socialism necessarily erodes the person and personal freedom. The state is Leviathan generating dependency and eradicating initiative and autonomy. Albritton’s analysis is interesting in that he sets out to demonstrate the limitations of the ‘freedom to choose’ argument at the base of the neo-liberal case. He argues that freedom to choose seldom addresses whether individuals possess a meaningful range of choices. Moreover, he claims to offer a deeper analysis of subjectivity based on Marx than the legal subjectivity that is used to justify neo-liberal notions.

O’Neill challenges the autonomy argument advanced by the prominent analysts, such as Hayek and Friedman. The autonomy afforded by market exchange, where the agent is imbued with the inalienable right to voluntarily exchange – the exercise of free will and autonomy – is illusory: in echoes of Polanyi, pluralism and identity can be undermined by markets. Relatedly, well-known criticisms of consumer sovereignty (Baran and Sweezy, 1966; Galbraith, 1973; Fine, 2002) further undermine the most trenchant aspects of the neo-liberal case.

Appealing as these arguments, and other related ones, may be our stress, while complementary, is rather different in addressing individual dignity directly. In discussing individual autonomy, freedom and the market O’Neill notes the distinction in the notion of positive freedom advanced by Dewey and Irving Berlin. For Dewey liberty is the power for an individual to realise their goals – it is enabling. For Berlin, it is a form of self determination (O’Neill, 1998: 66). While both are distinct they are complementary and may be seen as such in considerations of dignity.

There is some debate over the conceptualisation of dignity. Some consider the notion lacks coherence, while others stress its pluralism of meaning (see, for instance, Nordenfelt, 2004), and is perhaps most appropriately interpreted employing the notion of humiliation as an entry point (Statman, 2000). Margalit (1996: 9) notably defines humiliation as

“Any sort of behaviour or condition that constitutes a sound reason for a person to consider his or her *self-respect* injured” (emphasis added).

¹⁶ Veblen (1990: 239) described institutions as the, “settled habits of thought in the body of men”. This reflects the key role of habit in Veblenian analysis deriving from the influence of the instinct psychologists and Dewey (see Hodgson, 2004).

Margalit's emphasis on self-respect resonates with Tool's invidious distinctions in the conceptualisation of IVP. Clearly IVP would incorporate the avoidance, or freedom from, humiliation in these terms. Moreover, considerations of a metaphysical approach to dignity promote the notion of *Menschenwürde*; the inalienable claim of right to dignity by virtue of being human. In his response to Nordenfelt's varieties of dignity Edgar (2004) makes the point that the more metaphysical approach rests on innate human capacities or potentials. He lists three potentials: the potential for humans to control their bodies; to develop complex social competencies, and competence in language use. We contest that these potentials are all instinctive and accordingly resonate with a Veblenian psychology, a capabilities approach and the IVP. Edgar (2004: 88-89) argues:

“... competence in language use ... embraces at once the ability to converse and dispute with others ... and the ability to use language to articulate our individual and communal self-understanding ... [that] underpin the possibility of dignity of moral status and identity ... It is precisely through such potentials that human beings are capable of conferring experiential dignity upon themselves and others, and capable of withdrawing that dignity”.

Thus, dignity is partly personal and partly socially constructed. This supports Davis' (2006) recent observations. Drawing from Margalit's *Decent Society* and the work of Bernard Williams he considers that dignity is not only nested in negative freedom, but that it is also embedded in integrity. Two types of integrity are distinguished: personal and moral. Personal differs from moral in that the former concerns the coherence of a person's character and the latter concerns whether this character is virtuous. The latter depends on the former. Davis is interested in the association between personal integrity and identity. Referring to Williams' work he considers that personal integrity is the product of an individual's “identity-conferring commitments”. According to this line of argument individuals make various types of commitments to others, and the commitments an individual most strongly identifies with helps establish this individual's integrity. In this way, Davis argues, individuals engage in some sort of reflexive self-construction. It is this self-construction, or sense of self that is the key to appreciating dignity.

For Davis, the sense of self and the social aspect of the individual contribute to an individual's sense of dignity: dignity possesses personal and social qualities embodied in feelings of self-esteem and self-respect. Self-esteem, associated with the personal aspect of dignity, arises from an individual's feelings and self-opinion. Self-respect, the social aspect of dignity, is a matter of how an individual believes that (s)he is entitled to regard themselves in virtue of their membership of social constituencies. On the one hand, then, dignity is similar to pride in that pride is an expression of self-esteem; on the other hand, dignity is an expression of the respect individuals feel towards themselves as human beings derived from personal and moral integrity that arises from being, “an accepted member of a community equal in certain basic rights” (Davis, 2006: 78).

From the foregoing synopsis it is apparent that a decent society is a society that ensures decent living standards that embody human dignity. This goes beyond possession of privately owned commodities and the provision of public goods; it embraces human flourishing and addresses human needs, and systematically embraces notions of productive, appropriative, and distributive justices: an agenda for capability equality (see Burczak, 2006). This, for us, is the essence of socialism.

“Making human dignity a central value of socio-economic policy, then, means changing social institutions to *eliminate* humiliating institutions” (Davis, 2006: 81, emphasis added).

For us the present potential for exploitation embodied in capitalist relations emasculates the possibilities for the universal endorsement of individual dignity. This is compounded by an agenda of expansive commodification, which can not only monetize social relations, but infer the objectification of the individual. As Martha Nussbaum's (1995) work shows, objectification denies the individual of autonomy and agency and may accordingly be viewed as the antithesis of individual dignity. IVP we believe affords a framework to contest such trends and re-invigorate socialist discourse.

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