

How the Organization of Economics Prevents Economists from Studying Organizations

By

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Abstract

The evolution of economic thought over the past two centuries has led economists to focus on individual behavior. Several alternative schools of economic thought have highlighted the importance of group behavior, but the neoclassical paradigm, with the separable and rational individual as its main actor, prevails in mainstream economics. It seems that the specific cultural organization of the economics profession has restricted economists' ability to study the behavior of organizations.

This paper argues that the field of sociology provides useful insight into how the field of economics came to have a professional culture that effectively blinds economists to the true complexity of human economic behavior and the culture that biases its analysis. This paper draws on the work of Pierre Bourdieu, the French sociologist who called on his fellow sociologists to engage in a "sociology of sociology" in order to uncover and overcome their cultural biases in studying human society. This paper undertakes a "sociology of economics" in order to examine how mainstream economic methodology and culture impede the analysis of organizations. I detail the field's methodology (*habitus*), which includes the assumption of the rational and separable individual. This *habitus* is supported by a belief system (*doxa*) consisting of metaphors such as the invisible hand, the human propensity to "truck and barter," and the desirability of free choice.

This sociology of economics suggests a plan of escape from the confines of the current economics paradigm. First, economists must understand how their field's culture restricts and biases their analysis. Examples in the economics profession of what Bourdieu called symbolic violence plus a strong insider-outsider conflict with other disciplines oppresses true scientific analysis. By systematically stigmatizing outsiders who are most likely to take note of anomalies, the field of economics remains stuck in an unproductive paradigm that omits organizations from its research agenda. In short, a strong organizational culture oppresses those who would study organizations.

Keywords: Culture, Neoclassical economics, Orthodoxy, Pluralism, Sociology

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Homo oeconomicus, as conceived (tacitly or explicitly) by economic orthodoxy, is a kind of anthropological monster: this theoretically minded man of practice is the most extreme personification of the scholastic fallacy, an intellectualist or intellectualocentric error very common in the social sciences, by which the scholar puts into the heads of the agents he is studying – housewives or households, firms or entrepreneurs, etc.— the theoretical considerations and constructions he has had to develop in order to account for their practices.

--Pierre Bourdieu (2005b, p. 209)

1. Introduction

Economists often remind students that in an economy “everything depends on everything else.” Economists are also famous for the reply “it depends” to any and all economic questions. These observations suggest that economists have a real appreciation for the complexity of human existence. Yet, in practice economists often limit their perspectives by ignoring relationships between economic variables and the many broader social, political, and organizational behaviors that are often quite obvious to the general public. And even when, occasionally, some social, political, psychological, and other “non-economic” variables are deemed to be relevant to their analysis, economists tend to take such variables as exogenously determined outside their models.

Another criticism of modern economics is that most economists from nearly all countries of the world effectively embrace scientific reductionism and use models that assume a static economic system that is mathematically described as the linear sum of its component parts. Models in which the individual is the basic element, Such models cannot predict or explain complex macroeconomic outcomes like financial collapses and sudden reversals of economic growth. Nor can such models explain the disproportionate influence of organized groups of people in an economy.

This paper specifically reexamines the standard mainstream economics assumption that human society consists entirely of rational individuals who only take their own material well-being into consideration when they make rational economic decisions. Such assumed behavior is not consistent with what psychologists, sociologists, political scientists, behavioral economists, and other social scientists know about human behavior. There is ample evidence that humans do not act in isolation; humans are group animals that exhibit strong forms of group behavior. Yet, economists continue to do welfare analysis under the assumption that society consists of a set of separable individuals, which then permits them to conveniently assume that aggregate welfare is the simple sum on individual welfare levels. This, of course, makes it impossible to analyze the behavior of groups and organizations, or how group decisions and actions affect overall economic outcomes. Reminiscent of Margaret Thatcher's claim that "there is no society, just individuals," a group or organization cannot have a unique character or even a reason for existing if it is nothing more than the sum of its individual members.

This paper offers an explanation for why the field of economics restricts the scope of its analysis to the point where its practitioners cannot explain the ubiquity of clearly identifiable groups and organizations that are obviously different from a simple sum of separable individuals. The explanation can be found in the manner in which human thinkers normally deal with complexity, which is to look for support from their social culture. The field of economics has a well-defined culture, as do all professions and fields of human endeavor. In order to explain the culture of economics, we draw on work in the field of sociology that provides insight into how culturally-constrained economists have effectively blinded themselves to the complexity of human behavior and organizational behavior. The paper concludes with some thoughts on how economists can escape their restrictive culture and more effectively study organizations.

2. Some History of Thought

In the late nineteenth century, most American and British economists abandoned efforts to seek broad and unified explanations of economic outcomes within complex social and natural systems. They increasingly began to embrace the unsound strategy of *scientific reductionism* by focusing their attention on individual markets, banking and finance, and, above all, resource allocation within the narrow confines of the economy's market sector. Economists effectively began to assume, as most mainstream or orthodox neoclassical economists still do today, that a good understanding of the economic system's component parts is sufficient for designing the economic policies and institutions. Furthermore, economists also increasingly limited their attention to the economic activities that took place in organized markets. Textbooks in the late nineteenth and early twentieth centuries increasingly used the *ceteris paribus* assumption to examine specific economic issues, which freed their analysis from having to deal with the more complex systemic relationships across all three spheres of human existence. The best selling economics textbook beginning in 1890 was Alfred Marshall's *Principles of Economics*, the eighth edition of which was published in 1920. Even though Marshall was wise enough to recognize many aspects of economic complexity, the scientific reductionist approach in his textbook effectively helped to establish the neoclassical paradigm in mainstream economics.

Of special interest is the work of Léon Walras' (1874), who modeled the economy as a huge system of equations, one for the demand and one for the supply in each of the millions of markets where consumers were assumed to purchase all goods and services from producers, governments purchased goods and services from producers, where producers purchased capital goods from other producers, where producers purchased labor from individuals, and where

producers rented land from landowners. Specifically, in Walras' model there are m products, n factor services, m product prices, m product quantities, n factor prices, n factor quantities, and mn technical coefficients. There were thus $2m + 2n + mn - 1$ unknowns, with one of the products serving as *numeraire*, the measure in which all other variables are valued. In general, a system of equations can be solved if the number of unknowns is equal to the number of equations, and Walras designed his conceptual system to satisfy that requirement.

Walras' mathematical model seems to be a general equilibrium model that links all parts of the economy. But, it was also a system of linear equations with fixed parameters, and that implied that the relationships among the component parts of the system could not vary. That is, it was not a holistic system in which variations in the relationship among the component parts could substantially alter overall systemic outcomes. The formation of independent and unique groups and organizations of consumers, producers, workers, etc. was ruled out.

Ironically, Walras' elaborate simultaneous equations model actually discouraged economists from adopting a true *holistic* approach to analyzing economic issues beyond those that could be observed as market outcomes. Analysis across disciplinary boundaries was also discouraged. The reason for this was that Walras was unable to use his theoretical system to answer specific economic questions, despite the simplifying assumptions of linearity and the existence of complete markets for all human production and consumption,. Intuitively, economists accepted that there had to be a mathematical solution to Walras' system of equations, but the impossibility of actually solving the Walrasian model led them to focus on individual markets rather than the interconnections and the overall system. This *scientific reductionism* was often justified by Smith's (1776) popular metaphor of the invisible hand, that as long as the individual mn markets functioned well, overall economic outcome were always optimal.

To enable practical solutions to welfare questions, neoclassical economists extended the assumption of separable individuals to include a definition of national welfare that could be quantified as a simple monetary sum of total goods and services consumed by all individuals in the economy. In effect, the common use of a country's per capita gross domestic product (GDP) as a measure of national well-being reflects economists' acceptance of this modeling strategy. The school of economic thought associated with Walras, Marshall, and the many other late nineteenth century economists who implicitly accepted scientific reductionism and the centrality of individuals in economic thinking is now commonly referred to as the *Neoclassical school*.

Reality did not respect the invisible hand, however, and the scientific reductionist tendencies in economics were temporarily reversed in the 1930s when the world economy plunged into the Great Depression. Furthermore, the large number of people unemployed led economists to question whether a simple average of national output could accurately measure how well an economy was performing. For some decades macroeconomic policies were influenced by John Maynard Keynes' (1936) *General Theory of Employment, Interest, and Money*, a work that showed how the systemic interactions among various groups, such as consumers and investors, could generate the unemployment that characterized the 1930s. For a while, economists entertained the possibility that the economic system was unstable, non-linear, and not self-correcting. However, microeconomic analysis never changed to reflect Keynes' more realistic ideas on consumer and investor behavior under uncertainty, and how systemic imbalances can undermine the circular flow, Say's law, and full employment. This *Keynesian revolution* was short-lived, however.

3. Contemporary Mainstream Economic Theory

During the second half of the twentieth century, Keynesian ideas were gradually marginalized in favor of ever more sophisticated versions of the Walrasian model. As an implicit recognition of the fact that scientific reductionism is logically unsound, neoclassical economists began to develop integrated models that systematically linked the economy's individual consumers, workers, producers, bankers, and investors to the economy's aggregate performance. Modern macroeconomists refer to this as establishing the *microfoundations* of macroeconomics; neoclassical microeconomists refer to this as deriving the *general equilibrium* of the economic system. But, very strong simplifying assumptions were necessary in order to build practical macroeconomic models that are logically compatible with simple models of individual and firm behavior. As a result, the quest for microfoundations seems to have accomplished little more than to provide logical mathematical justifications for very unrealistic microeconomic models of individual behavior that can be consistently linked to equally unrealistic macroeconomic models.

Hence, mainstream neoclassical economics builds models that are nothing more than clever constructs that represent a mythical world. For example, labor markets are most often modeled as competitive markets where labor is paid its marginal product. Real economic facts, such as the presence of labor unions, efficiency wages and employers' use of compensation to motivate workers, the fixed costs of hiring and firing workers, the widespread existence of unemployed and underemployed workers in nearly all economies, and the organization of political alliances to deal with such issues, were ignored by these models. The assumption that producers always face rising costs was commonly made so that, more generally, the assumption of perfect competition and the absence of oligopolies or monopolies could be sustained in

economic models. Given today's industrial concentration, this assumption fails any reasonable standard of simplification for economic modeling.

Also notable is today's widespread acceptance of the *Coase theorem*, which distorts the intent of its alleged originator, Ronald Coase (1960) to suggest that, because people, firms, and governments are motivated to find ways to negotiate the mutually beneficial sharing of the external costs or benefits, *externalities* will not, in general, cause markets to fail. In reality, externalities persist throughout every economy. In fact, most people, firms, and governments are seldom fully aware of the externalities they themselves generate or the externalities imposed on them by the actions of others.

Modern macroeconomics and financial economics has seemingly recognized that it would be naïve to assume, as the original Walrasian system did, that people only live for the moment, completely ignoring their past decisions and the future consequences of their current actions. Modern macroeconomists have thus incorporated financial markets into their models. But in doing so, they have embraced Fama's (1970) convenient model of efficient markets, which assumes all available information is built into asset prices, as well as Friedman's (1953) hypothesis that speculation stabilizes financial markets. Unlike Keynes' description of financial markets in Chapter 12 of his *General Theory* (1936), where he explicitly recognizes that financial markets operate in a state of uncertainty, contemporary mainstream financial theory draws on the assumption of rational expectations presented by John Muth (1960) and incorporated into a new macroeconomic model by Robert Lucas (1972). Muth's hypothesis states that financial markets rationally make use of all available information and, therefore, enable financial firms and financial markets to efficiently allocate individual savings to the economy's most profitable investments and innovative projects.

In reality, many potential long-term financial transactions are not even carried out because information about the future is simply not available. Also, even when they are carried out, financial transactions often fail and cause severe problems for individual savers and investors. Occasionally, financial failures cause extensive and long-lasting economy-wide damage, as they did in the developing world in 1982 and worldwide in 2008. But, modern macroeconomists ignore this reality. Instead, modern macroeconomics effectively accepts as a reasonable approximation of truth the theoretical work of Kenneth Arrow and Gerard Debreu (1954) and Debreu (1959), who ignored uncertainty and the lack of information about the future by assuming financial markets only face *risk* defined by known probability distributions and expected values. Then they eliminated this conveniently defined risk by assuming the existence of competitive markets in *contingent commodities* that enable all risk to be insured or diversified away. Wrote Debreu (1959, p. 98), apparently seriously: “This new definition of a commodity allows one to obtain a theory of uncertainty free from any probability concept and formally identical with the theory of certainty....”

The reluctance of mainstream economists to embrace the need for more financial regulation and reorganization after the 2008-2009 financial global collapse also suggests that they continue to ignore how financial organizations behave and why such behavior causes costly financial collapses, that is, non-linear outcomes. There is also the real likelihood that all forms of business organizations cannot be accurately described under the assumptions of the neoclassical paradigm. Clearly, large business organizations can behave in ways that do not reflect the desires and interests of workers, stockholders, or many other groups of people in the economy, which also seriously undermines neoclassical modeling strategy. To eliminate this real possibility, modern economists often simply assume the special conditions Jensen and

Meckling (1976) showed were necessary for managers of private firms to act as faithful servants to the firm's individual stockholders. This is, of course, a very unrealistic assumption about business organizations.

Despite the many unrealistic assumptions, neoclassical models are seldom questioned by either economists themselves or the decision makers who depend on the economists' analysis. The persistence of a modeling framework that fails to explain or predict clearly observable events flies in the face of science. But economics is not the first science or social science to violate the idealized scientific method. In his analysis of the history of science, Robert Kuhn (1962, p. 2) observed that "science does not tend toward the ideal that our image of its cumulativeness has suggested. Perhaps it is another sort of enterprise." Kuhn noticed that, throughout human history, small scientific advances often followed systemic cumulative paths, but truly revolutionary scientific changes were usually completely incommensurable with earlier knowledge and lacked even a common standard of measurement. Even the axioms, or common accepted truths, often differed between major scientific thrusts. Kuhn suggested that revolutionary science involved a shift in *paradigms*, by which he meant a completely new way of observing the world, analyzing the evidence, and reaching conclusions. In economics we refer to such a new paradigm as a new, distinct *school* of thought.

The word *paradigm* is derived from the Greek word *paradeigma*, which means "pattern." The fields of neuroscience, psychology, and behavioral economics, among others, have shown that the human brain is very much aware of patterns, and it tends to try to fit everything it sees into familiar patterns. These patterns, often incorporated into stories, ceremonies, procedures, social organization, and social norms, effectively become part of human culture. They effectively tell practitioners what they should observe and study, the types of questions that they

should seek answers to, how they should go about answering those questions, and how they should interpret their findings. To understand why a paradigm, or, more generally, a field's culture that shapes how people in that field think and act, becomes so entrenched, we need to understand the dynamics of culture.

4. Understanding the Origins of Culture

Specifically, *culture* consists of the set of common patterns of human activity in a society as well as the assorted symbols and patterns of behavior that people value and identify with. The United Nations Educational, Scientific and Cultural Organization (UNESCO) defines culture as follows:

...culture should be regarded as the set of distinctive spiritual, material, intellectual and emotional features of society or a social group, and that it encompasses, in addition to art and literature, lifestyles, ways of living together, value systems, traditions, and beliefs.

More specifically, culture consists of informal institutions, such as traditions, myths, religions, norms of behavior, manners, artistic expressions, and symbols that influence individual human behavior.

Sociologists have studied culture extensively because it is a very important institution of human civilization. Culture enhances social cohesion by inducing independently-thinking but socially-inclined individuals to conform to others who embrace the same culture. More fundamentally, culture is necessary for complex systems like an economy or society to function.

Culture emerged from the process of human evolution because it enabled humans to cope with the complexity of their existence. It is tempting to interpret humans' development of large

brains as implying that humans are increasingly capable of engaging in rational thought and that they gradually abandon the inherently irrational traditions, habits, and norms that make up culture. Seabright (2010), in fact, highlights humans' ability to engage in abstract thinking as one important reason for humanity's relatively short-term success as a species. But Seabright also points out that humans used their mental capabilities in practical ways that do not match modern economics' definition of rationality. The complexity of life is much too great for humans to rationally deliberate their every action, as Muth and Lucas hypothesized. Knowledge about our physical and social environments is incomplete, and even perfectly logical abstract thinking will not give us the solutions we urgently need to deal with pressing problems and complex natural and social systems. North (2005, pp. 15-16) writes:

Throughout human history there has always been a large residual that defied rational explanation—a residual to be explained partly by non-rational explanations embodied in witchcraft, magic, religions; but partly by more prosaic non-rational behavior characterized by dogmas, prejudices, “half-baked” theories. Indeed despite the...assertion by eminent theorists that it is not possible to theorize in the face of uncertainty, humans do it all the time; their efforts range from ad hoc assertions and loosely structured beliefs such as those encompassed in the labels “conservative” and “liberal” to elegant systematic ideologies such as Marxism or organized religions.

Social scientists generally refer to these “half-baked ideas” and “ad hoc assertions and loosely structured beliefs” as *culture*.

Research from the field of neuroscience shows that the human brain is a complex organ that does not function like some kind of electronic computer with programmed rational functions. As Churchland (2002, p. 308) explains:

The Brain's earliest self-representational capacities arose as evolution found neural network solutions for coordinating and regulating inner-body signals, thereby improving behavioral strategies. Additional flexibility in organizing coherent behavioral options emerges from neural models that represent some of the brain's inner states as states of its body, while representing other signals as perceptions of the external world. Brains manipulate inner models to predict the distinct consequences in the external world of distinct behavioral options.

The human brain thus evolved not only to generate abstract explanations for the complexity that humans observed, but also to find and actively apply practical rules to guide human actions within that complexity. Life is precarious, and decisions often had to be made quickly.

Research by Aimee Lebeouf (2002) and Medin and Bazerman (1999), among others, have confirmed that the automatic and emotional processes in the human brain depend largely on the recognition of patterns. Neuroscientific experiments show that the human brain becomes agitated when unfamiliar patterns emerge or familiar patterns cannot be found in what is being observed. Frederick (2005) documents that the most intelligent people routinely misinterpret a problem or an observation because they place it in a familiar pattern that, in fact, does not apply to the problem at hand. That is, they confidently use a model that does not accurately describe the reality they observe, and as a result they often reach inaccurate conclusions.

In order to understand the evolutionary purpose of these patterns studied by neuroscientists and psychologists, it is important to understand that humans did not survive on

practical combinations of abstract thinking and clever short-cuts alone; they survived because they also maintained cohesive groups in which members could efficiently interact to generate a social outcome greater than the sum of individual actions. Humans evolved as group animals in order to exploit safety in numbers, and culture served to sustain social cohesion. By giving shared assertions and beliefs significance, humans were able to partially suppress independent individual thoughts and actions that could be detrimental to the survival of their social groups.

In sum, culture is a dynamic construct that enables humans to operate their complex societies within the constraints of the natural environment. History suggests that human culture achieves this fundamental purpose only very imperfectly, with much conflict among individuals and groups. On the other hand, human culture has also enabled humans, in a very short evolutionary period of time, to gain a very large presence on Earth. The question remains, of course, whether the extraordinarily large surge in human population and its environmental impact will prove to be sustainable in the long run. Humans acting together constitute a powerful force. But, economists have not done a very good job in analyzing the causes and consequences of group and organizational behavior.

5. Culture, and the Need for Reflexivity

With an understanding of human culture, we can begin to explain why the field of economics has developed a culture in which the neoclassical paradigm is viewed by the great majority of economists as the correct, or *orthodox*, way to analyze all economic phenomena despite the paradigm's failure to generate explanations for many clearly observable economic phenomena and the presence of many potential competing paradigms. Economists should embrace the ideas

of the influential twentieth century French sociologist Pierre Bourdieu, who urged his fellow sociologists to actively undertake a systematic and rigorous self-critical analysis of how their own field studied culture. Bourdieu (1988, 1989a, 1990, 2005a) and Bourdieu and Wacquant (1992) referred to such a self-analysis as *reflexivity*.

Bourdieu's many years studying how cultures perpetuated unjust and oppressive social structures led him to conclude that sociologists often let their own culture bias their analysis and interpretations of other cultures. Bourdieu argued that sociologists should know better than anyone how culture distorts perceptions of reality, and he urged his colleagues to engage in the "sociology of sociology." We economists, too, should follow Bourdieu's suggestion and be more aware of the culture of our field and how it restricts our analysis. We need a *sociology of economics*.

6. A Sociology of Economics

Bourdieu (1977a, 2000) provided a framework of analysis that is very useful for analyzing how the subculture of the field of economics evolved within the broader cultures of social science, the workplace, and society as a whole. Bourdieu's sociological framework also reveals why a particular subculture often survives strong scientific evidence that clashes with its main tenets. Bourdieu begins with the work of the early twentieth century sociologist Max Weber (1978), who argued that people generally embrace more than one culture because individual status in society often cuts across traditional concepts of class or *subcultures*. Bourdieu explains that a profession like sociology or economics develops a strong subculture that is embraced by individuals that, simultaneously, live in different national and ethnic cultures. This embrace of

multiple cultures is important for understanding the widespread acceptance of neoclassical analysis by economists the world over. Bourdieu explains why the subculture of economics becomes so important to an individual economist and also why it becomes so very persistent.

Bourdieu's first concept is the *field*, which he defines as the social or intellectual arena within which people spend much of their day and within which they focus their efforts to advance their primary economic and social interests. People normally identify with a broad national or ethnic culture, but in going about their daily activities they tend to pay attention almost exclusively to their immediate professional or social environment. Often, a profession constitutes a person's field, as many people closely identify themselves with the culture of a particular job, industry, or work environment in which they spend much of their time and effort. For academics, the term *field* is straightforward because most of an intellectual's life is spent within a well-defined intellectual field. Note, however, that Bourdieu's concept of a field is more general than an academic field. For example, teenagers tend to embrace the culture of their school environment and the new social relationships that they develop there, members of the military adopt a distinctive military culture of hierarchy, obedience, and violence, and athletes embrace many routines that involve repetitive training, specific concerns about eating and health, and a rather competitive attitude to excel.

While there are many different fields, each person usually concentrates on just one *field*. The field, according to Bourdieu, is the subculture where people largely judge their success in life. A teenager may clash with the culture of his/her household or even that of his/her nation, but showing up in school wearing clothes that clash with the school culture would be unthinkable! Similarly, economists come from a great many ethnic, national, and other social cultures, but as quickly becomes obvious to anyone attending an economics conference, they all

dress, act, and talk in very similar ways. Economists also tend to judge their colleagues not by their ethnic group or national culture, but by a nearly identical set of criteria covering the subjects, methods, and procedures that have somehow come to be viewed as appropriate in the field of economics. The field of economics most definitely has a peculiar culture that nearly all practitioners in the field adhere to.

Bourdieu develops two useful concepts that define the culture of a field. First, people in a field adopt certain attitudes, behaviors, and dispositions, which Bourdieu defines as the field's *habitus*. This term was used earlier by Aristotle and Max Weber. A habitus is a set of *subjective* but persistent perceptions, customs, conventions, norms, mannerisms, behaviors, and outward expressions that are deemed appropriate or "normal" by practitioners in the field. Habitus effectively constitutes both a person's personal disposition towards others and the set of behaviors by which others within the field judge him or her. Bourdieu thus straddles the long-running debate in sociology between subjectivity and objectivity by defining the field as objective and habitus as subjective. Bourdieu argued that people develop the *subjective* dispositions and attitudes of their habitus in order to be successful in their well-defined *objective* field. A soldier is likely to adopt a habitus characterized by a willingness to engage in aggressive behavior, an unquestioning respect for authority and rank, as well as a strong affirmation of group loyalty. A businessperson's habitus may be characterized by an admiration for aggressive salesmanship, a disdain for government restrictions on business activity and taxation of profits, and a positive response to monetary rewards. An economist's habitus includes the use of neoclassical models to analyze a set of issues that fall almost entirely within the market economy, and a reluctance to address social issues that extend beyond the market economy or extend into other disciplines. Recall our general discussion of culture; venturing into other

disciplines could be viewed as disloyalty to one's own culture, and such disloyalty could weaken the cohesion of the group. Hence, outside ideas are instinctively mocked, insiders are given all benefit of the doubt.

Bourdieu points out that there is an uneasy relationship between the reality of one's field and the inherently arbitrary nature of much of what comprises the field's habitus. Psychologically, it is difficult for an intelligent person to deal with this combination of an *objective* field and a *subjective* habitus. Human societies, groups and organizations within human societies, and fields thus develop sets of beliefs, symbols, and popular stories that provide some justification for the subjective habitus associated with one's objective field. Bourdieu calls these sets of well-established but largely unproven beliefs, stories, and philosophies *doxa*. These include the "half-baked ideas" that North (2005) argued are necessary social constructs for societies to deal with the poorly understood complexities that people routinely face. Doxa also likely to include well-developed religious dogma and rigorously formulated social and political philosophies. Together, the doxa and habitus constitute what we call *culture*.

There is a well-established doxa that underlies economics: the so-called neo-liberal paradigm. This is a set of beliefs that include the characterization of individual humans as always rational and scientifically objective in their decision making, describe "an economy" as a set of complete, efficient and competitive markets in which the "invisible hand" transforms self-interested individual behavior into an optimal state of general well-being, and equate free markets with the all-encompassing social goal of individual "freedom to choose." The set of policies imposed on many indebted developing economies by the International Monetary Fund, the so-called *Washington Consensus*, were a direct reflection of this neo-liberal doxa, and they included free trade, privatization of government assets, conservative monetary policies to reduce

inflation, balanced government budgets, the elimination of labor market regulations, and diminished financial market regulation. It is still not clear that these policies actually would improve human well-being, but the policies were nevertheless put into effect without much debate within the mainstream of economics. Once the doxa gains widespread acceptance, there is less urgency to question the habitus.

The neoliberal doxa of free markets and individualism most closely reflects fundamental aspects of the Western social culture, especially that of the United States, the United Kingdom, and other countries with strong Anglo-Saxon cultural heritage. Economists, by projecting their culture into the rest of the world, are, therefore, forcing Western culture on others in the guise of science. Third world economists trained at Western universities or taught from Western economics textbooks inadvertently become the foot soldiers for Western culture in their native countries. Respected Western economists use the neoclassical models to judge economies and economic policies everywhere in the world. Economists thus behave like the Western sociologists Bourdieu (1990) criticized for judging foreign cultures from the perspective of their own Western cultures.

The obvious example of bias in the subject matter of economics is the tendency for economists to focus exclusively on market activities, to use data generated by markets, and to interpret the observed results as if all economic activity was undertaken by rational individuals operating in competitive markets. Hence, most economic research analyzes activities included in measured GDP, uses market prices and quantities to quantify human economic activity, and quantifies outcomes in terms of market generated prices and quantities. There are relatively few economic studies of household activity, even though the most casual observations of the real world suggest that most human economic interactions are not among individuals interacting in

formal markets (Van den Berg and Van den Berg, 2012). At the same time, the neoliberal doxa of economics limits the perspective of economic research in the belief that issues such as human psychological happiness, environmental problems, and non-market household activities are *non-economic issues* and thus fall outside the field of economics. The narrow scope of most professional economics journals reflects the conformity of the economics habitus to the neoliberal doxa. In a related interpretation, Heilbroner openly recognized how the doxa of mainstream economics limited the scope of the discipline when he stated that “[t]he best kept secret in economics is that economics is about the study of capitalism.”¹

The doxa and habitus of economics also combine to limit the study of group behavior and the behavior of organizations. Despite overwhelming evidence to the contrary from numerous fields of science and social science, economists effectively still embrace Margaret Thatcher’s claim that “there are no communities, only individuals.” And, despite Nobel prizes for economists like Kahnemann, Tversky, Akerlof, Ostrom, and Williamson for studying psychological and organizational aspects of economic activity, mainstream economists still almost exclusively use welfare functions that aggregate the individual welfare of separable individuals in judging economic policies, measure economic growth in terms of market activities counted in GDP, and ignore the role of groups and organizations in explaining economic outcomes. The power of culture is strong, and it actively prevents permanent paradigm shifts.

7. Symbolic Violence

Bourdieu (1986, 1989b) explains that culture becomes oppressive when, in order to gain acceptance within the group, people consciously or unconsciously interpret reality in ways that

¹ Quoted in Palley (1998), p. 15.

effectively lead them to act against their own individual interests. For someone to be successful in their field, they have to behave in accordance with the field's habitus, which may prescribe behavior that is not necessarily in the long-run interest of that individual. Recall that the evolutionary role of culture was, at least in part, to enable individual behavior that benefits the welfare of the whole group, not necessarily each individual.

Bourdieu (1986, 1989a) explained that cultural oppression occurred when the various forms of *cultural capital* were unequally distributed. Among the forms of cultural capital is *inherited cultural capital* includes specific traditions and culture that can take considerable time to transfer and absorb, such as habits developed during upbringing, language and dialect, social mannerisms, and personal relationships. *Objectified cultural capital* includes real physical things such as a musical instrument, a carpenter's tool box, or, in the case of economists, an office computer and shelves of books. In each case, the musician, the carpenter, and the economists would lose status if they did not possess such objectified capital. Finally, *Institutionalized cultural capital* includes diplomas, awards, certifications, and other official credentials. Together, these forms of cultural capital give those who possess them power. The use of this power to impose one's will over another person with less cultural capital is referred to by Bourdieu (1977b, 1986, 1989b, 2001) as *symbolic violence*. Note that Bourdieu's use of the word *capital* to describe a person's familiarity with and ease of acting within a culture reflects the fact that human culture is accumulated gradually over time through education, social experience, family upbringing, assimilation, and learning. Redistributing this cultural capital in order to reduce symbolic violence is thus likely to be a gradual, difficult, and slow process.

Discrimination and harassment are overt forms of symbolic violence. But there are many subtle forms of symbolic violence, such as a frown or look of disapproval by a parent that makes

a child change its behavior or the concerned mention of “unfinished work” by a boss that effectively signals to an employee that (s)he had better put in some extra hours over the weekend. Symbolic violence among adults is fundamental to the perpetuation of gender, ethnic, and age inequalities. Bourdieu (2001) shows that symbolic violence often leads people to accept what are, objectively, injustices because they adjust their doxa to match the social field they inhabit. He documents how working class children often accept the social order as legitimate and thus view the educational success of their upper- and middle-class peers as a reflection of the latter’s greater ability or harder work rather than social privilege. Thus, economics graduates of lower-rated universities, say the University of Nebraska, see the professional success of the graduates of higher-ranked universities such as Harvard, MIT, or Berkeley as a legitimate reflection of the latter’s greater ability or their harder work, even though in reality the institutionalized cultural capital (the diplomas) are seldom more than the result of class-based inherited cultural and economic capital. Economic pressures, such as the need for income or an employer’s health insurance, often lead a worker to accept the underlying doxa of hierarchy or an unequal distribution of economic and cultural capital that justifies the unequal economic outcomes. Bourdieu (2001) documents how people are often complicit in the symbolic violence they experience because they adjust their habitus and doxa in order to maintain their sense of dignity within what they subconsciously accept as the immutable reality of the social or professional field they inhabit.

By intimidating actual and potential purveyors of alternative paradigms, symbolic violence protects both the doxa and habitus from contradictory facts, or what Thomas Kuhn (1962) called *anomalies*, which, if allowed to be openly discussed and examined, could ultimately bring about a shift in paradigms. Most economists seldom question the neoclassical

models because they received strong approval for mastering neoclassical economics from their professors during graduate school, and they continue to receive implicit reassurance of the legitimacy of the methodology from colleagues who also embrace the field's habitus. As an illustration of the subtle nature of symbolic violence, consider, say, a Marxist economist in line for promotion and in need of increasing her publication record to justify the promotion; she might very well convince herself that it is permissible for a Marxist to write an article based on a standard neoclassical model that reflects an idealized capitalist economic structure because such an article would be more likely to get published in a "first-tier" economics journal, and unless she gains the promotion, she will not be able to do good Marxist economic analysis in the future. In the meantime, the dominant paradigm is not challenged.

In economics, the symbolic violence is often carried out by the field's most highly regarded members who serve on the editorial boards of professional journals that determine the fate of economic research and the faculty committees that hire, promote, and fire new faculty members. Thus, a young assistant professor seeking to publish and gain tenure will be "well-advised" to write articles that apply only neoclassical analysis. Course content in the leading economics departments, dissertation advice, and the selection criteria for research grants further install the orthodox habitus and doxa in the minds of young students, some of whom will become our future economists. Outside of academia, the corporate-funded think tanks, the Federal Reserve and other central banks, international agencies such as the IMF, World Bank, and OECD, the business press, and private financial firms also keep the orthodox paradigm firmly entrenched by means of their employment practices, their ability to influence policy and the press, and their money that funds research, publication, grants, internships, and philanthropy. Symbolic violence is not always subtle; sometimes it is overtly exercised in order to protect the

cultural, social, and economic capital of vested interests. This danger is becoming increasingly probable given the gradual privatization of higher education in the United States, the United Kingdom, and many other countries.

The brief sociological examination of the culture of economics suggests that, in order to more effectively study organizations and alternative forms of economic behavior, economists must find a way to free themselves from the constraints imposed by the field's habitus and doxa. This means economists must first recognize the problem, and then they must provide compelling narratives that justify alternative paradigms. Finally, they must find ways to overcome the symbolic violence of the field's dominant neoclassical culture. The doxa of individualism and free choice, which support the aggregate or representative agent welfare functions that are so well established in the habitus, is very problematic for the analysis of organizations or group behavior.

8. A Case for Pluralism?

A thorough review of the history of economic thought reveals many potential alternative economic paradigms that may prove more useful for understanding our complex economic existence. Some of these paradigms provide better incentives to expand economic analysis beyond the confines of a market economy, and some would encourage more holistic approaches that incorporate the complex ties of the economy to the social and natural spheres of human existence. Even today, some economists have broken out of the neoclassical constraints on economic thought and research. For example, behavioral economists combine psychology and economics in order to analyze economic issues with much more realistic models of human

behavior and more complete measures of human welfare. Ecologists and environmental economists are addressing the environmental externalities that neoclassical economists have largely ignored. Political scientists provide valuable insights that political economists have used to analyze the causes and effects of economic policies. Feminist economists have investigated household activity and gender in the workplace, two topics ignored by orthodox neoclassical analysis that tends to focus on market activities and most often treats workers as homogeneous or “representative” individuals devoid of gender, age, class, culture, or other distinguishing characteristics. Recent Nobel laureates Ostrom (2005, 2009) and Williamson (1975, 2002) have moved beyond the neoclassical individual to actively study organizations, group outcomes, and alternative ways in which societies can take collective economic decisions.

One potential strategy for achieving paradigmatic freedom, therefore, is to seek ways to reduce the symbolic violence against alternative paradigms. Policies in academia could be intentionally changed to eliminate discrimination against practitioners who adhere to an alternative doxa and habitus. Varied interests could establish a variety of think tanks; the New Economics Foundation, the Levy Institute, and the Economic Policy Institute come to mind as good examples of non-orthodox research institutes that are willing address issues outside the dominant economics culture. Better yet, as argued in Van den Berg (2011), the profession should actively pursue pluralism, which is the maintenance of alternative paradigms in the habitus of economics. Such paradigmatic multi-culturalism is important for preventing, as Weehuizen (2007) warns, recently reminded us, a new paradigm and its respective doxa and habitus from oppressing potential future revolutionaries. As Kuhn (1962) noted, many paradigm shifts do not put human society on a better long-run path of scientific progress. The better

answer to the problem of one dominant paradigm in economics is, therefore, for concerned economists to actively pursue pluralism.

9. The Power behind the Culture

Efforts to incorporate pluralism into the field of economics have been extremely difficult, however. There is also an economic and political power structure behind the dominant paradigm that further strengthens the protectionist culture. Scientists are struggling with more than just culture.

There is a bitter lesson in the inspiring words of Keynes (1936, p. viii) in the preface to his *General Theory of Employment, Interest, and Money*:

The composition of this book has been for the author a long struggle of escape, and so must the reading of it be for most readers if the author's assault upon them is to be successful,—a struggle of escape from habitual modes of thought and expression. The ideas which are here expressed so laboriously are extremely simple and should be obvious. The difficulty lies, not in the new ideas, but in escaping from the old ones, which ramify, for those of us brought up as most of us have been, into every corner of our minds.

On the one hand, Keynes seems to recognize the difficulty of going against the dominant paradigm. On the other hand, Keynes seemed to be confident that he had indeed managed to “escape” from the “old ideas,” and he also seemed to presume that his work would lead the economics profession was about to do the same. Yet, as “simple” and “obvious” as they indeed were, Keynes' new ideas were almost immediately watered down, and after about 30 years, the

“old ideas” were firmly back in the habitus of the field of economics and Keynesian economics was marginalized. The fact is that the intellectual resistance to Keynesian ideas was actively stoked by business and financial interests opposed to the policies, such as Roosevelt’s *New Deal*, that the Keynesian paradigm seemed to suggest. For example, Colander and Landreth (1996) describe how, prior to the appearance of Samuelson’s (1948) textbook with its watered-down Keynesian macroeconomic model and neoclassical microeconomic models, an authentically Keynesian textbook by Tarshis (1947) was driven out of U.S. universities by a business-supported campaign directed at university administrators and trustees.

Today, the power of wealthy individuals and special interest business and financial groups to get their way is actively pursued by means of costly public relations, advertising, and lobbying activities. By “investing” in the promotion of their interests, special interests have largely captured the major political parties in most democratic countries, and many of the news media that communicate political events and debates to the public. We thus see that despite the clear failure of mainstream economics to address, much less explain, the prevalence of large business and financial firms in a modern economy, there is little discussion of alternative paradigms or major shifts in economic policy to deal with the concentration of economic power of such organizations. When the news media now seeks economists to provide commentary and insight into economic issues, more often than not the economists they interview work for business or financial firms, not independent universities or impartial research organizations. These business and financial economists almost always advocate free markets, deregulation, and further privatization, as if the neoclassical paradigm of rational individuals operating in perfectly competitive markets represents our economic reality. And even academic economists are increasingly compromised by the privatization of their institutions and the decline in public

funds for education after years of austerity policies to bring in outside money to support their institutions and their jobs.

In effect, organizations of powerful and wealthy businesses and financial firms, which are themselves forms of organizations, have lobbied and worked hard to sustain the neoliberal doxa and thus discourage the inclusion of the study of organizations in the habitus of economics. The powerful culture of economics keeps the individual front and center in economic analysis and sustains the unrealistic welfare functions, calculated as the sum of individual material consumption or wealth, with which economists judge economic outcomes. We conclude, therefore, that as organizations have become more important and powerful in our economy, economists have been actively encouraged and culturally pressured to hold on to the myth that economies consist only of individuals and, therefore, to ignore the growing economic, social, political, and cultural power of the very organizations that sustain the myths that so severely bias economic analysis.

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