

The Role of Values in Post-Modern Economics

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Presented at the ACE Annual Meetings, 1994

1. Introduction

Economists, like all mortals, spend most of their time thinking about definitive realities. We have made a profession of discovering laws of human behavior that govern resource use. We use our laws to generate policy and our desire is to progress toward the absolute truth of economics so that we need not live amid chaotic unpredictable happenings. We are proud that our discipline is a science and we feel more kinship at times with the natural sciences than we do with other social sciences. Unlike other social sciences, we build on the notion that people have common objectives and are rational. From this basis we are only a stone's throw away from objective science and highly reliable policy. Our definitive reality is the mechanistic world that is ours to conquer.

The post-modern world view is changing this agenda of thought. What we think is now less important than how we think. J. L. Burkholder has proposed that "a subtle and profound change has come upon us with respect to how we perceive reality. This change is sometimes celebrated as liberation. It is to be liberated from a world of external restraints in favor of subjective freedom."¹ Reality becomes a subjective individual matter in which perspective, context, frame of reference, and individual perception are the important factors.

This change of perspective points out the dilemma for Christian scholars in this time between world views. As confidence in enlightenment rationalism fades and the contours of subjective relativism appear, religion is in a precarious position. On the one hand, there is kinship with the enlightenment belief in objective rational reality. The Christian faith has always provided a locus for ultimate objective truth. On the other hand, there is kinship with the subjectivist battle against the reductionism of the rationalistic world. In other words, the Christian has problems with a value free science where God is an absentee landlord or simply absent, but the Christian finds little comfort in a world view that welcomes values but has no hierarchy in the value structure.

II. Economics has something to offer the dialogue on shifting world views.

Economics has only danced on the fringes of this world view transition, but it is particularly suited to make a contribution to the discussion for several reasons. First, it is a social science where people are the basic building blocks of a unified theory rather than the particles of the physicist. The "objectives common to most" assumption of the economic rationalist model does not serve us as well as the physicist's assumption that particles have common objectives. They almost always seem to. Therefore, only the most ardent supporters of economics as science have promoted the pure value free reductionism position in economics. No one has really succeeded in making this position operational. This weakness in our positivistic armor makes us open to subjective methodology.

A second, and more important reason for economists to enter the discussion is that the unifying force of our rationalistic model is the freedom of all participants. This notion of freedom as the real driving force of economic efficiency and social harmony positions economics on the bridge between the two world views. In economics, freedom is a concept that is compatible with both the post-modern world view and the modern mechanistic world view. In the modern view, freedom of choice makes markets work, but that freedom is constrained by the rules of the mechanism that must be followed. The freedom-authority-responsibility triad is always held in precarious balance, and, if that balance is not maintained, the existing world view will eventually

¹ J.L. Burkholder, "Thinking in a Post-Modern Age," Goshen College Record, May 14, 1993.

be challenged. In the post-modern world view, freedom is not constrained except for the call to toleration, and, as we will see later, this autonomy makes it hard to develop the shared values needed to make a post-modern world succeed. In short, because economists know much about the freedom and control struggle, they need to be a voice in the discussion of world view transition.

Third, economists must enter the dialogue because they can explore the policy implications of post-modern thinking. When the rubber of a world view hits the road of human experience, the world view can be seen from a fresh perspective. Hopefully, economists can add new insights that will be useful.

This paper will attempt to comment on four aspects of the shift from modern to postmodern thought. First, it is instructive to contrast paradigm shifts of the past to gain perspective on the topic. Second, what are the symptoms of the present paradigm shift and to what degree are we now post-modern? Third, what impact might the shift have on economic thinking? Fourth, will there be a place for the Christian economist in the new world view? Put differently, can Christian economists carry the Biblical themes across history and have them be meaningful in the post-modern economics?

III. A Sketch of four world views.

Grand theories must be viewed from a distance so a fuller picture can be seen. The details become hazy as the picture is enlarged, but the contour of the terrain contributes to understanding. Also, there are times when earlier world views offer insights or models that can be useful in the ongoing work of exploring how the world works. Thus, at the risk of oversimplification, the sketch on the following page depicts four world views.

Ancient

Medieval

Modern

Post-Modern

The first is the ancient understanding that God, or the gods, created and controlled the universe. Like a great puppet master, God worked out his will on the landscape of the world on which people were placed. The ancient Hebrews were not the only people of their time to adopt this model. What characterized them from others was that they had only one puppet master who pulled all the strings. For others there were many gods in charge of various aspects of life. Some embodied the deity as a divine right ruler whose command was absolute. Obedience and loyalty were the appropriate policy or strategy for the created ones. If the deity being served was Yahweh, a covenant relationship softened the arbitrary nature of God, but did not change the understanding of how the world worked.

The western medieval world view was not much different from the ancient one except that social obligation and responsibility on the part of citizens was more elaborately defined, and the habits of God, the western deity, followed consistent patterns which became natural law. The four classifications of natural law by St. Thomas Aquinas illustrate the fact that the concept of natural law was little more than God's puppet strings programmed for His own convenience. The world still worked at God's command and He maintained an interest in it. The sketch of the medieval world view above removes some of the puppet strings, but has orderly patterns on the world depicting the natural law of the scholastic.

The third sketch shows a creator now detached from creation. The world is ordered by forces which function with perpetual machine type precision. Humanity is outside the machine attempting to understand its workings

through science. For economists, the person is both a student of and a part of the machine. People have regular patterns of behavior due to common goals and rational abilities so social systems like resource allocation can be modeled. What is being modeled is a reality that is as objective as the reality perceived by the ancients and the medieval worlds.

The fourth sketch attempts to show the change in thinking about what is real. The structures of the previous model are now dotted lines depicting the subjective and changing nature of reality and the person is now endogenous to the reality. The person's grasp of reality is conditioned by where he is in the scheme of things. What is a ceiling to one is a side wall to another and the ceiling or wall has no standing on its own. This sketch, of course, is only a symbol for dynamic reality. In this framework, terms like uniformity, homogeneity, and system-wide truths are not very helpful.

II. Are We Post-Modern Now?

The natural sciences have led the way in the change from an objective predictable world to a world where what is real is dependent upon perception. Hsieh and Ye summarize postmodern science as follows:

The emerging new unifying paradigm of self-organization has stressed the connections among reversible and irreversible time, order and disorder, chance and necessity, physics and biology, mind and matter. In doing so, it also enlightens us about the ontological question of being and becoming. The answer lies in the self-organizing dynamics. We may also add that general relativity theory, quantum mechanics, theory of chaos, thermodynamics, and biology provided the scientific foundation of the new synthesis...²

Erich Jantsch speaks of a broad concept of evolution that drives the new paradigm. "It becomes possible to view evolution as a complex, but holistic dynamic phenomenon of an universal unfolding or order which becomes manifest in many ways, as matter and energy, information and complexity, consciousness and self-reflexion."³ Prigogine and Stengers have shown that, under certain conditions, entropy can create a new order rather than disorder, because the passive particles of classical physics can now be seen as active matter.⁴ One need not be a dedicated student of natural science to recognize that classical physics and the mechanistically ordered world of Newton are giving way to a dynamic, evolving, self-organizing notion of how the world works. What is less clear is how these notions transfer to the humanities and the social sciences in general and to economics in particular.

Social theorists like Habermas and Giddens draw on Gadamer to question the connection between the natural sciences and the social sciences. Habermas believes that natural science leads us to believe erroneously that humans function with a full knowledge of their behavior and its consequences. He also believes that the reflective ability of the agents in natural science is far less than the ability of humans to examine and alter behavior. While I agree with these qualifications, I would argue that natural science still leads social science thinking in the areas of methodological theory. When economists build models assuming that people are rational and that they have objectives common to most, they are practicing a methodology that is closely related to the natural sciences. The instrumentalism articulated by Milton Friedman in his oft quoted article on methodology would clearly imply that Habermas' critique is irrelevant.⁵ The conceptual method of economics parallels closely the method of natural science even though it is less precise in practice, and, if natural science moves away from a positivistic framework, economics will follow in its footsteps. This is not simply some

² Ching-Yao Hsieh and Meng-Hua Ye, *Economics, Philosophy, and Physics* (New York: M.E. Sharpe, 1991), P. 128.

³ Erich Jantsch, *The Self Organizing Universe* (Oxford: Pergamon Press, 1980), P. 307.

⁴ Ilya Prigogine and Isabelle Stengers, *Order Out of Chaos* (New York: Bantam Books, 1984), Chapter 5.

⁵ Milton Friedman, *Essays in Positive Economics*, (Chicago: University of Chicago Press, 1935) pp. 3-43.

effort to be a science. It is the normal movement that occurs in all disciplines as scholarly regimes or paradigms change.

Keynes saw the breakdown of positivistic thinking in natural science and used it as an argument in his own attack on neo-classical economics. He saw his own critique of full employment equilibrium as akin to the mathematicians need to find a non-Euclidean geometry to explain why supposedly parallel lines intersected. He commented that rebuking the lines for meeting is not the answer to the problem.⁶ By implication full employment equilibrium models needed to be discarded as a general theory of economics.

Economics is perhaps the last discipline to be influenced by post-modern thinking. In literature, the task is to de-construct the content into what it means to the reader. In theology and ethics the context and historical situation make each event unique. Morality and ethics becomes situational rather than based on reason and rules. Overall, the focus of concern has gone from systemic patterns to the particular, from the search for truth to an appreciation of what matters to individuals, from modeling to story and rhetoric. We no longer search for the meaning of things. We now search for what they mean to me and my meaning has integrity in its own right. At the popular level, the idea of political correctness is an application of a self-organizing or self defining world view at work. Everyone's definition of good has merit or at least should be respected.

Post-modern does not mean post-market. It does not mean that we do economics totally different. Supply, demand and price are not made obsolete by the changing world view. The invisible hand is not negated by subjective reality. However, these forces of the market are now more deeply embedded into society and the dynamics of change take on more importance. Furthermore, it will be harder to appeal to data to prove someone right or wrong, because there will be no absolute truth in numbers.

Post-modern writers seem to vary on how they understand reality. A few may feel that there is no such thing as "a real thing." Others concern themselves only with our inability to grasp a real thing. None argue that reality can be understood in any objective sense. When it comes to policy, I believe that the inability to grasp something real and the absence of objective reality amounts to the same thing. In both cases, what we actually do depends on what we have created as true for us. Hermeneutics may presume definitive reality, but if that reality is inaccessible until we define it as it seems to us, then reality can hardly be considered to be objective. In practice, we are becoming post modern.

Indeed, whether we like it or not, the ordered world of classical physics and mainstream economics is being pressured at both the theoretical and practical level. Diogenes Allen comment, "That we live in a self contained universe can no longer be supported by a philosophic consensus."⁷ Three decades ago economists were riding a crest of popularity while today economists manipulate their systems of equations in relative obscurity. In many quarters the relevance of mainstream economics is seriously questioned. In modern terms we are in the process of falsifying ourselves. Whether we like it or not, the world is moving toward post-modernity at a rapid pace and economists will eventually be on board as well.

For Christians, it is no small task to bring the content of scripture across history to the modern age. The movement from the medieval world to the modern world was traumatic to say the least. The ordained station in life mindset had to be fused with the individualistic freedom concepts. The movement from the modern to the post-modern will be even more problematic because the role of a transcendent God of creation is even more removed from the consciousness of the contemporary mind. For the Christian economist, the task is especially difficult because neither the world of Christianity nor the world of economics has made great strides in dealing with the new paradigm. Being a Christian economist will not be the easiest thing in the decades ahead.

⁶ John Maynard Keynes, The General Theory of Employment, Interest, and Money, (New York: Harbinger Books, 1965) pp. 16-17.

⁷ Diogenes Allen, "The End of the Modern World," Christian Scholar's Review vol. XXII: 4, P. 342.

III. How does Post-Modernism Impact Economics?

Is there a connection between the philosophy of post modern thinking and the realities in the economic world. According to Doug Brown

The postmodern drift of capitalism is doing many things, but the production of "social heterogeneity" is the most pressing. The high tech revolution, time-space compression, and the disembedding effects of global self-regulation are not only causing greater insecurity and de-centeredness along with the injustices that have always been part of capitalism, but they are producing a social condition in which the ability and means for people to define themselves differently from one another has dramatically increased. The postmodern drift is causing more pluralization, differentiation, individualization, fragmentation, dis-integration and diversity.⁸

In short, according to Brown, people are adrift in a sea of uncertainty and the answers of neo classical theory seem inadequate to deal with the diversity and fragmentation. The economy is losing its order, its systemic rhythm, and its ability to solve problems that people are experiencing. Rich and poor are not finding fulfillment in the outcomes markets have delivered and they are starting to doubt its processes. A disembedded technical allocative system free of social and moral values can work its magic if there is enough non-economic social glue to foster a community of shared values. When this glue breaks down, the entire system is endangered. Public confidence is required for systemic viability.

In the pre capitalist era, economic activity was embedded into cultural, social, and religious life. Resources were produced and distributed according to one's place in the social order and the religious values of the community. As Amintore Fanfani wrote in 1935

Economic activity, as an aspect of human action for the attainment of human ends, must take place within the moral sphere, which is circumscribed by social customs, political regulations, and religious principles. The means of acquiring goods will not therefore be classified as practicable or impracticable according to greater or smaller returns, but according to their conformity to the moral lines within which every action must be contained At bottom then, the primary characteristic of the precapitalist spirit is that the choice of means of acquiring goods is determined by criteria, not of pure utility, but of utility only in so far as is compatible with the vigorous existence of extra-economic criteria.⁹

With modernity came the notion that resources could be allocated efficiently by an invisible hand. This hand did not need to be subject to social values and religious beliefs because it functioned according to laws of the universe that worked in a self adjusting manner. This disembedding of economics from culture not only moved economics away from values but it made all but the most basic intervention in economic issues a harmful thing that could only lead to reduced social welfare. For such a detached system to survive, people must believe that absolute laws of order exist in the universe, that it is safe to rely on the mechanics of the system to provide for prosperity or at least subsistence, and that the system will be fair according to some broadly accepted notion of justice. Modernism provided a rationale for the first two of the concerns and some compromises in social policy reduced the fears of the third concern. According to Brown, Karl Polyani, Charles Wilbur and others, the welfare state and a negotiated wage system in capitalistic countries made the mechanized system acceptable to the masses who benefited from the power of the production mechanism.

⁸ Doug Brown, "Doing Social Economics in a Post Modern World," Review of Social Economy vol. L:4, p. 388.

⁹ Amintore Fanfani, Catholicism, Protestantism, and Capitalism (Notre Dame: University of Notre Dame Press, reprint, 1984), p. 25.

However, hidden in this system of modernity was an Achilles heel that, over time, has eaten away at the foundations of capitalism. Individual freedom of action can not be isolated from individual freedom of thought. It is a small step from freedom of thought for everyone to the notion that there is no hierarchy of views and no absolute laws to depend upon. In other words, modern thinking naturally gives way to post-modern relativism. Once the notion of a mechanistic self-adjusting set of laws breaks down, the confidence that there is order in economic matters evaporates. The safe haven of objective truth in economics is gone and the drive begins to embed economic matters back into the cultural and religious fabric of society. If post-modern economics has a social agenda, it is to facilitate this embedding process in ways that are meaningful to people.

The sad part of the story is that, when that embedding process begins, the same pluralistic concepts that destroyed modernism have made it impossible to create a shared set of cultural and religious values from which economic concerns can be addressed. The embedding process is thwarted and a frightening fragmentation follows in all areas of life. In short, pluralism is a concept that, for all its appeal, can not provide a social glue that lasts for either the modern or the post-modern world view. The one positive element in the story so far is that it is again appropriate to bring values into economic discourse.

IV. What Role Will Values Play in Post-Modern Economics?

So far there has not been a great deal of optimism held out for the Christian economist. Society is fragmenting and people are losing faith in a mechanistic economic system. Absolute values are thought to be obsolete and efforts to re-embed the economy back into a society with shared values of any kind are hindered because the freedom-authority-responsibility ingredients of social glue are unbalanced toward the freedom side.

The concept of authority, a term which is being used here to refer to a collective will, is viewed as a bad thing because broad based collective action has been failing throughout the world. Responsibility is frequently viewed as a quality that is generated out of the despair of irresponsibility. That leaves freedom as the primary good quality to bring in the good life. Unfortunately, its chances of saving the world from disorder are far better when the modern world view prevails than when the post-modern world view dominates. In a post-modern world a different social glue must be developed.

The new social glue must include several important ingredients that have not been prominent in the modern world. First, there must be a renewed interest in moral philosophy as a guide to what is important in economic life. We must be able to articulate why the questions we explore are important. We must struggle, as Adam Smith did, with the nature of people and what moral constraints could be expected of them. The spiritual and religious center of being human must not be ignored by economists.

Second, we must understand that technology should be driven, rather than be an autonomous driver. It impacts thinking and practice and must be accountable to those effected. Perhaps this area comes as close to illustrating the post-modern mentality as any economic area of study. It is like the blind men trying to describe an elephant and coming up with varying realities. Technology as some constant put into a production function can hardly deal with the social processes involved in its development and use.

Third, the new social glue must contribute to an increased sense of homogeneity among people. People must feel like they belong to a primary group of some kind in their work and in their leisure. We have long since lost the identity of an extended family and technology is fragmenting occupational identity now as well. In the post modern age of self definition here are few categories available that can be used to bring meaningful definition and identification to someone trying to understand who she is.

Fourth, the new social glue must include a coherent explanation of the method of economics. Commenting on McCloskey's critique of economic methodology, Steven Shulman writes, "Economics is another form of communication, an ongoing conversation conducted in terms of metaphorical allusions, established conventions, appeals to authority and other rhetorical devices."¹⁰ From the NAFTA debates one wonders whether there is a way to distinguish between analytical substance and argumentative rhetoric. After the former neatly specifies a function the latter comes along and becomes a violent shifter of the function.

Finally, the new social glue must integrate the social and natural worlds into a more holistic framework. Creation, environmental integrity, and the role of people in the world needs to be part of the concern of the economist. Our models will be less precise, but they will be more rich and meaningful. They may predict less well, but influence behavior more. They may once again matter to those trying to sort out economic concerns.

How can this social glue be generated? Can something be sprinkled into the neoclassical brew in sufficient doses to salvage mainstream economics and make it viable? What role, if any, can the Christian play in the reformulating of economic thinking? These questions remain for brief comment and further exploration. Two general comments seem to be appropriate at this point. First, post-modern economic thinking is far more comfortable with the agenda listed above than is neo-classical economic analysis. The contemplation of values is an important part of post-modern analysis. Second, any particular conclusions that result from thinking are useful only as they evolve from a tradition of shared values. It is the interaction of alternative traditions that finally forges a social glue that makes it possible for society to survive. Toleration, variety of belief, and small scale social groupings, would be the logical outcomes of this post-modern order. Out of this mix would need to come a set of shared values that people could depend upon. In spite of this, I am not optimistic about the prospects for the post-modern world. To explain why, I will return to my sketch models of the enlightenment and post-modern world views.

Supreme Being

Objective
Reason

Subjective
Intuition

Modernism

Post Modernism

This sketch shows the objective and subjective sides of experience balanced, as the center stone in an arch, by a supreme being that made it possible for both to survive. Throughout the ages there has always been objective reason and subjective introspection, the rationalists and the romantics, the engineers and the poets, the certainties and the mysteries. As we have seen in the earlier sketch, religion was an essential part of the social glue from the ancient world through the middle ages. The subjective and the objective side of reality were kept in balance.

What was new about the enlightenment is that society discarded all but reason as the guide for life. The search for objective truth became an obsession as the reductionism process pared away the subjective side of life. Persons, free to create utopia, realized the hopelessness of worshipping their own reasoning ability. The collapse of modernism is a result of the gloom and despair that pure value free objectivity produces. Human kind has not found modernism fulfilling despite the enormous output that it has generated.

¹⁰ Steven Shulman, "Metaphors of Discrimination: A Comparison of Gunnar Myrdal and Gary Becker," Review of Social Economy, vol. L: 4, p.432.

The post-modern era hopes to find meaning in the subjective side of life. But, like modernism, it is generating despair. Freed from the burden of uncovering truth with reason alone, the post-modern person creates his own truth and then seeks a tradition that might help make it operational. Unfortunately, despite a desire to infuse values into the picture there is no objective truth, no external purpose, and no inherent unifying force to hold the individual or society together.

As Christian economists we need to have a vision of how the balance of reason and subjectivity can be restored. We need to build on our belief in a God who cares, a world that has a purpose beyond itself, a freedom that is constrained by divine lacy, and a balance between reason and subjectivity that can lead to a fulfilling and meaningful life. To do this we need to build communities of faith that live out these challenges, not as hidden enclaves of purity, but as lighthouses to a stormy sea.

If we can do this, we will find that our behavior will start churning the social glue pot. In the community of faith, there will be a sense of belonging and a reference point for identifying oneself. There should be common stories, metaphors, and images that provide a shorthand method for internalizing shared values. These values will make it possible to cope with the complexities of technology and social interactions. In short, the church will again be, in an unofficial way, playing an important role in making the world work. For Christians the task of fleshing out in community a faith tradition that provides an example of an effective social glue is more important than finding a generalized "Christian model" that will be preached as a systemic solution. Although the world will never completely embrace the Christian tradition, it may be more viable because that tradition exists. For those of us who believe the Christian way is the dominant gene in human relations and social organization, the calling to faith has more than individual and Christian community implications. It becomes an essential part of the glue that holds society together. The world will never be Christian as we would wish it to be, but it can be viable, and we can help make it that way. In so doing, we will be responding to the call of God in our lives and extending that call to others whom God is calling.