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# Heterodox Economics, the Fragmentation of the Mainstream, and Embedded Individual Analysis

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## CHAPTER 3

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### Heterodox Economics, the Fragmentation of the Mainstream, and Embedded Individual Analysis

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The original International Confederation of Associations for Pluralism in Economics (ICAPE) statement of purpose began as follows:

There presently exists a number of societies and associations of economists and other social scientists, all of which are united by their concern about the theoretical and practical limitations of neoclassical economics. In addition, they share the conviction that the current dominance of the subject by mainstream economics threatens academic freedom and is contrary to the norm of methodological pluralism. (ICAPE 2003)<sup>1</sup>

This statement rests on two assumptions that have recently come under increasing scrutiny: first, neoclassical economics and mainstream economics are identical; second, mainstream economics (however understood) is monolithic and unified. The opposing view is that mainstream economics is increasingly made up of a collection of disparate research strategies that bear limited resemblance to one another and also to neoclassical economics as it is widely understood (Sent 2006). I focus on the latter claim later in this essay, but first I want to emphasize the potential importance of this issue for ICAPE and heterodox economics.

As its name indicates, ICAPE is defined as a pluralistic organization. Moreover, the evolution of ICAPE from ICARE (International Confederation of Associations for the Reform of Economics) was predicated on the assumption that the mainstream is monolithic, exclusionary, and the very antithesis of a pluralistic profession. Suppose, however, that the mainstream has now become more pluralistic or at least more divided internally in terms of content, if not in terms

of its professional organization. That is, suppose there are now multiple, relatively independent mainstream research strategies, though the field continues to be dominated and controlled by a small set of mainstream PhD programs, journals, funding sources, acceptable methods, and individuals. I think all heterodox economists can see what the implications of this might be. Under such circumstances, mainstream exclusion of heterodox economics could be further promoted under the protection of a newly proclaimed openness!

I'm afraid I have little confidence in mainstream economics developing in such a way that heterodox approaches in economics will be welcomed into traditional economics PhD programs and other mainstream venues in any foreseeable future. Thus a critical issue for ICAPE and heterodox economics, I believe, is how to address the emergence of pluralism within the mainstream. In this essay I offer one perspective on how this ought to be done, based on the premise that the mainstream is no longer neoclassical in one absolutely key respect.

The first section examines the question of whether mainstream economics is becoming pluralistic. Here I introduce a particular view of what distinguishes mainstream economics from heterodox economics in terms of their differing core ideas. The second section considers the risks faced by heterodox economists if the mainstream is indeed becoming more pluralist. The argument distinguishes mainstream and heterodox economics in ontological terms and compares this to the open- and closed-systems way of distinguishing them. The third section addresses opportunities for heterodox economics vis-à-vis mainstream economics when ontological issues are taken as paramount. Here it is argued that current mainstream economics suffers an important weakness that could constitute an opportunity for heterodox economics. The fourth section turns to the heterodox conception of the socially embedded individual, that is, the threefold notion that individuals are reflexive beings, that their interaction can be constructively understood in collective intentionality terms, and that their identity through change can be understood in terms of their possessing a capability for negotiating changing social associations. The final section returns to the issue of pluralism and its role in defining the identity and strategy of heterodox economics.

### **The Current Character of Mainstream Economics**

There is a spectrum of possible interpretations regarding the nature and direction of development of current mainstream economics. At one end of the spectrum is the view that, while there are admittedly new ideas and approaches in

mainstream economics, (1) it is still at bottom or in essence identical with neoclassical economics. A related but slightly different view is that (2) neoclassical economics plays a dominant role in mainstream economics but that mainstream economics also includes other well-established approaches that are nonneoclassical in nature. Moving toward the other end of the spectrum, it might be argued that (3) neoclassical economics plays a stable but minority role in mainstream economics and that no nonneoclassical approach or approaches are (yet) dominant—a pluralistic environment. Finally, at the other end of the spectrum it could be argued that (4) a nonneoclassical approach or approaches dominate mainstream economics and that neoclassical economics occupies at best a declining role. We can begin to determine where on this spectrum we believe mainstream economics actually lies by looking at a recent exchange on the subject between James Peach and David Colander.

On behalf of institutionalism, Peach (2003) has taken the first of these positions and argued that the core ideas of neoclassical (and classical) economics are at bottom the defining features of current mainstream economics. These core ideas are:

- (a) equilibrium method in the tradition of Newton
- (b) constrained optimization
- (c) individualist methodology

Peach allows there has been change in mainstream economics but regards it as evolutionary, not revolutionary. Thus while he believes mainstream economics is essentially neoclassical economics, his view of neoclassicism's core ideas could also be held by others who simply regard neoclassical economics as dominant within mainstream economics (view 2) on account of the continued importance of these core ideas amid the emergence of other nonneoclassical ones.

Peach's paper immediately followed one by Colander (2003) that lies somewhere toward the other end of the spectrum. Colander argues that neoclassical economics is dead and that the label does not describe current mainstream economics, whose chief attribute he believes to be a modeling approach. His original argument (2000) was that there are six defining attributes of neoclassicism that do not apply to most of mainstream economics:

- (i) a focus on resource allocation at a given moment in time
- (ii) some variation on utilitarianism
- (iii) a focus on marginal tradeoffs

- (iv) the assumption of far-sighted rationality
- (v) methodological individualism
- (vi) the method of general equilibrium

Colander's position could be either that neoclassical economics plays a stable but minority role in mainstream economics and that no nonneoclassical approach or approaches are (yet) dominant—the pluralistic situation (view 3)—or that a nonneoclassical approach or approaches dominate mainstream economics and that neoclassical economics occupies at best a declining role (view 4). His view that none of the six attributes apply any longer to mainstream economics (neoclassicism is dead) and that mainstream economics' chief attribute is a modeling approach suggests the latter.

With these two lists of neoclassical characteristics, then, let us begin with the first view and ask how far we can move in the direction of the last. Peach's strong position, I think, cannot be sustained on account of the importance of game theory as the main microeconomic method since the mid-1980s. Game theory clearly does not employ a mechanical, Newtonian equilibrium concept (a), since the Nash equilibrium concept emphasizes strategic interaction. Moreover, refinements of the Nash equilibrium concept by John Harsanyi, Robert Aumann, and others trade heavily in theories about expectations and learning. Nor can game theory really be regarded as a form of constrained optimization analysis (b). In the latter, constraints are formulated in terms of prices and incomes given by an impersonal market. In the former, payoffs depend on who in particular one interacts with and what other players' payoff structures are compared to one's own. Mainstream game theory, however, is individualist (c) in virtue of its reliance on Nash noncooperative games and general lack of interest in the alternative von Neumann cooperative games framework. Thus Peach's understanding of neoclassical economics seems at best to support view 2. Important parts of mainstream economics are not at bottom neoclassical.

How far, then, can we move in the direction of the fourth view based on Colander's characterization of neoclassical economics? Colander seems to be right about characteristics i, ii, and iii, if not only for the reasons he gives, but his case is less clear in connection with characteristics iv, v, and vi.

He cites new growth theory to argue that resource allocation at a moment in time is no longer central to mainstream economics (i). But this point can also be made in other ways. While game theory, information economics, and more recent behavioral economics recognize Pareto efficiency as a benchmark, they are really more concerned to explain outcomes that are not efficient. Resource

allocation is central when one believes markets are competitive. But all three of these influential mainstream approaches relax or abandon the assumption that markets are competitive in order to explain a wider range of phenomena.

Colander also believes few mainstream economists accept anything resembling utilitarianism (ii). This seems true of even the most neoclassically oriented economists who employ formal objective functions to model individuals. "Preferences" are still of course referred to, but they are more logical relations rather than psychological ones. There was an interest for a time in attempting to explain preferences in greater detail, but most of this research generated paradoxes that dampened continuing interest. Further, game theory assigns individuals payoff strategies that have little connection to utilitarianism, and behavioral economics rejects the idea that individual psychology can be explained in terms of the traditional utilitarian desire/preference framework.

Colander argues that game theory has seriously curtailed mainstream economists' focus on marginal trade-offs (iii). Marginal trade-offs clearly are still important in large parts of mainstream economics, but it cannot be overlooked that game theory, the primary mainstream microeconomic method, does not employ differential calculus and does not reason in terms of marginal trade-offs. Behavioral economics seems to have at best an ambivalent attitude toward marginal trade-offs.

However, Colander's case with respect to far-sighted rationality (iv), methodological individualism (v), and general equilibrium (vi) is less clear. It seems hard to deny that mainstream economics is concerned with rationality in some form, predominantly individualist, and generally committed to some form of equilibrium method. Colander's arguments that these characteristics no longer hold in mainstream economics seem to place too heavy an emphasis on small constituencies of economists who have challenged them as opposed to the great majority of mainstream economists who still employ them.

Where does this leave us? To say that neoclassical economics is dead seems too strong, particularly if far-sighted rationality is broadened to rationality and general equilibrium method is broadened to just equilibrium method. The second and third views are distinguished according to the balance between neoclassical ideas and nonneoclassical ideas. But I suspect heterodox economists will find this useless hairsplitting and say that, whatever you call it, the rationality-individualism-equilibrium nexus cannot explain heterodox concerns with institutions, history, and social structure.

My own view combines modified versions of Peach and Colander. I modify Peach by saying that the rationality-individualism-equilibrium nexus underlies

neoclassicism rather than that all at bottom is neoclassicism. In my view, neoclassicism is one set of theories that employed these trans-theoretical categories. I also modify Colander by supposing that these categories persist in a mainstream economics that is no longer very neoclassical. Neoclassical economics may be dead, but the rationality-individualism-equilibrium nexus remains alive and well in mainstream economics. I use the word *nexus* to emphasize that it is the combination of these categories that is important. Heterodox economists may even draw piecemeal from these categories, but they introduce them into an alternative institutions-history-social structure nexus that transforms their meaning and significance. Thus what distinguishes mainstream economics and heterodox economics in my view is not that the latter is defined in terms of a rejection of neoclassicism but that it rejects the rationality-individualism-equilibrium nexus and is rather built upon the institutions-history-social structure nexus.<sup>2</sup>

This still leaves the issue of pluralism or internal division in mainstream economics. Whether neoclassicism plays a dominant role or a minority role in mainstream economics, mainstream economics does appear to be more internally divided. Even if game theory, behavioral economics, experimental economics, new Keynesian economics, bounded rationality, new institutional economics, transactions cost economics, evolutionary economics, network theory, and so forth, still rely in important ways on the rationality-individualism-equilibrium nexus, they do so in a manner clearly different from the way that neoclassical economics does. But even more important, I think, is that many mainstream economists *perceive* the field to have changed. If one reads Nobel lectures over the last number of years, one does not find assertions about how new work extends old ideas so much as assertions about how new work departs from old ideas. Thus it seems that heterodox economists, who have made pluralism their cause, need to reconsider how they relate not only to a target that has changed its shape but also to one that is increasingly likely to claim it is free of the main fault heterodox economics attributes to it.

### **Heterodox Economics vis-à-vis Mainstream Economics: Risks**

But perhaps the glass is half full rather than half empty. Does the emergence of debate and difference in the mainstream, given that pluralism is well established in heterodoxy, suggest the future elimination of the division of economics between mainstream (or orthodox) and heterodox? One might particularly expect this to occur in a pluralistic environment if one thought that the practice of borrowing across the mainstream-heterodox divide was a possibly recurring one (e.g., Coats 2000). A more pluralistic environment across the whole of econom-

ics would presumably enhance this borrowing, perhaps ultimately leading to general convergence between mainstream and heterodox approaches. We might frame this idea using Thomas Kuhn's distinction between normal and extraordinary science. In a more pluralistic environment, extraordinary science essentially becomes less extraordinary, while normal science atrophies, because pluralism fosters a constant appropriation of ideas across paradigms. Indeed paradigms—if they could be said to exist at all—would be less stable and more transitory. Pluralism in the mainstream, on this scenario, would not bring new risks to heterodoxy but rather new opportunities.

Like, I believe, most heterodox economists, I am skeptical of this convergence view. Any increased openness to cross-paradigm fertilization of ideas on the part of a more pluralistic mainstream seems unlikely to be extended to different heterodox paradigms. What seems may occur is a cross-paradigm fertilization of ideas *within* a more internally divided mainstream. Indeed, if one looks at the recent "revolutions" in the mainstream, they all seem to arise as internal developments. For example, game theory was ignored for forty years until it was seen as a way of revising Cournot and revitalizing imperfect competition theory; information economics derives directly from relaxing the neoclassical assumption that markets are competitive and information perfect; and behavioral economics only became a research stream in the mainstream via paradoxes in rational choice theory, though psychological theory has been around forever. My view is that arguments in the history of economics showing orthodox borrowings from heterodox thinking are usually strained and depend heavily on claims about what was "in the air." In any case, mainstream economists today know almost nothing about heterodox economics, have virtually no interest in it, and are already consumed with trying to stay on top of the many developments in an increasingly more complicated mainstream.

Why, then, does this divide seem so insurmountable? The conclusion of the previous section was that mainstream economics may be defined in terms of the rationality-individualism-equilibrium nexus, whereas heterodox economics may be defined in terms of an institutions-history-social structure nexus. Note that there is a different emphasis in distinguishing mainstream and heterodox economics in this way than is involved in distinguishing them as closed-system and open-system approaches respectively (Lawson 1997; Dow 2000). The latter has been put as follows:

[A] closed-system approach presumes that all relevant variables and relationships between variables are knowable, and thus amenable to representation by a single formal mathematical system. An open-system approach rather sees the



subject matter evolving such that not all relevant variables and relationships are knowable. Knowledge is thus built up by means of partial systems using methods that are not commensurable enough for representation by means of a formal mathematical system. (Dow 2000, 158)

While the difference between open and closed systems is ultimately ontological, I suggest that the point of entry and often the key focus for many proponents of the distinction is epistemological. That is, different assumptions about what one can know seem to determine what the subject matter of economics must be. Consequent upon these assumptions there are different strategies regarding economic method or how one approaches the subject matter of economics. The closed-system approach, as the previous passage indicates, is committed to formal mathematical modeling. Many have noted this and seen it as characteristic of the new mainstream economics. In contrast, the open-system approach adopts a collection of methods or forms of explanation—discursive, rhetorical, philosophical, mathematical, historical, logical, and so forth—that all emphasize different ways of knowing and explaining.

What, alternatively, does the nexus distinction offer as a way of distinguishing mainstream and heterodox economics? The nexus distinction is an explicitly ontological one and accordingly distinguishes the mainstream and heterodoxy with respect to rival views of reality and in regard to what exists. I cannot here make a full argument for this proposition but nonetheless believe it constitutes the fundamental difference between the two approaches. Thus the underlying defense of individualism in mainstream economics is that individuals alone exist and that society is a merely theoretical construct. But if only individuals exist, and if the world is not chaotic, then there must exist stable patterns of interaction between them. Proofs of equilibrium are accordingly “existence” proofs. And, that these stable patterns of interaction exist in the world can then only be true because real individuals behave in a highly predictable way, that is, are in fact rational. In contrast, heterodox economists believe that institutions are real and social structures are real and not just epiphenomenal manifestations of individual behavior. They also believe that really existing cause-and-effect processes depend upon the arrow of time.

How, then, does this different emphasis in distinguishing mainstream and heterodox economics help address the current relationship between them? I believe it assists us in two ways, one of which I address in this section and the other in the next. What I am concerned with here is the risks that heterodoxy faces in the form of increasing internal division characterized as pluralism in the main-

stream. Against the convergence view of the future, I counterpose a future in which exclusionary practices are reinforced rather than moderated. The open- and closed-systems manner of distinguishing mainstream and heterodox economics, I suggest, seems more likely to predict convergence as opposed to exclusion, because increasing internal division within the mainstream in principle creates the premise for an open-systems approach of many methods within the mainstream. That is, just as heterodox economists tend to an open-systems orientation on account of pluralism within heterodoxy as a whole, so the emergence of something like pluralism with the mainstream should bring about a comparable development. Then, open-systems thinking in both camps, it would seem to follow, would create conditions for convergence between mainstream and heterodox economics.

What bothers me about this scenario is that I cannot imagine the mainstream abandoning its exclusionary practices toward heterodoxy. In fact I can imagine an increasing tolerance for new approaches within the mainstream, combined with a continuing, shared intolerance toward heterodox economics. At this point in time, the *means* by which that intolerance would likely be expressed seems clear. Formal mathematical modeling is the current means of exclusion, and there seems to be no reason to think this will disappear with greater mainstream pluralism. But what is the *basis* for intolerance toward heterodox economics if the mainstream is in the process of creating the pluralist premise for an open-systems orientation? My answer is that the basis for that intolerance is the ineradicable difference between mainstream and heterodox economics regarding their underlying and, I believe, incommensurable ontological commitments. That is, though the existence of competing research strategies within the mainstream could make an open-systems view possible on an epistemological level, this could still be compatible with an absence of fundamental differences among mainstream economists on the ontological level and thus a monolithic posture toward heterodox economics.

The risk I think this poses to heterodox economists is as follows. Should the heterodox critique of the mainstream be advanced on an open- and closed-system basis, epistemological considerations become the criterion for pluralism. This could act to suppress attention to differences between mainstream and heterodox economics that are ontological in nature. This in turn allows the mainstream means of critique of heterodoxy—the absence of a commitment to formal mathematical modeling—to appear disinterested and scientific, since the mainstream can claim to be pluralist in virtue of its internal tolerance. As a result, the effect of the critique is to conceal an ontological disagreement in the

trappings of professional practices. Heterodox economics, it would be said, is substandard economics because it is insufficiently rigorous, professional, up-to-date, and so forth.<sup>3</sup> When it comes to battles for resources across PhD programs, journals, and funding sources, this is usually a completely successful strategy for eliminating one's opponents. Thus, heterodox economists, in my view, need to rethink how they intend to approach the mainstream.

### **Heterodox Economics vis-à-vis Mainstream Economics: Opportunities**

Distinguishing mainstream economics as a rationality-individualism-equilibrium nexus from heterodox economics as an institutions-history-social structure nexus is valuable in a second way in that it can be argued to create specific opportunities for heterodox economics vis-à-vis the mainstream. The opportunities I refer to are those that can be explained in terms of competition between these two broad approaches in terms of efforts to make one or the other appear more persuasive. Essentially this competition is ongoing at all times, but from time to time one or the other gains in persuasiveness. Of course, in our contemporary neoliberal world, the mainstream economics nexus is widely seen as more persuasive. But competition over the wider social visions in which each of these economics approaches continues, and thus both approaches are continually in a process of development that can temporarily strengthen or weaken their relative appeals.<sup>4</sup> To further characterize this competition, I assume that each nexus needs to develop largely as a whole to continue to offer an integrated vision of the world but that the different components of each (whether three or more) tend to develop unevenly as research concentrates more on one or the other. This suggests that the relative appeal of either nexus becomes an issue when one of the components seems to be poorly theorized relative to the advance in theorization of the other components. I illustrate this first with respect to heterodox economics.

There are many domains in heterodox economics that one might turn to in order to characterize development within each of the three components I have placed in the heterodox nexus. Dow (2000, 166–67) emphasizes that it is one of the positive features of contemporary heterodox economics that work on different approaches now involves a larger number of new researchers, so that heterodox economists can increasingly engage in normal science to build theories internally rather than expend all their energies on extraordinary science meant to challenge and defend boundaries against the mainstream. In my view there has been considerable work done developing two of the components of the heterodox

nexus. Much has been done to explain history and the irreversibility of time. Much has also been done to explain the operation of economic institutions. Less, I will argue, has been done to develop the theory of social structure, where this specifically involves an account of how individuals operate in social structures.

In regard to history, Paul Davidson's insistence that economic processes are nonergodic provides a major criticism of mainstream macroeconomics and the foundation for much of post-Keynesian economics. Cambridge school thinking originally derived from Joan Robinson's critiques of equilibrium analysis has become central to much of current heterodox economics in connection with hysteresis and path dependency. Geoff Hodgson has emphasized and developed an evolutionary approach in the tradition of Thorstein Veblen that addresses the transformation of institutions and individuals. In regard to institutions, feminists have analyzed and detailed the long-ignored patriarchal character of social-economic institutions. Papers appearing in the *Journal of Economic Issues* in recent years increasingly involve applied institutional research, including such topics as (from a selection of recent titles) living wage ordinances, digital technology, small business policy, minimum wages, child labor law, agricultural decollectivization, casinos, sports, container shipping, consumer credit, and trade regimes.

But heterodox economists have done less in regard to the theory of individuals and social structure. Hodgson has repeatedly argued this in connection with his analysis of the complementary logics of upward and downward causation. His specific complaint is that institutionalists (and others) have failed to explain upward causation or how "individuals create and change institutions, just as institutions mold and constrain individuals" (Hodgson 2000, 326). Veblen and John Commons, he argues, did understand institutions as the outcome of individual behavior and habituation, but contemporary institutionalism has not advanced significantly beyond their original insights. The problem in his view is not that current "top down" thinking is determinist but that little has been done to explain such mechanisms as learning that would account for the complementary reverse causation. Tony Lawson makes much the same argument from a critical realist perspective in connection with agency-structure models of society (Lawson 1997, 166ff.). Mainstream views are usually reductionist on the individuals/agency side of the model, and heterodox views often tend perilously close to being reductionist on the structure side. An adequate account of society, however, would explain the continual reproduction and transformation of both individuals/agency and structure due to their mutual dependence in time. Lawson does not expect mainstream economics to contribute to this project. Thus

he agrees with Hodgson that it falls to heterodox economists to further theorize the relationships that mutually determine individuals and agency.

What can we say of development in the mainstream nexus? In regard to rationality, there seems to have been considerable activity over the last two decades. Game theory recharacterizes rational thinking as interactive or strategic thinking. Bounded rationality and asymmetric information economics introduce greater complexity into the characterization of individuals as cognitive agents. More recent behavioral and experimental economics exhibit the effects of psychology imperialism on mainstream choice analysis. Similarly, in regard to equilibrium methods, new approaches now exist side by side old ones. The Nash equilibrium concept represents a departure from the traditional neoclassical, equation-counting thinking of Walras.<sup>5</sup> Computational methods constitute an alternative algorithmic procedure to equilibrium reasoning (Mirowski 2002). Endogenous growth theory introduces path dependency into long-run time paths. Altogether, then, considerable development has occurred on these fundamental mainstream themes.

However, quite a different state of affairs obtains with respect to what is arguably the lynchpin of mainstream economics, namely, the theory of the individual. It has long been widely accepted among mainstream economists that there is little consensus regarding what makes multiperson agents such as firms single individuals. But with neoclassical and mainstream economics being first and foremost about individuals, few believe the theory of the single individual is itself problematic. Indeed, mainstream economics is so confident on this score that it almost universally regards itself as methodologically individualist, meaning that the atomistic individual conception can be treated as foundational for all approaches within the mainstream. I have argued (Davis 2002, 2003), however, that mainstream economics suffers from an "emperor's clothes" problem, in that its conception of the individual as atomistic does not bear up under reasonable scrutiny. Basically my argument is that the neoclassical tradition understood individuality in terms of individuals having their own subjective states of mind but that the progressive elimination of this conception of the individual from cardinalism to ordinalism to revealed preference to the current abstract formal treatment of the individual has eliminated for current mainstream economics the specific "individuating" basis on which individuals were originally distinguished from one another. In effect, the development of a more pluralistic mainstream economics out of an earlier more monolithic neoclassical economics has eliminated the systematic basis on which individuals were theorized as individuals in the mainstream.

What, then, are the implications of these two paths of development in mainstream and heterodox economics? Recall that the aim of this section is to identify opportunities for heterodox economics vis-à-vis a more pluralistic mainstream economics. I previously labeled the mainstream abandonment of the neoclassical individual as an “emperor’s clothes” problem, because it has gone overlooked by most mainstream economists. But it also deserves this label, because of the central importance of the theory of the individual in social science and social philosophy—and the consequent vulnerability of the mainstream nexus—absent any redevelopment of this key component. Thus what I recommend is that heterodox economists take seriously the diagnosis of Hodgson and Lawson that the individuals/agency thinking be further developed to provide a more adequate account of social structure for heterodox economists. Doing so would not only address that part of heterodox economics that lags in development, but introducing a conception rival to the traditional atomistic one might also bring wider attention to the failure of mainstream economics to any longer offer a coherent alternative. In fact, there already exists a framework for the heterodox theory of the individual derived from, among others, Karl Polanyi (1968). I term this the *socially embedded individual* conception and turn to it in the following section.

### The Socially Embedded Individual

In this section I outline what I have previously argued (Davis 2003) are the main elements of the heterodox socially embedded individual conception. They are as follows:

- (1) Socially embedded individuals are reflexive beings.
- (2) Their interaction can be understood in collective intentionality terms.
- (3) They possess a capability for negotiating changing social associations.

Combined, these elements explain how socially embedded individuals are distinct from one another and yet retain a distinctness through change—two different but equally important requirements of any conception of the individual. Together they are meant to provide a coherent, systematic alternative to the now arguably defunct mainstream atomistic individual conception.

(1) The principal challenge confronting the socially embedded individual conception is to explain how individuals can be both determined and determining with respect to the social-institutional frameworks in which they are active.

The strong holist tradition in heterodox economics—what Hodgson explains in terms of downward causation—makes any explanation of how individuals can be agents difficult. For example, Marx generally treats individuals as bearers of class identities such that they and their behavior are constituted for them by their membership in classes. Marx also says that individuals make their own history, if not under circumstances they have chosen, and his early alienation writings resist the idea that individuals can be reduced to their social characteristics. More recently, structure-agent models, such as Anthony Giddens's "structuration" theory (Giddens 1984; cf. Archer 1995), have been developed across the social sciences that account for interdependence between individuals and social structures in terms of their mutual influence upon one another. However, these models seem to me incomplete in their characterization of individual agency, since they generally offer nothing more than the assertion that individuals are able to act as agents. What might provide the basis for a concept of individual agency is social psychology's treatment of the individual as a reflexive being that forms an individual self-concept (e.g., Kaplan 1986), since implicit in the idea that individuals can reflexively appraise themselves is the idea that they see themselves as subjects rather than as objects. This offers a way of complementing the holist emphasis on downward causation while yet retaining the idea that individuals are understood in large part in terms of their social characteristics.

(2) Supposing individuals can act as agents, how might their social interaction be understood? To be an agent, one must be able to form a purpose and act intentionally. Traditionally human intentionality has been understood in first-person singular terms. More recent collective intentionality analysis, however, adds to this an individual's ability to form intentions in first-person plural terms, where this involves the use of "we" language (e.g., Searle 1995; Tuomela 1995). This use of "we" language in an individual's collective intentions has the unique feature of embedding social influences within the individual. That is, for an individual to use "we" language successfully, it is generally necessary that that individual be confident that those to whom a usage of the term *we* applies would concur in the use of that "we" language. In effect, individuals are not autonomous with respect to their expression of collective intentions but embed themselves in networks of intentions. At the same time, even socially embedded individuals in this sense remain relatively distinct in that they must each (at least implicitly) ask themselves upon each usage of "we" language whether their own understanding of their sense of the scope of the term matches that of those to whom it applies.<sup>6</sup> This check an individual implicitly performs constitutes a reflexive act as a form of self-assessment. A collective intentionality approach to

individual agency, then, can function within a heterodox structure-agent framework that uses individual self-concepts as a basis for understanding how socially embedded individuals can still be relatively autonomous.

(3) Supposing individuals can be distinguished from one another along the lines suggested previously, why should we suppose they retain the status of individuals over time? Though in principle we might believe that individuals have a capacity for self-assessment in interaction with others, many social scientists have argued that individuals lose (or never acquire) that capacity in that they accommodate themselves to social pressures and engage in social identification rather than maintain individual identities. As Marc Granovetter put it, individuals can become "oversocialized" in their many and continually changing associations with others over time (1985). Thus we are in effect presented with a sort of identity test whereby we need to ask ourselves what it is that would enable socially embedded individuals to retain a relative distinctness through change.

The test that is relevant to a heterodox conception of the individual, it seems, is one concerning whether individuals retain a distinctness across their multiple social associations. As Nancy Folbre points out, individuals occupy "structures of constraint" in that they are "embedded in a complex structure of individual and collective identities and competing interpretations of these that sometimes they do not even know whose interests they are acting on" (1994, 16). Put in these terms, we can see how this test might be passed. Essentially individuals need to focus upon their capacity for self-assessment in terms of their relations to others and develop it into a capability to exercise and reexercise this capacity across any and all new social associations with others. Capability analysis, of course, has begun to attract interest since Amartya Sen's work on the subject. My suggestion is not only that heterodox economists ought to make capability analysis central to their understanding of individuals but that they ought to place special emphasis on that particular capability individuals can acquire of being able to appraise their own positions across their continually changing social relationships. Whether individuals were to develop such a capability could be one focus of a specifically heterodox social economic policy.

These three elements, of course, constitute a philosophical framework that would need to be made far more concrete were it to function in any domain of heterodox economics in which analysis of individuals played an important role. Nonetheless, competition between mainstream and heterodox economics is very much in terms of broad, philosophical principles, and such principles often have quite immediate meaning for the respective proponents and opponents of these two approaches in economics. For example, most mainstream econo-



mists and many others who share a neoliberal vision of society could generally give some basic characterization of methodological individualism as a foundational doctrine for economics. At the same time, most heterodox economists and many others who share a more social vision of the world could equally explain why social relationships are central to individual life and why the atomistic view of individuals is inaccurate and misleading. The latter camp, however, in contrast to the former, seems to me to have an important opportunity at the current point in time. The anchor for the wider neoliberal social vision in mainstream economics' conception of the atomistic individual seems to have been lost. Though the popular view of individuals as ultimately free of social ties will no doubt retain strong appeal in the future, the failure of mainstream economics to continue making a systematic, theoretical contribution to this wider vision may well have important effects in the long run. But whether wider doubts on this score come to be important is unlikely only because there exists a vacuum where the mainstream theory of the individual once existed. Doubts are only likely to become tangible if an alternative vision of individuality fills that empty space. Heterodox economists, I believe, are well placed to offer up the essentials of this alternative vision.

### Pluralism Redux

I return to the issue of pluralism and heterodox economics' relation to it. My argument has been that internal division within mainstream economics at an epistemological level conceals a monolithic practice at the ontological level and that it is the latter that is the basis for the mainstream's exclusionary posture toward heterodox economics. But if pluralism in heterodox economics is understood in open-systems terms and is also therefore pluralism at an epistemological level, might not that pluralism also conceal a monolithic practice at the ontological level, which would in turn function as the basis for a heterodox exclusionary posture toward mainstream economics? The open-systems approach is explicitly fallibilist (though not relativist) in allowing that "truths" are always subject to revision.<sup>7</sup> Such a position encourages tolerance toward approaches different from one's own, since it is never possible to demonstrate that any one view is definitively correct. In effect, one must always be prepared to assert that two conflicting views might both be true. Previously, however, I argued that heterodox economists do not have this view with respect to neoclassical economics and in fact believe that neoclassical economics offers an incorrect representation of the world (Davis 1997).<sup>8</sup> I still believe this to be the case and would be surprised to

find anyone today willing to say they were a heterodox economist and also say that they thought neoclassical or mainstream economics might be correct. Indeed, in my experience heterodox economists are quite intolerant toward neoclassical and mainstream economics.

This creates something of a dilemma for heterodox economics. It is one thing to be victimized by a mainstream that practices exclusion combined with contemptuous attitude toward the quality and professionalism of heterodox work. It is quite another to have one's own critique of the mainstream as intolerant be labeled a mask for a heterodox intolerance toward the mainstream. This is sometimes, in fact, the way that mainstream economists see heterodox economics (to the extent that they notice it at all). The fact that much of heterodox economics has been extraordinary rather than normal science, with the former not infrequently cast in political terms of revolution and overthrow of an old paradigm, is probably one source of this view. Should heterodox economists consequently reconsider their commitment to pluralism? Was the old ICARE designation (International Confederation of Associations for the *Reform of Economics*) a better reflection of heterodoxy? I close by rather recommending that heterodox economists rethink the structure of pluralism, namely, where and how it applies, as well as how this assists us in defining heterodox economics.

First, it does seem that heterodox economists on the whole are genuinely committed to an open-systems type of methodology when epistemology is being emphasized. Second, the ontological differences that heterodox economists recognize between themselves and mainstream economics do not indicate an open-systems view. Heterodox economists, I believe—if I can reappropriate terminology here—are committed to a closed-systems approach when it comes to their ontological commitments. There is simply a right or correct way generally to look at the world in terms of the centrality of institutions, history, and the importance of social structure. Thus, heterodoxy is *both* an open- and closed-systems approach and is thus truly pluralist only within itself (similarly to mainstream economics). This suggests a way of linking two standard, opposed types of definitions of heterodox economics, namely, the pluralistic "horses for courses" approach (e.g., Hamouda and Harcourt 1988) and the single characteristic, economics of dissent approach (Holt and Pressman 1998). If discourses (heterodox and mainstream economics) can be distinguished from one another in terms of their main differences, those differences effectively create boundaries between those discourses that can be used to define them in a nonessentialist way, that is, without reference to their respective contents. Reference to contents

(postmodernists have argued) is problematic if these contents cannot be said to be shared. That is, there are particular problems that arise in connection with attempts to define things made up of diverse contents. I have accordingly treated the differentiating boundaries between discourses as identity conditions for those discourses (Davis 1999). Heterodoxy in this view is thus differentiated and also identified as a single discourse in terms of its (ontological) differences from mainstream economics, while it yet remains pluralist with significant internal divisions across its different approaches.

I close by suggesting that the ICAPE politics of pluralism may be a bit off target. The call for the mainstream to be more pluralistic is both beside the point—because it is becoming more apparently pluralistic, at least on one level—and disingenuous—because at the ontological level heterodoxy cannot itself reciprocate. Of course, it is all fair and good for ICAPE to press on a nontheoretical, purely practical basis for openness, nondiscrimination, and a “free market” in ideas in a profession that has become increasingly oligarchical, less concerned with the public interest, and more and more driven by a concern with status and personal wealth. These are ideals that ought to be defended across all of the humanities and sciences, and mainstream economics has been and can further be documented to be a relatively “closed” profession in this respect (cf. Hodgson and Rothman 1999). But this sort of program does not stem directly from the particular content of heterodox economics. It stems from a commitment to social values of long standing that operate across the humanities and sciences and indeed in society generally. Only, it seems, were these ideals and values to become shared across heterodoxy and the mainstream would there then be hope for a wider pluralism in economics.

#### NOTES

1. Subsequent to the conference in Kansas City this statement was revised to be pluralist rather than antineoclassical.

2. I see each nexus as including these three components, but others might see the particular components as well as their number somewhat differently. This does not seem to me to fundamentally affect the arguments discussed subsequently.

3. For example, Paul Krugman asserts that critics of formalism in economics are not so much concerned with method as with the fact that formalistic methods “refute their pet doctrines” (1998, 1829), much as Robert Solow had previously claimed that “We [mainstream economists] neglected radical economics because it was negligible” (Solow 1971, 63).

4. The issue here is persuasiveness, not progress.

5. Ironically, fixed-point existence proofs, though derived from von Neumann’s early

work on games, were the basis for the Arrow-Debreu argument regarding market equilibrium (see Giocoli 2003).

6. Thus, contrary to ordinary intuition, the use of (solipsistic) "I" language does not reflexively individuate a person, since the contrast with others is missing. In institutionalism, this idea dates back to Charles Cooley's "looking-glass" self-concept (1902).

7. "All knowledge is fallible, partial, and likely transient. Indeed, if progress is to be achieved, continuous transformations in even our currently most explanatorily powerful accounts are to be encouraged" (Lawson 1999, 5).

8. It may also be argued that heterodoxy sometimes manifests a lack of internal epistemological tolerance, but I put this issue aside here as a less immediate concern.

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