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**ESSAYS IN ECONOMIC THEORY AND CRISES:
A CRITICAL PERSPECTIVE**

PhD Thesis

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To the Endeavour of science and my parents

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INTRODUCTORY ESSAY

*Knowledge is the object of our inquiry, and men do not think they know a thing till they have grasped the 'why' of it (which is to grasp its primary cause).
Aristotle, Physics, Book II, Chapter 3, 195a27-195a27¹*

*The aim of science is not to open a door to infinite wisdom, but to set a limit to infinite error.
Bertolt Brecht, The life of Galileo, sc. 9, 1939*

This thesis is built on three distinct essays. Each essay investigates a different topic making an independent research contribution to the thesis. The essays, first, share common conceptual premises, motivation, outlook and methodology with regard to theoretical problems. Second, certain interrelated themes run like a thread through the essays and unify this work hopefully leading to interconnectedness in meaning. Providing an overview of this research, this introductory essay attempts to place the three essays in context. While each essay is intended to be read independently of the others, a bird's eye will help identify shared elements and themes which unify the dissertation. Thus, the resulting overview will hopefully bring added value to this compilation of essays.

Chronologically, the starting point of this research is set in 2010 when the 2008 crisis expanded into the Eurozone evolving into a major economic and financial disruption with serious social and political implications for both the countries of the indebted periphery and the core of the EU. In this light, the main motivator and protagonist of this research is the state of economics in its prevailing paradigmatic configuration, which was strongly challenged in the context of the crisis. Like any other field of scholarly endeavour, economics has taken its historical share of scholarly methodological debates. Yet, it seems accurate to say that the discipline has rarely been the subject of such intense discussions, which extended beyond the realm of academia to public disputations in social media between prominent

¹ Translated by R. P. Hardie and R. K. Gaye from *The Complete Works Of Aristotle*, Jonathan Barnes (ed.), Princeton University Press, 1984, p. 329-33

economists. Laying bare the disjuncture between theory and reality, the economic crisis led to criticism which questioned the performance of economics as well as the professional practice of economists and economics education. The foundational core and the method sustaining the continuous claim economics lays to the status of science came under attack prompting questions regarding the past, the evolution and the future of the discipline. Despite their intensity and volume, however, post-crisis debates around the state of economics, rarely delved beneath the surface. As research in this thesis shows, the mainstream of the profession in the face of the crisis, among other things, focused on policy issues or specific theories bypassing the root causes of the intellectual failure of economics. Moreover, in the “search for answers to unaskable questions” (Robinson 1970:317), socioeconomic, ideological, political and institutional parameters relating to this failure were hardly touched upon.

Overview and underlying themes

In light of the above, the overarching questions unifying this research can be formulated as “What ails economics and what is the way forward”? Seeking to identify the sources of distress in mainstream economics, the broad research objective of this thesis is to make sense of mainstream economic theory focusing on the evolution, the prospects of change, cognitive ability and the usefulness of the discipline in terms of theoretical coherence and its aptitude to address social and economic phenomena. Economics consistently prides itself on not merely being a science but also the “premier social science” which derives explanatory power from its rigour (Lazear 2000: 99,102). As Rosenberg observes (1994:388), however, economics as a rule is “defined as the science of the distribution of scarce resources, but calling it a science does not make it one”. In the simplest of terms, the general aim of science is to “give an organized account of whatever knowledge we can obtain about the universe” (Purtill 1970: 306). So, science can be seen as the systematic transformation of the unknown into something known. Science continually pushes forward the boundaries of our knowledge one tiny bit at a time. In the understanding of this research, a direct or indirect advancement of knowledge should enhance our capacity to improve the world in some way. How does mainstream economics respond to this basic task?

In the context of this thesis, the term mainstream economics is used to refer to the approach that dominates contemporary economics in terms of analytical/theoretical framework, research, practice, education and the professional stratification of economics.² Mainstream economics includes but is not confined to neoclassical economics, which constitutes its bedrock. It comprises diverse schools of thought and research programmes. As Milonakis (2012:246) explains:

Neoclassical economics denotes the body of economic theory that has its roots in the so-called ‘marginalist revolution’ and has come to dominate modern economic science, especially since the Second World War. It is also variously called orthodox or mainstream economics, although the meanings of these three terms are not identical and vary over time. Neoclassical economics represents the main modern expression of what Marx called ‘vulgar economics’.

Each in its own way, the three essays contribute to a critique of the foundational premises of mainstream economics. If methodology of economics concerns how economists explain the “phenomena with which they are concerned” (Blaug 1992: xxv), then, the essays are preoccupied with questions of method. The aim is to shed light on the explanatory limitations and theoretical inconsistencies of mainstream economic theory including the disjuncture between its abstract assumptions and reality. Mainstream economists proffer a stock of reasons justifying the absolute superiority of their methodological approach: the ‘economic method’ is the superior scientific method and the only method applicable to all social sciences (Rothschild 2000:724). In the understanding of this thesis, however, mainstream economic theory is neither superior nor merely ‘wrong’. It is confined in rigid theoretical and methodological framework which inherently restricts its cognitive and explanatory aptitude.

Our research seeks to demonstrate that the neoclassical conceptual underpinnings of mainstream economic theory not only function as blinkers for economists but also set immutable boundaries for theory obstructing the generation of new knowledge outside the paradigm. The neoclassical framework is premised upon the postulates of rationality, methodological individualism and equilibrium analysis which form the “well hidden, and

²Lawson (2013:947) observes that the term neoclassical economics pervades scholarly debates in a rather inconsistent loose manner to denote a number of substantive theories and policies.

almost completely unspoken of” bedrock of all mainstream approaches ranging from general equilibrium theory to evolutionary game theory and analytical Marxism (Arnsperger and Varoufakis 2006:12, 14). First, the individual is the immovable building block of economic explanations. “All social interactions are after all interactions among individuals”; a market is the “obvious illustration of a social situation as an interaction among individuals” (Arrow 1984:3). Second, individuals are not merely rational beings; they are rational optimisers. They seek to attain given goals (maximum utility for the consumers and maximum profit for the producers) within constraints such as a consumer's budget and a producer's technology (Zouboulakis 2005:51). Almost without exception, mainstream economists make constrained maximization the basic building block of any theory (Lazear 2000:100). Third, equilibrium is a “central organising idea” in economics (Hahn 1973). Quantities supplied and demanded in a particular market are assumed to attain a state equilibrium where opposite external forces neutralise each other annulling their respective effects on any system (Kornai 1971). Moreover, situating the rational individual at the starting point of economic explanations implies that all macroeconomic phenomena can be derived from microeconomic phenomena and be explained by reductive explanations (Hoover 2010: 329). In other words, microfoundations constitute a necessary condition for macroeconomics. Thus, economics provides explanations based on microfoundations to make sense of macroeconomic phenomena consistently disregarding irregularities that occur due to the actual, the social and the historical.

In light of the above considerations, this thesis is premised on the notion that the dominant paradigm of economics is inherently alien to society and history unfailingly disregarding the social relations of production and veiling questions of class, power and conflict. So, all three essays seek to deepen understanding of how economic theory relates to socioeconomic processes in different social, political and ideological contexts defined by crisis and transition. In the understanding of this thesis, social theories and concepts are always a product of the society in which they originate (Van der Pijl 2009:221). As Marx argued in *Grundrisse*, social reality cannot be understood outside a socially and historically specific context:

The real object retains its autonomous existence outside the head just as before; namely as long as the head's conduct is merely speculative, merely theoretical. Hence, in *the theoretical method, too, the subject, society, must always be kept in mind as the presupposition* (Marx 1973:101–2) [Emphasis added].³

A prerequisite for the veiling operation is the excision of historical and social specificity from economic theorising that accompanied the consolidation of neoclassical orthodoxy as the prevailing school of thought following the transition from classical political economy to neoclassical economics: the “main feature enabling economics to disregard historical and social specificity is its method” (Fine and Milonakis 2009; Milonakis and Fine 2009:5).

In terms of explanation, then, economics appears to be trapped in a method of explanation limited to addressing phenomena as “well-established regularities” instead of “acquiring knowledge of the underlying structures and mechanisms at work” in order to go beyond the appearance of things, to their natures and essences (Keat and Urry 1982:5). This state of things largely results from the increasingly formalistic, axiomatic and deductive analytical framework that characterizes the prevalence of neoclassical economics following the marginalist revolution: more than the rapid increase in the use of mathematical methods and formal econometrics, formalism signifies a scientific failure resulting from the adoption of a rigid positivist methodology (Blaug 2003; Fine 2008; Milonakis and Fine 2009; Ward 1972). Formalism underscores the retreat of economics from reality since mathematical form and technique prevailed over substance as tools for the precise modelling of abstract theories (Morgan 2001:14). Axiomatic positivism applied through “axiomatic mathematics” (Giocoli 2005:14–15; Reuten 1996:62–63), greatly enhances the claim of mainstream economics to scientific rigour and integrity as a “genuine science” grounded on rational maximising individual behaviour, equilibrium, and efficiency (Lazear 2000:100). Pursuing the fallacy of scientific superiority, economics seeks to achieve theoretical and explanatory unification in economics and across the social sciences. This is another instance of economics imperialism, the imperialism ‘of scope’ or the “economisation” of philosophy that sparks hopes of scientific unification but also entails “horrors of intellectual imperialism” (Mäki 2005:212). In

³ Marx was elaborating on the development of the method of abstraction.

searching the Holy Grail of unification, mainstream explanation is imprisoned within its own abstractions. If the theory cannot accommodate the data, the data can be “selected to fit the theoretical desiderata” and avoid complex vast elements of social reality in “favor of nicely unified, easily modelable explanations” (De Langhe 2009:142).

The restrictive aspects of mainstream economics discussed above point toward a monolithic discipline devoid of fertile theoretical debates that can only occur in an academic context of pluralism. Another theme traversing this research is that the state of economics and the generation of new knowledge relates to the degree of pluralism in the discipline. Economists of the mainstream persuasion, however, over the last 30-40 years have practically refused or avoided significant explanatory templates and tools that did not conform to the conceptual premises and the methodological practice of what prevailed as standard economic theory. The prerequisite for true pluralism is the presence of alternative analytical frameworks and intellectual isolationism is intimately linked to the monolithic dominance of neoclassical economics at the expense of pluralism after the Second World War (Fine and Milonakis 2012; Milonakis 2009:3). So, this research takes stock of the influence of economics imperialism and builds on the work of Fine and Milonakis (Fine 1997, 1999, 2000, 2007; Fine and Milonakis 2009) who describe and analyse in detail the origins, the evolution economics imperialism demonstrating the implications of the colonising thrust of mainstream economics to invade and dominate other social science fields.

How did economics end up to be “box of tools” confined in an “ultrapermisive” methodological stance that “any model will do provided it is rigorously formulated” (Blaug 1992: 110-111)? A key idea underlying the approach of all three essays is that research in the history of economic thought can enlighten analytical insight into contemporary problems of economic theory. Therefore, the essays combine research which traverses the historical trajectory of economics zooming in on the two ends of the timeline to investigate the performance of economics at the dawn of classical political economy and the present.

The three essays in focus

In a bird’s eye view, the first essay travels back in time to study the performance of economics at the birth of the discipline focusing on Bernard Mandeville, whose work and complex thought were framed by a context of transition and crisis with analogies to our own times. The other two essays broadly focus on the performance of economics in the present day context as defined by the recent financial and economic crisis. The second essay studies the

state of contemporary economic theory focusing on its relationship to labour market deregulation and scrutinises its performance vis-à-vis an omnipresent real life phenomenon of great import to society and the economy. Focusing on change, the third essay draws on insights from the philosophy of science to explore the prospects of the discipline as they appear at the aftermath of the recent economic crisis evaluating the declared post-crisis attitude and responses of its practitioners. It should also be noted that the work of Mandeville in a way has provided inspiration for the other two essays. First, Mandeville provided an early detailed account of labour, the labouring multitudes and exploitation elaborating on mechanisms of labour discipline. Second, Mandeville's work has a distinct epistemic bent and showcases his preoccupation with methodology and knowledge. Moreover, in his writings Mandeville provided a proto-Kuhnian account of paradigm change. In sum, investigating the state and the prospects of economics as a discipline, the three essays explore their own specific research questions and the broad problematic of the thesis enlarging on snapshots taken at three moments: the distant past, the present and the future.

The past: the fable of passions and the relevance of Mandeville

The specific individual aim of Essay I is to provide a new perspective on Mandeville and evaluate his standing as a precursor of classical political economy considering that three centuries after the first publication of 'The Fable of the Bees' Mandeville's work and thought is still clouded by ambivalence and assessed through diverging viewpoints. Mandeville presents a special case which warrants scholarly attention. Outside Mandeville scholarship, a superficial reading of his "private vices, public benefits" paradox has reduced Mandeville to shorthand for spontaneous order, laissez-faire policy and amoral capitalism. Our in-depth study attempts to dispel such misconceptions. It identifies a major contribution to political economy in three interrelated strands of Mandeville's legacy to economics: his theory of the human passions, his account of sociation⁴ and his methodology.

In the context of the whole thesis, the Mandeville essay provides a comparative perspective which allows investigating how the young discipline of economics addressed the socio-economic questions emerging at a period of uncertainty, transition and crisis which

⁴ See Essay I, footnote n.5 on p.36.

bears certain analogies to our own times. In this comparative perspective, our research indicates the relevance of Mandeville's political economy to contemporary economics and to questions explored in this thesis. Our findings demonstrate the conceptual distance that separates Mandeville's writings from the approach prevailing in economics which remains confined in a restrictive theoretical and methodological framework alien to society and history. It shows how at the dawn of political economy Mandeville's work, in contrast to the prevailing analysis and methodology of economics, allowed space for the economic and the non-economic using social and behavioural analytical elements and moving from "historical narrative to theoretical discourse without apology" (Milonakis and Fine 2009:2).

Almost three centuries before the term methodology appeared, Mandeville in his writings provided a startlingly precise account of his methodology including a proto-Kuhnian vision of paradigm change. He associated his subject matter with the method he deployed to explain phenomena that interested him. The research on Mandeville undertaken in this thesis indicates that the first systematic application of methodological individualism and Mandeville's prototype of the self-regarding individual constitute two major elements of his distinct contribution to the history of economic thought. As our study shows, however, Mandeville's conception of the individual substantially differs from what prevailed in economics as the neoclassical 'homo economicus' canon. She/he is endowed with a rich psychology. As Mandeville wrote:

Experience teaches us first, that as People differ in their Views and Perceptions of Things, so they vary in their Inclinations; one Man is given to Covetousness, another to Prodigality, and a third is only Saving. (Fable II: 182)

Mandeville studied the individual as a "whole man" (Morgan 1996:4, 1) in relation to the social 'Whole', namely the 'Body Politick' which embodies the Dutch economist's vision of society. This individual is a complex human being rather than a mono-dimensional mechanical maximizer. As this research has shown, instead of 'disengaging' the individual from social contexts, custom, habit desire and conventions, Mandeville engages and embeds his individual in norms and institutions that socialise the individual transforming his private vices into public benefits. So, unlike the socially isolated neoclassical Robinsonian individual who is abstracted from history, society and culture, Mandevillean individuals are socially, culturally and historically constituted. They exist in various historical, geographical and social spaces and contexts that are meticulously described by Mandeville. Emphasising how man, his knowledge and behaviour historically evolve and change along with norms and institutions, Mandeville clearly indicated that the individual is socially and cognitively shaped

by historical evolutionary processes. His evolutionary account of the development of society and its institutions, distinguishes the individual in the historical space of the “Savage State” (who is “rude and untaught in the Sciences of Modes and Manners”) from the individual in the advanced stages of sociation as “a Member of a Society and a taught Animal” (Fable I: 205, 143). Therefore, Mandeville's original version of methodological individualism is shown to diverge from the neoclassical strong version of the doctrine broadly qualifying as a version of Agassi's (1975) ‘weak’ institutional individualism. Mandeville's explanations definitely include in the explanantia relations between individuals (e.g. division of labour, dueling, buying and selling) and various supraindividual entities and institutions (laws, government, the church, skilful politicians, the army, money, charity schools etc.). In sum, as our research confirms the notion that individuals reside in a social, institutional and historical vacuum devoid of all social relations that conceptually underpins neoclassical theory was inconceivable for Mandeville and his peers.

While Mandeville's lasting influence is most prominent in his methodological legacy, our research indicated how his (faintly) rational and deeply passionate ‘whole’ man changed beyond recognition to become foundational pillars of the neoclassical explanatory toolkit prevailing in economic analysis. Moreover, they were both exported part and parcel across interdisciplinary boundaries serving the thrust of mainstream economics to dominate the social science field. In this light, reflecting on how Mandeville's methodological legacy survived in economics can provide valuable insights into the evolution and the state of contemporary economics. So, in a broader perspective, the research on Mandeville confirms the significance of history of economic thought and methodology in economic analysis.

The socio-economic focus particular to the Enlightenment, comes vividly to life in our examination of Mandeville's explanation of sociation and his account of the ‘Body Politick’. Engaging with Mandeville's evolutionary theory, our research found that the evolutionary approach pervades all major aspects of Mandeville's thought: the stadial evolution of society and its institutions, sociability, knowledge, division of labour, man himself as a social ‘taught’ animal, tastes, beliefs and ultimately the passions themselves. To account for the economic and socio-political constitution of the ‘Body Politick’, Mandeville provided a remarkably integrated secular narrative. Our research illustrated Mandeville's preoccupation with a stable, prosperous and elevated social environment fit only for citizens who can serve its well-being even while pursuing their own self-loving passions. To this end, Mandeville described and analysed the institutions he saw as ‘requisites’ for the well-being and prosperity of society in

a turbulent age of uncertainty and epochal transformation.

Mandeville devoted a lifetime to study the matrix of human passions. His treatment of the passions and their transformation is central to his approach to the evolution of society and its requisite institutions. Seeking to understand how Mandeville incorporated behavioural insights in his socio-economic analysis, our inquiry described and analysed Mandeville's conception of the passions, the role of virtue and the derivation of counterfeit virtues from the passions and the social transformation of the passions. It demonstrated Mandeville's holistic conception of the passions showing how his key distinction between self-love and self-liking amplified the explanatory scope of his theory of passions to advanced societies allowing an important socialising function for passions such as pride. Mandeville's distinction between true and socially-fabricated virtue as a derivative of the passions (e.g. honour) adds another important explanatory dimension. Building on these premises and his diverse intellectual roots, Mandeville provided a powerful explanatory device using the strategy of countervailing passions—contrary to Hirschman's (1977) interpretation of Mandeville as a proponent of harnessing the passions. This is an important distinction because the dialectic of the countervailing passions, as opposed to merely harnessing them, defines Mandeville's account of their social transformation which in turn crucially bears upon his conception of social control, sociability, the individual and ultimately sociation.

Our research has also demonstrated that Mandeville's theory of the passions contains the key to explicate how 'private vices' can become 'public benefits'. More specifically, it identified and scrutinised Mandeville's complex processes of 'skilful management' that effect the socially useful transformation/socialisation of the passions by exploiting men's frailties and fears, playing one passion against another and fabricating 'virtues'. This is an important finding as these mechanisms denote a prescient and original commentary on social control and conditioning that have not been systematically studied in literature with regard to Mandeville. Our discussion described and analysed Mandeville's straightforward labour market discipline interwoven with his in-depth discussion of the labouring poor to keep labour as a source of wealth under constant control. In the advanced stages of sociation, the complex mechanism of governability remakes tractable men into governable beings by combining the coercive power of law with the passion of fear transforming it to reverence. The powerful mechanism of 'skilful management' by various ruling groups and the doctrine of 'good manners' also effect the socially useful transformation/socialisation of the passions by exploiting men's frailties and fears, playing one passion against another and inventing

‘virtues. In particular, as our discussion of ‘homo Mandevillius’ indicated, to overcome the Lockean objective/subjective duality and ‘remake’ his socially-constituted individual (Davis 2003; Taylor 1989), Mandeville deployed the ‘skilful’ transformation of the passions to explain how the subjectivity (passions) of individuals can be socially processed to serve the good of the whole. Thus, Mandeville's synthesising of the outer and inner domains of the individual could explicate how private vices can be elevated to public benefits.

Another important finding contests the prevailing view that Mandeville is the forefather of laissez-faire and spontaneous order. Our discussion strongly suggests that Mandeville's theory of evolution in many respects does not conform to Hayek's theory of spontaneous order. Furthermore, in the Mandevillean system of thought, formal institutional structures such as government, laws and regulations combine with mechanisms of social control to provide the ultimate social safeguard to keep man's dual unruly nature in check for the smooth operation of the ‘Body Politick’. Demonstrating the overwhelming importance Mandeville attributed to proper governance and solid laws, our research also indicates that he cannot be comfortably categorised to fit into the laissez-faire tradition.

As Hayek (1967: 127) remarked, Mandeville did “show that there was an object for a social and economic theory” by asking the right questions. This study suggests Mandeville could provide answers as well. In a period of crises and unsettling momentous transformation that accompanied the emergence of the commercial capitalist, pre-industrial society, Mandeville grappled with questions that historically are placed at the core of political economy. He opened new pathways in economic thought (Screpanti and Zamagni 2005: 49) and established the agenda for eighteenth century inquiries that sought to understand modern commercial society (Maas 2004). Contributing to the emancipation of economic and social inquiry from the moral and theological premises that had restrained it, he handed down important insights that, starting with Adam Smith, grew into fundamental concepts of political economy.

Finally, considering in the context of this thesis whether Mandeville contributed to new knowledge in economics, we can only reply in the affirmative. This essay provides ample textual evidence demonstrating that Mandeville was substantively preoccupied with the scientific progress, the management, acquisition and the transmission of knowledge. He addressed questions of knowledge using his evolutionary approach and he was the first to develop a theory of social evolution based on the accumulation and the transmission of

knowledge, practices and procedures by social interaction (Prendergast 2013:105).

Our Knowledge is advanced by slow Degrees, and some Arts and Sciences require the Experience of many Ages, before they can be brought to any tolerable Perfection. (Fable II: 187)

Mandeville cautioned us that, a man's life alone is not sufficient to acquire what he described as consummate knowledge:

History collects the observations that are made in great length of time, that by the help of it, one at last may be made a Man of consummate knowledge, he being as it were the Compound or Product of all the Learning and Experience that Men of so many Ages have from time to time been endued with. (Treatise: 43)

While the essay on Mandeville examines the beginning of the panoramic image of economics this dissertation seeks to explore, the second essay may help illustrate the border of where the panorama ends. We next consider why this might be the case. Taking our cue from Mandeville's account of labour and labour discipline, we examine how contemporary economic theory has in part addressed these topics.

The present: A tale of rigidities or how to make sense of labour market deregulation in Greece and elsewhere.

Seeking to contribute to an understanding of labour market deregulation, the second essay undertakes a theoretical and empirical demonstration that encompasses a) a critique of the theoretical underpinnings, the policy practice and the ideological coordinates of labour market deregulation and b) a case study of the recent deregulation of the Greek labour market resulting from the conditionality of bail-out packages concluded by successive Greek governments and the country's creditors.

The essay showcases how 'modern' economic science treats labour as one of the factors of production, brings forth current discussions on the organisation of the economy and the society with respect to the world of work and illustrates how theory translates into economic advice and legitimises a particular brand of policy. In other words, this essay investigates how contemporary theory addresses/is used to address a problem of great social import such as unemployment by proposing to deregulate labour markets. The research underlying this essay is articulated in two chapters. The first chapter examines in historical perspective the theoretical and methodological premises of labour market deregulation. The second chapter is intended to test and assess theory in implementation. To do so it investigates the policy practice and the ideological drivers of labour market deregulation as

legitimised by a specific research agenda of ‘rigidities’. To understand the durability and the effects of labour market deregulation in policy, the phenomena are considered across diverse spatio-temporal contexts within the broader dynamics of neoliberalism as a hegemonic concept.

In this essay, too, the dominant approach in economics is once more the protagonist contributing to the overall problematic of the thesis. The historical trajectory of contemporary labour market theory very much mirrors the evolution and the rise to dominance of mainstream economics. Premised on the axiomatic tenets of methodological individualism, general equilibrium and rationality constrained by optimisation, neoclassical labour market theory provides the prevailing mainstream labour market paradigm. Its unrealistic assumptions and abstractions lead to strong conclusions about the supposed benefits of deregulation and labour market flexibility. As long as its main abstract representations are consistent within themselves, the neoclassical paradigm is taken to accurately represent social relations of production no matter how labour markets deviate from its assumptions in practice. In this light, the critique of the foundational premises of the neoclassical labour market paradigm undertaken in this essay helps explicate why and how this paradigm inherently disregards issues of class, power and conflict obscuring the social relations of production. In this respect, a question underlying this essay is whether theory is “always for someone and for some purpose” (Cox 1981: 128)?

More specifically, our research demonstrated how the neoclassical conceptual and methodological framework rooted in marginalism and the Robbinsian canon confines labour market theory in an asocial, ahistorical and deductive framework depriving it of key analytical tools needed to address complex labour market phenomena. Neoclassical labour market theory of all stripes sidelines issues of class, power and conflict while claiming scientific rigour, objectivity and universal application as a ‘one size fits all’ covering law. Contrary to mainstream claims of value-neutrality and scientific objectivity, our discussion demonstrated that neoclassical theoretical and methodological foundations instill in the dominant labour market paradigm elements of class bias that invert/conceal the “inner core” of social relations of production in competitive labour markets. In particular, engaging Marx's account of labour, our analysis exposes the disjuncture between the prevailing labour market paradigm and the capitalist social relations of production. Thus, it introduces the basic premises of a critical theoretical framework that can help make sense of labour market deregulation from a class perspective.

The economics imperialism framework developed by Fine and Milonakis (Fine 1997, 1999, 2000, 2007; Fine and Milonakis 2009) provided a theoretical anchor to this research helping make sense of the durability and the pervasiveness of labour market deregulation. Focusing on the history of labour economics, our study illustrates how the imperialist current in economics helped consolidate ‘modern’ mainstream labour economics notwithstanding the constant and pervasive tensions and flaws which beset all versions of the theory. Excluding alternative approaches, economics imperialism in this essay explicates the rise to dominance of ‘modern’ mainstream labour economics fostering the perfect academic and professional environment to disseminate the theoretical justification of labour market deregulation. As our research confirmed, the neoclassical axiomatic tenets were part and parcel carried and retained across all mainstream successors of the neoclassical labour market theory.

Especially, our inquiry scrutinised the concept of labour market rigidities that provides the primary analytical justification to deregulate labour markets. It examines how the asocial and ahistorical abstraction described as labour market ‘rigidities’ persists through all version of mainstream labour market theory from the neoclassical synthesis to new Keynesian theories. On this sense, the concept of rigidities provided an excellent indicator for both types of economics imperialism. As demonstrated by Fine and Milonakis (2009:58), the second phase of economics imperialism asserts that “institutions, customs, habits and history matter” and claims not to address the “non-economic as if it were a market” incorporating market imperfections, particularly informational imperfections, In this light, our study of rigidities reveals how informational imperfections were deployed to extend the scope of rigidities beyond nominal or real wage rigidities. Thus, every conceivable labour market regulation and institutional arrangement came under the label of rigidity with a view to eliminate it under scientific pretensions. In this respect, our research has unraveled the pernicious effect of job search theory that reinvigorated the rigidities narrative adding a new twist to the mainstream drive for labour market deregulation which is comparable to the virulent effect of the ‘new’ type of economics imperialism following the incorporation of informational imperfections into economic analysis. These developments were accompanied by the expansion of a voluminous and influential literature linking rigid labour market institutions to unemployment, which has been consistently used to justify deregulation of labour markets. Yet, as our discussion confirms the evidence provided by the ‘rigidity’ literature has been found to be very weak, scant and unpersuasive. In other words, as our inquiry confirms, an ahistorical, asocial and deductive body of theory which flatly discards issues of class, power and conflict became the authoritative source in addressing labour market issues.

Building on these insights, the second part of our inquiry looks into the policy practice and the discourse of labour market deregulation concluding with an empirical examination of the Greek case. The emphasis is on the pathways and the modalities of its imposition at the global and European levels. With a view to expose the class character of labour market deregulation, its trajectory is debated within the dynamics of neoliberal restructuring. More specifically, taking stock of its adverse consequences for workers, labour market deregulation is examined as a class project of neoliberal restructuring with particular emphasis on its institutionalisation at EU level. The policy practice of the EU helps contextualise the empirical account of the Greek case and contest its ‘exceptionality’. In other words, is labour market deregulation an exceptional arrangement or a recurrent instance of neoliberal labour market restructuring?

Our inquiry confirms that the primacy and the continuity of labour market deregulation in policy matches the durability of its conceptual underpinnings in theory. Exposing the class character of labour market deregulation, its trajectory was debated within the dynamics of neoliberal restructuring. Taking stock of the role of financialisation, our discussion identified several key dimension of labour market deregulation. It was shown to be a key dimension of the neoliberal social order serving to reconfigure the balance of power in labour markets at the expense of labour. Our research also looked into how a policy that is manifestly harmful for a great number of people is increasingly implemented across the globe precluding discussion of alternatives. It found that labour market deregulation is promoted by a depoliticised mainstream discourse as a universal beneficial corrective legitimised and disseminated as a form of Gramscian common sense by fabricating a blend of consent and state coercion. Mainstream economics in terms of theory and profession (organic intellectuals and think tanks) contributes to manufacturing consent while the state undertakes the coercive part by enforcing deregulatory policy in different ways. So, contrary to rhetoric about the neoliberal minimal state, the state does not retreat all but rather emerges as an agent of discipline or a re-regulator of the labour market.

Contextualised in the EU framework, labour market deregulation was identified as a key EU policy objective hinging on continual labour market ‘reforms’ which require workers to adjust to new adverse conditions imposed by capital, finance capital in particular. Framed by a discourse of competitiveness, the institutionalisation of labour market deregulation as a pillar of EU’s neoliberal integration progressed through a mix of consent and coercion enlisting the cooperation of organised labour around the narrative of Social Europe, soft law

structures and hard law (e.g. the post-crisis governance package). In particular, our study focused on the coercive conditionality applied in Central and Eastern (CEE) transition countries and more recently in Greece and the other indebted countries of the EU periphery. It also demonstrates how the recent economic and financial crisis has been exploited to accelerate and amplify labour market deregulation, among other things, to ‘socialise’ the losses of the financial sector. The outcomes of labour market deregulation in the global and European contexts are identified as extremely detrimental for labour and failing on their professed aim to combat unemployment.

To conclude, our case study on Greece confirmed the continuity and the class implications of the policy practice of labour market deregulation exposing the deregulation of the Greek labour market as another instance of coercive neoliberal restructuring rather than an exceptional occurrence. The case study demonstrated the painstaking disempowerment of workers, which conforms to neoliberal imperatives ensuring the interests of the ruling classes and finance. Labour market ‘reforms’, combined with direct and indirect wage and pension cuts and class biased taxation, deprived workers of wealth as well as key labour and social rights. Contrary to the neoliberal rhetoric about the withdrawal of the state, the Greek case exemplifies the enforced neoliberal re-regulation by transnational disciplinary policy transfer whose local caretaker/enforcer is the Greek state. In sum, together with other former or current victims of neoliberal labour market restructuring, the case of Greece demonstrates the multiple economic and social disruptions caused by neoliberalism in its most aggressive form and attests to the damage economic ideas can cause when they mutate into dogmas and influence policy.

The future and change: The paradigm responds to crisis

The third essay completes our broad panoramic picture by addressing directly the current state of the economic science and the possibility of change. To recap, the first essay presented a complete episode referring to the birth and first workings of economic science. The second essay described and analysed an episode of the current workings of economic science in one specific field, labour, that has traditionally received privileged attention in economic analyses. Informed by the previous findings, the last essay questions the status of economic science in a more concrete manner with reference to the prospects of change in the mainstream paradigm—albeit situating specifically our inquiry in a Kuhnian philosophy of science framework.

The context and the motivation for this essay, too, are provided by the state of the discipline in the face of the recent financial and economic crisis. Like the other two essays, this research emanates from the need to better understand the dynamics at play in economics in a time of crisis and uncertainty. The new element in this essay is the focus on change and the future of a discipline that uniquely influences the economy, policy and society. Contributing to the central unifying problematic of the thesis, central to our inquiry is a) the critique of the conceptual premises of mainstream economics and b) the sociological, institutional and ideological/political elements shaping the mainstream of the economics profession. Ultimately, the third essay questions the ability of the discipline to generate knowledge. To make sense, change in economics should create knowledge that will add to our capacity to better understand and improve the world in some way. This broader aspect, too, underpins our research.

In particular, our inquiry seeks to fill the gap left by contradictory and inconclusive post-crisis debates which discuss the state of the discipline in terms of a ‘paradigm change’ using the term loosely as a verbal generalisation. The indiscriminate use of the term outside an appropriate philosophy of science framework, constrains the analytical depth of the discussion. It also overlooks the complexity of social structures and social relations in play. In all, post-crisis debates leave important questions unanswered blurring the prospects of change in mainstream economics under the impact of the economic crisis. Is a paradigm shift in economics necessary and imminent or is economics in good shape requiring no change in its dominant paradigm? What about the Kuhnian anomalies exposed by the crisis? Do they challenge the dominant paradigm of mainstream economics?

To address these lacunae, the third essay in this thesis provides a systematic analysis of post-crisis mainstream responses drawing on Kuhnian concepts of paradigm, scientific community and normal science. It examines the prospects of a paradigm change in mainstream economics. The attempt was made to elucidate whether the recent economic crisis set in motion a paradigm change in mainstream economics arguing that theoretical and institutional /sociological parameters constrain the prospect of a paradigm change and inhibit the generation of new knowledge. To explore this argument, post-crisis ‘intra-paradigm’ mainstream responses were evaluated identifying three main groups: hard line mainstream loyalists, moderates and outspoken ‘insider’ critics.

Our research indicated that in stark contrast to the intensity and the charged rhetoric of

post-crisis debates, critique coming from the mainstream has been short-lived and lacking in in-depth critical self-reflection. Our findings corroborate the views of other commentators, that the mainstream establishment quickly returned to ‘business as usual’ or normal science circulating the idea that nothing really problematic has occurred (Fine and Milonakis 2011; Mirowski 2013; Palley 2012). Normal science could continue as usual because the mainstream establishment (a) did not find anything to be amiss in mainstream economics, (b) identified some minor challenges or (c) proposed Kuhnian mopping up operations to fix problems by repairs where appropriate. The concern unifying all three response groups is to ensure tradition and the continuity of the dominant paradigm. In other words, the “obvious” is not to throw out the baby and the bathwater (Blanchard, Dell’Ariccia, and Mauro 2010:10).

In sum, findings in this essay strongly suggest that the present crisis has not driven serious changes, let alone a paradigm shift in mainstream economic theorising and practice. Even, strong reactions and criticism coming from prominent ‘insider’ mainstream critics are confined to rhetoric about change. Therefore, on the basis of our research, it is reasonable to conclude that the crisis in economics that was brought to the fore by the recent economic and financial crisis cannot be resolved within the boundaries of the current paradigm and the specific scientific community. As a result, our research demonstrates both the paradigm and the scientific community inherently inhibit change and contribute essentially to the perpetuation of a static, monolithic paradigm that resists change. This hardly allows a margin of hope that in the future anomalies will build up to an extent that will spark a process of paradigmatic change. Therefore, in the current state of affairs it is not reasonable to expect generation of new knowledge within the paradigmatic boundaries and the by the particular scientific community.

Among other things, our inquiry revealed that the mainstream of the profession in the aftermath of the crisis focused on policy issues or specific theories bypassing the root causes of the intellectual failure of economics. More specifically, the conception of change for mainstream economists remained confined within the theories of efficient markets (EMH) and rational expectations (REH) as well as DSGE models. These emerged as unanimous scapegoats and were assessed outside the history and the conceptual underpinnings of mainstream economics. Our research provided ample textual evidence showing how prominent ‘insider’ critics place themselves in the mainstream of the profession and advocate some repairs and minor changes to the sub-paradigms of EMH, REH and the DSGE models along with a sprinkling of behavioural insights. Even so, our research could not find any

evidence showing that mopping up operations are underway. So, it is important to note that even minor repairs remain limited to rhetoric. In other words, the profession can learn to “live with not-so-efficient markets” as the title of a post-crisis paper suggests (Zingales 2010).

The manner in which the mainstream of the profession treated anomalies that were exposed by the crisis provides a further analytical insight regarding the prospects for change in economics. While anomalies are numerous, prolonged, severe and quantitative, the mainstream of the profession reacts in the manner suggested by Kuhn for scientists who are “confronted by even severe and prolonged anomalies”:

Though they may begin to lose faith and then to consider alternatives, they do not renounce the paradigm that has led them into crisis. They do not, that is, treat anomalies as counter-instances, though in the vocabulary of philosophy of science that is what they are. (Kuhn 1962:77)

The hardline ‘loyalists’, for example, refuse to recognise any anomaly at all including the existence of bubbles. They manifest a kind of cognitive blindness or mystified agnosticism on anything that goes beyond the guiding assumptions of the paradigm. ‘Insider’ critics spot anomalies but propose to treat manifest serious anomalies as “puzzles” or minor irritants. So, in the routine of normal science, these can be mopped up to fit “the preformed and relatively inflexible box that the paradigm supplies” (Kuhn 1962:24).

If anomalies were to be recognised as epistemological counter-instances, rather than minor irritants, they would “help to permit the emergence of a new and different analysis of science within which they are no longer a source of trouble” (Kuhn 1962:78). In this case, the discipline and its mainstream practitioners could no “longer evade anomalies that subvert the existing tradition of scientific practice”: they would have to engage in the “extraordinary investigations that lead the profession at last to a new set of commitments, a new basis for the practice of science” (Kuhn 1962:6). This does not seem to be the case. Instead, the application of layers upon layers of repairs to economic theory guarantees continuity and tradition in the paradigm. The mainstream scientific community appears to be engaged in preserving the black box rather than engaging in a course that can generate new knowledge. Nonetheless, this approach is detrimental to the future of the discipline and its ability to generate new knowledge. For, it converts the paradigm into a Ptolemaic system of “compounded circles”, whose “complexity was increasing far more rapidly than its accuracy” so that “a discrepancy corrected in one place was likely to show up in another” (Kuhn 1962:68).

In the *Postscript to The Structure*, Kuhn (1962 [1969]: 176) remarks that were he to

rewrite the book he would start with a discussion of the community structure of science. Fleck (1979: 42, 43) whose work in many respects foreshadowed Kuhn, emphasised the social character of knowledge and the social structure that underpins “the very nature of scientific activity. The sociological/institutional parameters that define the mainstream scientific community help elucidate why anomalies exposed by the crisis are either bypassed or mopped up by mainstream economists. Notably, the post-crisis mainstream responses evade any discussion of the institutional/sociological parameters with respect to the performance of the profession vis-à-vis the financial crisis. The post-crisis discourse is depoliticised and ‘technocratic’. It ignores, in particular, constraints imposed by the “underlying worldview economists have in common, and the constraints imposed by power in the normal social science system and its environment” (Ward 1972:31). Drawing on the analysis of Kuhn and Ludwik Fleck (1979), our essay undertakes an extensive discussion of the mainstream economics scientific community investigating the “particular constellation of beliefs, values, and imperatives” (Kuhn 1970:249) that affected the behaviour of the scientific community during the crisis. Our research elucidated further why a paradigmatic change cannot be initiated by the members of a scientific community trained in the tradition of the paradigm who do not just ‘see’; they ‘see as’ through the interpretative lens of the paradigm (Hands 1997:103). As a “structurally complete and closed system”, the thought collective or the scientific community demonstrates the extraordinary “tenacity of closed systems of opinion” and an “enduring resistance to anything that contradicts” its thought style (Fleck 1979: 28–32). In the face of the recent crisis, the mainstream of the profession rallied to defend the paradigm and resist change following exactly Fleck’s five-fold “active approach”:

(1) A contradiction to the system appears unthinkable. (2) What does not fit into the system remains unseen; (3) alternatively, if it is noticed, either it is kept secret, or (4) laborious efforts are made to explain an exception in terms that do not contradict the system. (5) Despite the legitimate claims of contradictory views, one tends to see, describe, or even illustrate those circumstances which corroborate current views and thereby give them substance (Fleck 1979:27)

As previously intimated, Kuhn emphasised that resistance to change may have its uses in generating new knowledge:

By ensuring that the paradigm will not be too easily surrendered, *resistance guarantees* that scientists will not be lightly distracted and that the anomalies that lead to paradigm change will penetrate existing knowledge to the core. (Kuhn 1962:65) [Emphasis added]

Conversely, mainstream economists with their underlying value system and particular sociology emerge as ‘producers and validators of sound knowledge’ (Kuhn 1962:178) and

gatekeepers of the dominant paradigm, preoccupied precisely with how anomalies *will not* penetrate what the paradigm has come to dictate as scientific knowledge. In the physical sciences, prolonged and severe anomalies would challenge at worst, the prestige or the psychological wellbeing of a scientist. Our research showed that for economists more is at stake in terms of career advancement, publications, research grants, employment opportunities and overall social prestige. Contesting the paradigm or “economic non-conformity” has been historically treated as heresy as early as the 1890s resulting in the persecution of economists like Richard T. Ely, Edward W. Bemis and Edward A. Ross (Goodwin 1998). Frederic Lee (2009:66) in his *History of Heterodox Economics* recounts how the mainstream community after the 1970s institutionalised McCarthyism and its values including anti-pluralism and “red scare-repression”.

The way forward?

To recall Kuhn, a prerequisite of paradigm change is the existence of an alternative convincing new paradigm. Leaving aside pleas for more mathematics and empirics, our research found that two options were suggested as the way forward. These are a Keynesian revival evoking the change that followed the Great Depression and more behavioural economics. Our study showed that even among the proponents of the Keynesian revival, the idea was short-lived and transitory peaking in early 2009 and subsiding by mid-2010 (Farrell and Quiggin 2012). We should also note that our examination of the scientific community revealed the deep faith of mainstream economists in capitalism, expressed as a broad belief in free markets. So, any idea of more regulation or reforms along Keynesian lines is to be avoided to preserve the social order of capitalism should be avoided. Financial and other reforms must not destroy capitalism and its gains because it is precisely the “so-called capitalist greed” that motivated business and ambitious workers taking “hundreds of millions” out of poverty (Becker and Murphy 2009).

Our third essay provides an extended discussion on the case of behavioural economics. It finds that all mainstream response groups saw in this field all at once an explanation for the crisis, a proof of diversity and a hopeful future avenue that challenges the rationality postulate. In this light, behavioural economics and its subfields provide a useful touchstone to determine how mainstream economists envisage change. Our examination, first, questioned the sincerity of mainstream pleas for behavioural research to find that mainstream

economists who advocate more behavioural economics, at the same time express reservations about its efficacy, its modeling aptitude or its lack of uniform framework. They recommend that behavioural economics should come closer, reapply and extend the tools of mainstream economics (Harrison 2010). Second, our research revealed that behavioural economists themselves are unwilling to depart from mainstream standards. The idea is to provide more realistic psychological foundations to enlarge the explanatory power of economics whilst staying inside the dominant paradigm:

At the core of behavioral economics is the conviction that increasing the realism of the psychological underpinnings of economic analysis will improve the field of economics *on its own terms*—generating theoretical insights, making better predictions of field phenomena, and suggesting better policy. *This conviction does not imply a wholesale rejection of the neoclassical approach to economics based on utility maximization, equilibrium, and efficiency.* The neoclassical approach is useful because it provides economists with a theoretical framework that can be applied to almost any form of economic (and even noneconomic) behavior, and it makes refutable predictions. (Camerer and Loewenstein 2004:4) [Emphasis added]

According to Nobel laureate Daniel Kahneman (2003:1469), theories in behavioural economics “have generally retained the basic architecture of the rational model, adding assumptions about cognitive limitations designed to account for specific anomalies”. So, the recent subfields and research tracks come from within and remain within the core methodological principles of the paradigm, namely methodological individualism and equilibrium while they rely on mathematical modelling and other sophisticated formalised techniques. Even if homo economicus has evolved to resemble a human being, much of behavioural economics maintains the framework of methodological individualism. The individual may be irrational or altruistic but she/he still provides the building block of mainstream economic explanations: complex socio-economic phenomena are analysed focusing on the individual and deploying the analytic-synthetic method to understand the whole. Hence, the new behavioural approaches essentially can be seen as modified variations of the mainstream paradigm. In the words of a leading exponent of the field (Rabin 2002: 658–9) much like game theory, behavioural economics does not propose a “paradigm shift in the basic approach” but is “destined to be absorbed” by economics and not exist as an alternative approach. Instead of addressing anomalies, then, behavioural approaches ensure the continuity of the paradigm by focusing selectively on what kind or which aspect of psychology suits the given the goals/interests of individual economic theorists and/or the profession in general (Hands 2009). In this respect, Gary Becker’s following assessment should be heeded:

In fact, I do not think that behavioral economics is a revolution. However, it has added some insights into human behavior and those insights, to the extent that they are verifiable, will be absorbed into the rational choice model. They will not lead to a radical change of the model. (Herfeld 2012:79)

EPILOGUE

No theory is sacred. When a theory fails to meet the test of verified predictions, it is modified to include the larger field.
Edwin Hubble, The Nature of Science
Experiment and Experience (1954)

Few fields of scientific inquiry have as many social, political, and economic implications as economics. Yet, the picture emerging from this thesis justifies the description of economics as a ‘dismal science’. In form and overall structure, economics had remained largely unchanged for more than a century—an achievement not found in any other science. The dominant paradigm comes out of the crisis not only unchanged but with its core theoretical architecture and technical toolkit reinforced (Fine 2013:6).

In this light, findings in this research cannot but raise questions about the future of the discipline. In particular, one’s heart sinks comparing the present state of the discipline with its state at the dawn of political economy. On the one the hand, the Mandeville essay captures the genesis of a discipline alive with intellectual endeavour, the quest for knowledge, the search for explanation, the regard for method and the concern for social and economic questions. On the other end of the historical spectrum, the third essay registers an economics apparently destined to remain in the “state of Ptolemaic astronomy that was a scandal” before the Copernican revolution (Kuhn 1962:67). The second essay not only lays bare the critical inaptitude of economics to address an acute social problem such as unemployment but it also shows how economic theory can be deployed to benefit the few at the expense of the working multitudes.

A severe economic crisis results in a totality of changes in the economy. There is no part or aspect of the economy that is left unaffected by the crisis. Strangely, however, the recent economic crisis has left wholly untouched the very science that is supposed to explain and address such disruptions.

An economic crisis is also a historical phenomenon related to dynamic processes in

the sense that it occurs in historical time. An ahistorical approach cannot even recognise crises. In a world perceived only in marginal terms, time is also marginal. Economic activity is given at each marginal instance in time. In extremely small margins, collective economic activity may only incrementally adjust from the given level. Economic crises are events of sufficient length to be perceived across historical time but cumbersome to analyse under a methodology which imposes marginal terms and minute incremental changes. As Joan Robinson remarked, if we were only to admit that “an economy exists in time”:

[H]istory goes one way, from the irrevocable past into the unknowable future, the concept of equilibrium based on the mechanical analogy of a pendulum swinging to and fro in space becomes untenable. The whole of traditional economics needs to be thought out afresh (Robinson 1974: 8).

As this thesis has demonstrated, there is no sign that economics will rethink its whole constitution.

An economic crisis is a non-deterministic process that mainstream economics attempts to address by a deterministic theory and methodology. Intricate dynamics and complex configurations that define the non-deterministic nature of the crisis defy mainstream tools for measuring, quantifying and modeling the process, let alone explaining it. The axiomatic formalisation of mainstream economics and the elimination of the real, the social and the historical from mainstream theorising further exacerbate this fundamental tension. In other words, Coase’s blackboard economics cannot accommodate real world phenomena such as economic crises. As Hobsbawm notes:

The a-historical, engineering, problem-solving approach by means of mechanical models and devices [...] has produced marvelous results in a number of fields, but it has no perspective, and it cannot take account of anything not fed into the model or the device from the start. (Hobsbawm 1997:35)

Mainstream economics remains overwhelmingly dominant within and beyond the confines of the discipline. Training the spotlight on tensions and constraints that burden the discipline in the face of crisis causes intellectual distress. To overcome an old theory we need a new one “and not just the destructive exposure of assumptions or the collection of new facts” (Blaug 1962). The crisis provided the context to challenge the orthodoxy of the discipline and reconsider conventional economic thinking:

[T]he main task for political economy today is to keep alternative traditions to the mainstream alive, for their own sake, but also in anticipation of the deeper understandings that will be required once too much finance in the world is recognised practically as a problem of capitalism and not just of finance itself. (Fine and Milonakis 2011: 24)

The challenges posed by inequality, unemployment and the global financial disarray call for new economic thinking that is open, innovative and above all relevant in the real world. ‘Real’ in this case emphasises the urgent need for the discipline to reorient itself away from the neoclassical fixation on universally applicable abstract concepts and methods that ignore social and historical specificity.

The impoverishment of our scientific field within narrow theoretical and methodological confines dims the light we attempt to shed on the real world. Will change in economics come in view of the discrepancies arising from a crisis? The possibility exists. So does the necessity. The certainty, however, is lacking.

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ESSAY I

A Fable of the passions: Bernard Mandeville, the 'Body Politick' and method

ABSTRACT

This paper aims to offer a new narrative of Bernard Mandeville with a view to assessing his standing as a precursor of classical political economy. Taking stock of the social and historical context that framed Mandeville's thought it locates Mandeville's major contribution in three interrelated strands: his theory of human passions, his account of sociation and his methodology. To elucidate this threefold legacy, first, Mandeville's complex treatment of the passions is examined arguing that their transformation into beneficial agents of sociation provides the key to unlock the 'private vices, public benefits' paradox underscoring Mandeville's account of sociation and his method. In particular, this research identifies and analyses the societal processes that effect the transformation of the passions providing mechanisms of social control required to render men sociable and governable. Second, Mandeville's explanation of sociation is evaluated arguing that at a time of epochal transition Mandeville provided an integrated early systematic account of the evolution, the constitution and the prerequisites of an advanced socioeconomic formation represented by the 'Body Politick'. Mandeville's evolutionary account is assessed against claims that it is a major early sample of spontaneous order and laissez-faire. Third, this paper evaluates Mandeville's distinct method to identify a major contribution in Mandeville's systematic application of methodological individualism and his conception of 'homo economicus' as the steam engine of social and economic development. Mandeville's methodological individualism is assessed against contemporary accounts of the doctrine, and the paradox of the Mandevillean self-loving but socially constituted individual is critically examined.

Keywords: 'Body Politick', passions, sociation, methodological individualism, homo economicus.

List of Abbreviations

In citing works, short titles are used for Mandeville's works. All references to *The Fable of the Bees or Private Vices, Publick Benefits* refer to the original facsimile copy of F. B. Kaye's 1924 edition containing the two volumes of the work cited as I and II, respectively. Original facsimile copies are used for the rest of Mandeville's works mentioned below. Mandeville's original spelling and syntax are retained in all cases. These works are identified by the following abbreviations:

- THHD *A Treatise of the Hypochondriack and Hysterick Diseases*. 3d ed. London: Tonson in the Strand. First published as *A Treatise of the Hypochondriack and Hysterick Passions* (1711[1730]), reprint, Delmar, N.Y. Scholars' Reprints (1976).
- FT *Free Thoughts on Religion, the Church and National Happiness, the second edition*. (1720) Revised, corrected and enlarged with many Additions by the Auctor, Printed, and sold, by T. Jauncy, at the Angel without Temple-Bar, and J. Roberts, in Warwick-Lane; London.
<http://archive.org/stream/freethoughtsonr00mandgoog#page/n4/mode/2up>
- I and II *The Fable of the Bees or Private Vices, Publick Benefits. With a Commentary Critical, Historical, and Explanatory* by F.B. Kaye. Two Volumes. Oxford: Oxford University Press. (1988[1924]) http://oll.libertyfund.org/EBooks/Mandeville_0014.01.pdf
- OH *An Enquiry into the Origin of Honour and The Usefulness of Christianity in War*, (1732) Printed for John Brotherton, at the Bible Cornhill, London.
<http://www.gutenberg.org/ebooks/7819>
- LD *A Letter to Dion, Occasion'd by his Book Call'd Alciphron, Or The Minute Philosopher* (1732), Printed and Sold by J. Roberts in Warwick-Lane, London 1732.
<http://www.gutenberg.org/files/29478/29478-h/29478-h.htm>

INTRODUCTION

*Indeed, Mandeville has never been answered.
(Robinson 1962:23)*

Mandeville belongs to the group of economists such as William Petty, John Locke, Dudley North and Richard Cantillon who in diverse ways moved away from mercantilism sparking “a revolution in thought” that delivered classical political economy (Screpanti and Zamagni 2005:44). Yet, three centuries after the first publication of ‘The Fable of the Bees’ in 1714, Mandeville’s prismatic thought still resists labeling and classification. Despite his important contributions to the entire range of social sciences, a comprehensive appraisal of his worth and achievement is lacking (Primer 1975). In particular, Mandeville as an economist has been often obscured by the social critic, the doctor, the philosopher, the political thinker or the satirist.

Ambivalence surrounds Mandeville’s standing in the history of economic thought. Compared unfavourably to his peers, Mandeville has been criticised for overlooking the analytical tools of economics (Chalk 1966; Rashid 1985). Goldsmith (1977, 1985:117, 145) describes Mandeville as a pioneer of the “capitalist spirit” but does not consider him “an economic theorist at all”. Admiring Mandeville as a ‘master mind’ of spontaneous order, Hayek (1967a:125) does not claim “any eminence” for his economics. Contrasting views in Mandeville scholarship categorise him either as a mercantilist (Heckscher 1935; Horne 1978; Landreth 1975; Viner 1953) or a pioneer of laissez-faire and spontaneous order theorist (Hayek 1967a; Kaye 1924; Rosenberg 1963). A midway approach situates Mandeville between mercantilist thought and economic liberalism (Chalk 1966; Moss 1987) highlighting his evolutionary approach to the development of society and institutions. In a different context of inquiry, Adorno and Horkheimer (2002:71,93) saw in Mandeville a dark writer of the bourgeoisie who like Hobbes and Machiavelli exposed the egoism of the self, recognising “society as the destructive principle”.

The divergent views highlight the difficulty of categorising Bernard Mandeville’s economic thought indicating that beneath the layers of satire and social criticism Mandeville emerges as a complex and original thinker. The inconclusive scholarly debate around Mandeville invites a reappraisal of his work which is representative of a period when economics had not taken leave of the historical and the social—and of good sense as Mandeville himself would have put it. As Joan Robinson (1962:23) suggested,

Mandeville's work raised critical questions but he may have never been answered. Among other things, Mandeville's distinct methodological contribution remains a largely unexplored terrain leaving a gap in the appreciation of his multifaceted input.

To address these lacunae, the present paper undertakes a fresh reading of Mandeville seeking to appraise his standing as an important precursor of classical political economy and elucidate his legacy. Taking stock of the social, historical and intellectual context that framed Mandeville's thought, his theory of human passions, his account of sociation⁵ and his method are examined identifying a major contribution in each of these interrelated strands. More specifically, first, Mandeville's complex treatment of the passions is described and analysed to demonstrate that their socially useful transformation provides the key to unlock Mandeville's 'private vices, public benefits' paradox underscoring his account of sociation and his method. In particular, this research identifies and examines the societal processes that transform the passions providing mechanisms of social control required to render men sociable, tractable, governable making them fit to be elevated from multitudes to the 'Body Politick'. Second, Mandeville's explanation of sociation is evaluated arguing that at a time of epochal transition to the commercial pre-industrial capitalist society, he provided a remarkable secular and systematic account of the evolution, the prerequisites and the constitution of an advanced socioeconomic formation represented by the 'Body Politick'. Mandeville's evolutionary social theory is assessed against claims that it is a major early sample of spontaneous order and laissez-faire. Third, this paper evaluates Mandeville's distinct method to identify a significant contribution in Mandeville's systematic application of methodological individualism and the articulate prototype of 'homo economicus' conceived by Mandeville as the steam

⁵ A transhistorical concept, sociation is defined as the abstract unity of necessarily social processes whereby human beings are determined by both the collective material prerequisites, and the natural necessities of existence in a continuous and systematic social whole/constellation (Reuten and Williams 1989:39, 56). As developed by Georg Simmel (1950: 41, 45), the concept of sociation provides a framework suited to examine Mandeville in the sense that it "synthesizes all human interests, contents, and processes into concrete units: it is "the form (realized in innumerable, different ways) in which individuals grow together into units that satisfy their interests". Like Mandeville, Simmel (1950: 47-57) believed that human beings are not social by nature and examined processes and forms of sociability. Emphasising that society exists where a number of individuals enter into interaction, Simmel (1972:17, 23) argued that the "individual is contained in sociation and, at the same time, finds himself confronted by it. He is both a link in the organism of sociation and an autonomous organic whole; he exists both for society and for himself".

engine of social and economic development. To appraise the legacy of the Mandevillean method, his methodological individualism is assessed against contemporary accounts of the doctrine and the paradox of the Mandevillean self-loving but socially constituted individual is evaluated against Enlightenment and neoclassical versions.

Taking “What explains Mandeville’s importance for the history of economic thought?” as the central question, our inquiry is organised along the following interrelated sub-questions:

- Why is Mandeville's treatment of the human passions and their transformation important?
- How does Mandeville explain sociation? How does he account for the ‘Body Politick’ and its institutions?
- What is the significance of his methodology? How does Mandeville deploy his method?

To pursue these lines of inquiry, this paper is structured as follows. Following this introduction, section (1) gives an overview of Mandeville, his intellectual background, his work and the premises of the ‘private vices, public benefits’ paradox. Section (2) explores Mandeville’s theory of the human passions (2.1) and his conception of virtue (2.2) to reveal the complex mechanisms of social control that transform man’s passions into useful agents of sociation and economic growth (2.3.). Section (3) engages with Mandeville's account of sociation and the ‘Body Politick’. It surveys the historical context that shaped Mandeville's thought motivating his account of the 'Body Politick' (3.1). Subsequently, drawing on Mandeville's anatomy of the passions, it discusses the economic (3.2), the evolution and the political (3.3) constitution of the ‘Body Politick’ that form the core of Mandeville's political economy. Mandeville’s evolutionary account of sociation is assessed against claims that it represents an important early version of spontaneous order and laissez-faire (3.4). Section (4) seeks to elucidate the Mandevillean method. It examines the scientific premises (4.1) and the practice (4.2) of Mandeville's empiricist method. Mandeville's application of methodological individualism is examined in (4.3). Mandeville's prototype of the economic man and his idiosyncratic constitution are evaluated in (4.4) and Mandeville's methodological individualism is assessed against contemporary accounts of the doctrine in (4.5). Section (5) summarises, synthesises findings and concludes with remarks on Mandeville’s relevance for today.

Three centuries after the first publication of *The Fable of the Bees*, an overarching

aim of this research is to demonstrate the relevance of Mandeville's work for twenty-first century economics that remains confined in a restrictive theoretical and methodological framework that is alien to society and history. For Mandeville's work, in contrast to modern mainstream analysis, accommodated the economic and the non-economic, deployed social and behavioural analytical elements moving from "historical narrative to theoretical discourse without apology" (Milonakis and Fine 2009:2). Thus, in a broader perspective, this research bears upon the importance of history of economic thought and methodology in economic analysis.

1. PRELIMINARIES: THE MAN AND HIS WORK

[T]he greatest Argument for Tolleration is that differences of opinion can do no hurt. (Free Thoughts: 241)

1.1. 'A Man of Sense, Learning and Experience'⁶

Mandeville's biography, particularly as regards his later life in England, lacks details and what we know comes mostly from his writings (Kaye 1924). Born in Rotterdam in 1670, Mandeville studied philosophy and medicine and received his doctoral degree in medicine from the University of Leiden in 1691. Soon after, he moved to London⁷ and lived there until his death in 1733. He practised medicine as a specialist in nerve and stomach disorders, to which he devoted *The Treatise of the Hypocondriack and Hysterick Diseases* (1711[1730]). He mastered English very quickly, was keenly interested in politics and the economy and he remained actively engaged in intellectual debate all his life. Mandeville was a prolific writer and as the successive editions of *The Fable* show, he had an ample readership.

Mandeville was educated in one of the most progressive intellectual environments of the time. A man of broad intellectual heritage and erudition, he was well versed in the classics and the great philosophers of the seventeenth century. Fluent in several languages,

⁶Mandeville identified himself with a "Man of Sense, Learning and Experience, who has been well educated, will always find out the difference between Right and Wrong in things diametrically opposite". (Fable II: 221)

⁷ Dekker (1992) attributes Mandeville's departure from the Netherlands to the Costerman tax riots against the Rotterdam bailiff following the execution of Cornelis Costerman, a member of the city militia, for the killing of a notorious tax agent.

Mandeville translated La Fontaine. Mandeville's influential editor Kaye (1924: xciv) considered him “one of the great connecting conduits between French and English thought”. Key elements of his thought come from Erasmus, Hobbes, Spinoza, and Locke as well as the French skeptical philosophers of the seventeenth century, particularly Pierre Bayle, Pierre Nicole and Jean Domat (Horne 1978; Hundert 1995:35–49; Kaye 1924; Den Uyl 1987; Viner 1953). The philosophy of Epicurus and Lucretius as well as the traditions of medicine and physiology also form part of Mandeville’s intellectual heritage (Cook 1999; Hundert 1994; Seigel 2005:114). Mandeville (II: 21) explicitly recognised his intellectual debt to Gassendi, one of the most influential seventeenth century revivers of Greek atomism who developed a mechanical philosophy to account for the properties of bodies in terms of motion and matter (Boas 1952). Mandeville’s scientific method, in particular, embraced many elements from Gassendi as well as from the Italian physician Baglivi whom he often invokes in *A Treatise of the Hypochondriak and Hysterical Passions*. An important figure of the radical Enlightenment, Mandeville defended freedom of thought, individual freedoms and equality for all including women; he strove to detach society and intellectual debate from theological premises (Israel 2001, 2006:245). He advocated toleration asserting that “the greatest Argument for Tolleration is that differences of opinion can do no hurt” (FT: 241). Abhorring hypocrisy, bigotry and pomposity, he mistrusted politicians whose virtue was manufactured and “wholly due to their strict Regulations” (I: 190).

Drawing on these diverse intellectual sources, Mandeville gave an original and “vivid embodiment” to existing conceptual material continuously refining the ideas which underscore his 'Body Politick' project (Kaye 1924: cxi–cxiii). In fact, he devoted a lifetime to explain and popularise the ‘private vices, public benefits’ paradox’.⁸ The paradox was introduced in *The Grumbling Hive: Or, Knaves Turn’s Honest* (1705), a poetry pamphlet, that was published anonymously and went largely unnoticed (Speck 1978:362). *The Fable of the Bees or Private Vices, Publick Benefits* was first published in 1714 capturing public attention only in 1723 with the second edition. From the publication of *The Grumbling*

⁸ Mandeville’s most creative years by the standards of his times were considered as old age achieving what in the eighteenth century was only surpassed only by Kant who ardently admired *The Fable* (Hundert 1994:2).

Hive (1705) to his last work *A Letter to Dion* (1732), Mandeville's writings evidence maturing thought and systematic engagement with his key concerns of man's passions and sociation.⁹

Owing to his controversial ideas, subject matter and style, Mandeville was massively vilified by the clergy and the press and bitterly attacked by his intellectual peers. His complex and original thought was distorted, earning him the reputation of an outright advocate of vice.¹⁰ Far from intimidated, Mandeville consistently clarified that acknowledging the inevitability of vice in society did not make him an advocate of vice.¹¹ Until his death in 1733, he never stopped defending his work with remarkable commitment to his lifelong project and his ideas. He considered direct communication with his public as important as his intellectual exoneration. "Whatever is Publish'd" he wrote, "is submitted to the Judgment of the entire World" but the "Publick must be the Umpire" (II: 4).

1.2. The premises of the paradox and beyond

First introduced in *The Grumbling Hive: Or, Knaves Turn's Honest* (1705), the

⁹ The 1723 edition of *The Fable* marks a significant conceptual advance on the first edition expanding Mandeville's core ideas with a set of *Remarks, A Vindication of the Book* and three important essays: *An Enquiry into the Origin of Moral Virtue*, *A Search into the Nature of Society* and the *Essay on Charity and Charity Schools*. The second volume of *The Fable* (1728) with *Six Dialogues* is a new work focusing, among other things, on the evolution of society and its sustaining institutions. Mandeville's other writings including *Free Thoughts on Religion* (1720), *An Enquiry into the Origin of Honour and the Usefulness of Christianity in War* (1732), and his last work *A Letter to Dion* attest to Mandeville's complex thought and are essential in evaluating his legacy (Maxwell 1951:242). A compact survey of Mandeville's writings is provided in Schneider (1987:34–39). Also see Irwin Primer (1975) and a *Selected Bibliography of Mandeville* by Charles A. Prior at <http://andromeda.rutgers.edu/~jlynch/C18/biblio/mandeville.html>

¹⁰ As Mandeville (LD: 21) wrote "Nothing was ever more reviled from the Pulpit as well as the Press. I have been call'd all the ugly Names in Print, that Malice or ill Manners can invent". *The Fable* was "tried" by the Grand Jury of the County of Middlesex on grounds of blasphemy and immorality and publicly burned in France (Hundert 1995:577; Speck 1978). As late as 1959, Mandeville was reviled as "a tavern character whose malice sharpened his wit" (Monro 1975). He was called Man-devil, a missioner from the kingdom of darkness and a buffoon in the *Encyclopaedia Britannica* (Robertson 1907:262, Hundert 2005:7).

¹¹ "I am far from encouraging Vice, and think it would be an unspeakable Felicity to a State, if the Sin of Uncleanness could be utterly Banish'd from it; but I am afraid it is impossible: The Passions of some People are too violent to be curb'd by any Law or Precept." (I: 95)

central proposition of the paradox was that modern societies needed vice to prosper. Rejecting the popular notion of the beehive as a symbol of parsimony and achievement, Mandeville modelled a hypocritical society as a beehive whose economy thrived on morally objectionable behaviour (Hundert 1995:586–87). The bees grumble in discontent while prospering in corruption, depravity and vice. Punished by Jove, they become entirely virtuous but the economy of the beehive is devastated. In other words, private vices are required to produce public benefits. Hardly palatable at all times, the notion that vices are the foundational pillar of a prosperous society was particularly objectionable in the context of the eighteenth century ideology of moral virtue that urged men to act virtuously in both their private and public lives (Goldsmith 1977:81). Why did Mandeville hold on to this idea risking his reputation and livelihood?

Man's passions and the constitution of civil society were two constant key concerns in Mandeville's work. As he reasserts in his last work, he wanted to provide a "Philosophical Disquisition into the Force of the Passions, and the Nature of Society" (LD: 54–55). First, writing at a time of crisis and epochal transition (see 3.1), Mandeville was aware of the need to protect the 'Body Politick' from chaos, the danger of 'dismemberment' (Halliday 2003) and the destructive force of the passions. Regardless of the form government takes, Mandeville (I: 117) believed that all sovereign states should be buttressed to ensure that "no Luxury or other Vice is ever able to shake their Constitution". Second, owing to his scientific medical training, Mandeville's study of human nature had convinced him of the force the passions exert on men:

[A]ll Human Creatures are sway'd and wholly govern'd by their Passions, whatever fine Notions we may flatter our Selves with. (OH: 31)

Third, as a keen observer of social and economic developments, Mandeville understood that man's vices could provide the engines driving growth and prosperity:

[W]hat we call Evil in this World, Moral as well as Natural, is the grand Principle that makes us sociable Creatures, the solid Basis, the Life and Support of all Trades and Employments without Exception: That there we must look for the true Origin of all Arts and Sciences, and that the Moment Evil ceases, the Society must be spoiled, if not totally dissolved. (I: 369)

The significance of this argument was not lost on Marx and Engels (1845:131) who wrote that Mandeville “proves that in modern society vice is indispensable and useful. This was by no means an apologia for modern society”.¹²

So, at one level, Mandeville used his paradox to defy the hypocritical social and moral precepts of the period and address concerns about the corrupting influence of the emerging commercial society that emphasised material interests. Mandeville resolutely situated this endeavour in a secular tradition beyond any “system of Ethicks” (I: 405). Challenging the claim that morality has an objective foundation, the paradox served to demonstrate the devastating consequences that result when moralist considerations guide society and the economy (Dickey 1990:339; Hundert 1994:52).

At another level, Mandeville needed to explicate convincingly the paradox and invest his arguments with substance and credibility. In other words, he had to explain how men’s passions interact with society or how the ‘Body Politick’: “a most beautiful Superstructure may be rais’d upon a rotten and despicable Foundation” (II: 64) that was defined by men’s passions. So, extending from men’s state of nature to the elevation of society to the ‘Body Politick’, Mandeville provided a cogent account of sociation that hinges on the anatomy of man’s passions. He set out to elucidate the dynamics that bear upon the establishment and the well-being of the ‘Body Politick’ by deciphering how the inherently destructive power of the passions could be transformed to serve the public good making men sociable, tractable and governable. Mandeville described his project as follows:

I hope the Reader knows that by Society I understand a Body Politick, in which Man either subdued by Superior Force, or by Persuasion drawn from his Savage State, is become a Disciplin’d Creature, that can find his own Ends in Labouring for others, and where under one Head or other Form of Government each Member is render’d Subservient to the Whole, and all of them by cunning Management are made to Act as one. (I: 347)

To conclude, Mandeville’s elaborate treatment of human passions is at the core of

¹² Discussing the effects of the “criminal on the development of productive power” in *Theories of Surplus Value*, Marx (1971:388) reiterated that Mandeville was “infinitely bolder and more honest than the philistine apologists of bourgeois society”.

both his account of sociation represented by the ‘Body Politick’ and his individualist methodology. It pervades his economic, political and philosophical thought allowing Mandeville's ingenious deconstruction of ‘ethicks’ and religion. Mandeville was convinced that “all sound Politicks, and the whole Art of governing, are entirely built on the Knowledge of human Nature” (II: 320–21). Hence, he saw a solid knowledge of man’s passions as essential to the success of the ‘Body Politick’:

Whoever would civilize men, and establish them into a Body Politick, must be thoroughly acquainted with all the Passions and Appetites, Strength and Weaknesses of their Frame, and understand how to turn their greatest Frailties to the Advantage of the Publick. (I: 128)

In this light, it is appropriate to start our inquiry with an examination of Mandeville’s anatomy of the passions and the mechanisms he identified for the transformation of the passions into beneficial agents of sociation.

2. THE PASSIONS AND THEIR SOCIALISATION

This section engages with Mandeville's conception of human passions to address the first of our research sub-questions “Why is Mandeville's treatment of the human passions and their transformation important?” It describes and analyses Mandeville's conception of the passions, the role of virtue and the complex mechanisms of social control that effect the socially useful transformation of the passions to render men sociable, tractable and governable—or fit to be elevated from multitudes to the ‘Body Politick’.

Mandeville’s preoccupation with human passions (emotions or affects) follows a tradition that figured prominently in seventeenth and eighteenth century philosophy and in theories of epistemic method, metaphysics, ethics and political theory: few areas of early modern thought remained untouched by some theory of the emotions (Schmitter 2014). In broad terms, passions were seen as “thoughts or states of the soul which represent things as good or evil for us” causing “inclination or aversion”: the passions were seen as intimately linked with the concepts of knowledge and control of the self or others (James 1997:4, 2). The idea of controlling men’s passions is also prominent in the eighteenth-century works of Giambattista Vico, Adam Smith, and later, in the nineteenth century, to von Herder and Hegel (King 2013). In his seminal book, *The Passions and the Interests*, Hirschman (1977:14–15) attributes the study of the passions to the need to find new behavioural alternatives that could replace moral and theological tenets, which in a turbulent age of social and economic transformation could no longer be trusted to control

man's destructive passions. As alternatives to waning religious discipline, Hirschman (1977:14-31) identifies three strategies to render passions governable. First, the passions could be repressed by coercion. Second, they could be harnessed to make them work towards the general good. As both strategies lacked realism and persuasiveness, a third 'countervailing' strategy of playing contrary passions against each other prevailed providing a constant, flexible and more effective tool of social control.¹³

2.1 Passions: the dialectic of an interactive 'Compound'

Man never exerts himself but when he is rous'd by his Desires: While they lie dormant, and there is nothing to raise them [...] the lumpish Machine, without the Influence of his Passions, may be justly compar'd to a huge Wind-mill without a breath of Air.
(Fable I:184)

Mandeville's anatomising of the passions aimed to demonstrate that vices, man's self-regarding innate passions, could be socialised to benefit the whole and lay bare the societal mechanisms that effect their transformation. To this end, he studied the manifold dialectic between passions, and the complex manner this dialectic shapes human behaviour and society.¹⁴ His aim was to find the "infallible Touchstone" to describe and explain the "Nature and Symptoms of human Passions", detect their "Force and Disguises" and trace "Self-love in its darkest Recesses [...] *beyond any other System of Ethicks* (I: 404-5)[Emphasis added].

Hirschman (1977:18) refers only to Mandeville's treatment of the passion for luxury arguing that Mandeville confined the area in which he "claimed validity for his paradox" to this specific vice. Yet, Mandeville studied not one but a 'multitude' of passions that bear upon sociality. At the very start of *The Fable I*, Mandeville (I: 39-40) clarified that man is a "compound of various Passions [...] all of them, as they are

¹³ Hirschman (1977) traces the origins of the doctrine to the work of Francis Bacon and Spinoza and later to Hume.

¹⁴ The term dialectic in relation to opposite passions and their synthesis is used in the Hegelian sense to indicate a three-stage process progressing from a thesis (the initial passion) to its antithetical and then to the synthesis whereby the individual resolves contradictions to reemerge as a socialized being. In other words, the dialectic "actualizes by alienating itself, and restores its self-unity by recognizing this alienation as nothing other than its own free expression or manifestation" (Bottomore 1995:122).

provoked and come uppermost, govern him by turns, whether he will or no” (I: 39). A “mixture of Passions” motivates all our actions (I: 84) providing the supporting pillar of a flourishing society (I: 39–40). Mandeville’s holistic compound embraces a host of passions emanating from self-love and self-liking to include pride, vanity, love of luxury, fear, anger, envy, greed, avarice, lust, self-esteem and even pity, the “most gentle and the least mischievous of all our Passions” (I:56). Like an artist untangling the colours and their proportions in a “Compound of a well-mix’d Cloth”, Mandeville wanted to demonstrate “the Vileness of the Ingredients that compose the wholesome Mixture of a well- order’d Society” (I: 84, 6).¹⁵

What is the place of reason, then, in the Mandevillean system? Mandeville's anti-rationalism questions whether “impartial Reason” can be a “Judge between real Good and real Evil” (I: 316). Mandeville's individual is not wholly devoid of reasoning abilities but this capacity is greatly constrained by the force of the passions:

All Human Creatures are sway'd and wholly govern'd by their Passions [...] *even those who act suitably to their Knowledge, and strictly follow the Dictates of their Reason*, are not less compell'd so to do by some Passion or other, that sets them to Work, than others, who bid Defiance and act contrary to Both, and whom we call Slaves to their Passions. (OH: 31)[Emphasis added]

Man’s dormant reason rarely surmounts the hegemony of the passions owing mainly to a change in the individual’s material conditions:

Men are never, or at least very seldom, reclaimed from their darling Passions, either by Reason or Precept, and [...] if any thing ever draws ‘em from what they are naturally propense to, it must be a Change in their Circumstances or their Fortunes. (I:182)

With reason receding to the background, Mandeville depicted a kaleidoscopic cosmos of interacting passions that oppose or complement each other to spur or tame other passions. Discussing the doctrine of countervailing passions, Hirschman (1977:20–31) omits Mandeville who is briefly mentioned with regard to self-interest and luxury. The

¹⁵ The elusive passions have diverse symptoms “as hard to describe, as those of the Plague”; envy assumes different shapes, jealousy is an “odd mixture [...] of Love, Hope, Fear, and a great deal of Envy” (I: 141,136). Love between the sexes is a “Compound, a heap of several contradictory Passions blended in one” (I: 146).

idea of the countervailing passions, however, is central in Mandeville's theory of the passions and provides the main explanatory tool in his account of the transformation of the passions. According to Mandeville (II: 136, I: 102), "Man is made up of Contrarieties" so that "contrary Vices" that can be played off against one another to determine his behaviour. The dialectic of passions relies on the idea that "Contraries are best cured by Contraries" (II: 321). Fear, for example, can only be managed by anger, its "most contrary" passion, which results from the synergy of Hunger and Lust (I: 205). Unfolding the dialectic of human passions, Mandeville vividly demonstrated how politicians "play our Passions against one another" (I: 145, 208–9) or deploy a "Passion against itself" (II: 125, 78–9) to instruct man in subduing or concealing his passions:

The Power and Sagacity as well as Labour and Care of the Politician in civilizing the Society, has been no where more conspicuous, than in the happy Contrivance of playing our Passions against one another. (I: 145)

As his thought matured, Mandeville's analysis became more nuanced. A key shift occurred with the introduction of self-liking in *Fable II* as a "Passion manifestly distinct from Self-love" (I: 75), which was earlier identified as the wellspring of all passions.¹⁶ When Horatio in *The Third Dialogue* (II: 129–31) questions this distinction, Mandeville's alter ego Cleomenes¹⁷ explains that:

Self-love was given to all Animals, at least, the most perfect, for Self-preservation [...] but as no Creature can love what it dislikes, it is necessary, moreover, that every one should have a real liking to its own Being, superior to what they have to any other. (II: 129)

Self-love prevails during the initial stages of sociation and is associated with fear, anger and self-preservation (II: 240–42).¹⁸ Self-liking emerges in the advanced stages of sociation (II: 266–68) denoting man's yearning for "the Approbation, Liking and Assent

¹⁶ "All Passions center in Self-Love". (I: 75)

¹⁷ "Cleomenes is my Friend, and speaks my Sentiments, so it is but Justice, that every Thing which he advances should be look'd upon and consider'd as my own." (Fable II:21)

¹⁸ "The Means by which Nature obliges every Creature continually to stir in this Business of Self-Preservation, are grafted in him, and (in Man) call'd Desires, which either compel him to crave what he thinks will sustain or please him, or command him to avoid what he imagines might displease, hurt or destroy him." (I:200)

of others” and his inclination to overvalue himself (II: 130). By differentiating between self-love and self-liking,¹⁹ Mandeville could refine his study of the “different Symptoms” and the “various Denominations” that passions assume in society (I: 200). This subtle distinction allowed a more elaborate “theoretical extension of the relation of human passions to the functioning of civil societies” (Hundert 1994:53). Indeed, as social formations advance, the interplay of passions becomes more complex. Passions associated with self-liking take centre stage, pride in particular. Mandeville assigns to pride an important socialising function. A derivative of “excessive, or ill turn’d” self-love that “gives Offence to others (OH: 6–7), pride compels every man to overvalue himself and imagine “better Things of himself than any impartial Judge” could allow him (I: 124).

Mandeville asserted that all the “Cardinal Virtues together won’t so much as procure a tolerable Coat or a Porridge-Pot among them” (I: 184). What is, then, the place of virtue in the Mandevillean system? Where can we find the good and the beautiful, “the pulchrum & honestum, *το καλόν* that the Ancients have talk’d of so much” (I: 325)? Does virtue have a socialising function?

2.2. Virtue, true and false

In Morals there is no greater Certainty.
(I: 330)

Mandeville’s striking deconstruction of virtue to reveal it as a social construct is the first step in understanding how passions are socialised and how mechanisms of social control effect this transformation. Drawing on Mandeville’s radical Spinozist intellectual roots, the demystification of virtue exemplifies Mandeville’s endeavour to eliminate moral and theological premises from society, politics and intellectual debate (Israel 2006:254).

Mandeville believed that virtue is relative to time and place. Vice and virtue, he (I: 324) wrote, are not “permanent Realities that must ever be the same in all Countries and all Ages”. Hence, in “Morals there is no greater Certainty” (I: 330). Mandeville affirmed that

¹⁹ This distinction between ‘amour propre’ and ‘amour de nous meme’ (self-liking and self-love, respectively) had already been made in the French sceptical literary tradition, which was part of Mandeville’s intellectual heritage (Jack 1976:375).

in morality and in nature “things are only Good and Evil in reference to something else, and according to the Light and Position they are placed in” (I: 367).²⁰ Several studies attribute Mandeville’s moral relativism to the influence of his intellectual predecessors, particularly Bayle and Spinoza (Chalk 1966:5; Israel 2006:259; Kaye 1924:xlīi–xlīii; Rashid 1985:324).

Modes and customs change and “Men vary in their Tastes and Humours” (I: 326). Hence, just like the evolution of society and man’s sociability, virtue cannot be explained ‘abstract’ from social norms:

I differ from My Lord Shaftesbury²¹ entirely, as to the Certainty of the *Pulchrum & Honestum*, abstract from Mode and Custom: I do the same about the Origin of Society, and in many other Things, especially the Reasons why Man is a Sociable Creature, beyond other Animals (LD: 47).

At the same time, Mandeville distinguished true virtue from its social appearances. He located true virtue in self-denial or self-mortification that is grounded on purely unselfish motives (Kaye 1924: lxxiv). True virtue requires conscious self-denial and that men conquer their “Passions out of a Rational Ambition of being good” engaging in altruistic acts “contrary to the impulse of Nature” (II: 12, I: 48–49). Given the severity of the self-denial formula, it has been suggested that Mandeville thought virtue is non-existent, a rhetorical device or that “vice is virtue” (Chalk 1966:6–7; Goldsmith 1985:57; Luban 2015:9; Monro 1975:237).²² There is no evidence, however, in Mandeville’s work to sustain that he believed true virtue does not exist. Mandeville uses the self-denial

²⁰ While moral relativism was common among Mandeville’s contemporaries and predecessors, his reflections on the relativity of religious beliefs or controversial subjects such as polygamy, prostitution and incest greatly contributed to his notoriety (Chalk 1966:5). Mandeville expounded such provocative views in *A Search into the Nature of Society* (I: 323–69). Asserting that “the *Pulchrum & Honestum* varies, and is different every where, as the Genius of the People differs” (II: 297), Mandeville forcefully used relativist arguments against Shaftesbury and other proponents of ideal virtue.

²¹ Anthony Ashley Cooper, third Earl of Shaftesbury and his *Characteristics of Men, Manners, Opinions, Times* (1711) are Mandeville’s primary target in *A Search into the Nature of Society*. Shaftesbury’s ideas of man’s exalted nature, Mandeville argued, are “generous, refin’d” and “a high Compliment to Human-kind” but wholly untrue and utopian (I: 324).

²² While Mandeville’s narrow definition of virtue has been interpreted as moral rigourism, it has been suggested that his rigouristic phrasing is a semantic device serving to expose hypocrisy and the moralists of his age (Kaye 1924: xlviī; Viner 1953:11; Chalk 1966:6–8).

criterion not to negate the existence of virtue but to distinguish between “Real and Counterfeited Virtue” (I: 229-30).²³ The self-denial criterion enabled Mandeville to reveal the “Disagreement between the Words and Actions of Men” (II: 348) and the hypocritical double standards prevailing in society:

[T]he Hypocrisy of all those Divines, who pretending to preach the Gospel, give and take Allowances that are inconsistent with, and quite contrary to the Precepts of it. (II: 102)

As a scientist rather than a moral philosopher, Mandeville emphasised that “the Theory of Virtue is so well understood, and the Practice of it so rarely to be met with” (I: 168). Therefore, he insisted on empirical verification to determine how men conduct their lives under the self-denial criterion (I: 152–56).²⁴ True virtue, then, exists but it is so hard to attain that its appearances prevail in society: “of Virtue or Religion there is not an hundredth Part in Reality of what there is in Appearance” (II: 340).

The imaginary Notions that Men may be Virtuous without Self-denial are a vast Inlet to Hypocrisy, which being once made habitual, we must not only deceive others, but likewise become altogether unknown to our selves. (I: 331)

In sum, what prevails in society are the appearances of virtue or counterfeit virtues. Honour and heroism are derivatives of pride, self-aggrandisement and men’s need for self-esteem and social approbation. Pity, the most amiable of our passions appears as a virtue that allows men to feign charity (I: 56). The anatomy of love shows the affection between “Persons of different Sexes” to be an artefact of “Art and Dissimulation” processed by “Custom and Education” to conceal lust, the natural appetite that is “most necessary for the Continuance of Mankind” (I: 142–46).

Mediated by hypocrisy, the appearance of virtue becomes socially acceptable and useful. Mandeville assigns a socialising function to hypocrisy as the price that must be paid for prosperity and for cultivating socially-useful behaviour (Dickey 1990:392,394;

²³ To give a measure of this rarity, Mandeville (OH: 43) observed that since the invention of honour as a surrogate for virtue there is only one man of real virtue to “Twenty Men of real Honour”.

²⁴ “I see no self-denial, without which there can be no virtue [...] I am willing to pay Adoration to Virtue wherever I can meet with it, with a Proviso that I shall not be obliged to admit any as such, where I can see no Self-denial, or to judge of Men’s Sentiments from their Words, where I have their Lives before me.” (I: 152–56)

Runciman 2010:52). For, as Mandeville (I: 72) asserted, “a Man need not conquer his Passions, it is sufficient that he conceals them. Virtue bids us subdue, but good Breeding only requires we should hide our Appetites.” In other words, social relations and norms obscure man’s complex inner existence: numerous social conventions effectively contrive to veil man’s true nature hiding the truth from both society and himself (Seigel 2005:112):

It is incredible, what strange, various, unaccountable and contradictory Forms we may be shaped into by a Passion, that is not to be gratify’d without being conceal’d, and never enjoy’d with greater Ecstasy than when we are most fully persuaded, that it is well hid. (II:100)

How, then, were artificial virtues constructed? How do they prevail in society? What is their bearing on the transformation of the passions? To answer these questions, our inquiry next engages with some of the most complex aspects of Mandeville's thought.

2.3. The socialisation of passions and social control

*Would you render a Society of Men strong and powerful,
you must touch their Passions. (I: 184)*

The socially useful transformation (or the socialisation) of man’s passions is essential in understanding Mandeville’s social, political and economic thought. Mandeville's account of the transformation of the passions contains the key to the paradox explaining how ‘private vices’ can become ‘public benefits’. The processes of manipulation and mechanisms of social control involved in transforming the passions are vitally important for the health and the well-being of the ‘Body Politick’. For, Mandeville was well aware that man’s passions “are too violent to be curb'd by any Law or Precept” counteracting any sense of reverence to authority (I: 95, II: 280). Relying on persuasion, social learning, motivation and social interaction, Mandeville saw social control mechanisms as non-coercive.²⁵ Their operation hinges on deriving counterfeit virtues such as honour, modesty and piety out of the passions and on playing one against the other to render men sociable, tractable and governable. Reconstructing Mandeville’s complex account of the transformation of passions into agents of socialisation, this research

²⁵ While recognising the inevitable elements of coercion in legitimate systems of authority, social control aims at the reduction of coercion (Janowitz 1975:84).

identifies and analyses the most important mechanisms of social control specified by Mandeville.

Interpreting Mandeville as an early spontaneous order theorist, Rosenberg (1963:188) argues that the elliptical phrase “Private Vices, Publick Benefits” does not clarify the character of the mechanism which effects the beneficial transformation.²⁶ From a different perspective, Hirschman (1977:18) remarks that Mandeville does not disclose the “modus operandi” of the skilful politician leaving inscrutable the “alleged beneficial and paradoxical transformations”. Schneider (1970:222) argues that Mandeville’s understanding of social control omits or reduces much in terms of explaining “phenomena that keep men orderly within society”.²⁷ Mandeville, however, provided a prescient and thorough analysis of social control. Writing in the early eighteenth century, he set out early prototypes of social control broadly understood as the “capacity of a society to regulate itself according to desired principles and values” (Janowitz 1975:82). He cogently described processes that depend upon the capacity of the individuals in society to assume the generalised “attitudes of the others who are involved with them in common endeavours” (Mead 1925:275). Notwithstanding the historical distance that separates Mandeville’s world from twentieth century concepts, his account of the socialisation of the passions indicates an intense understanding of social control as a means to secure social harmony and the well-being of society. It is this understanding that enabled Mandeville to explain how an “economic system based on self-interest was consistent with social order” (Horne 1978:557).

²⁶ In this respect, Rosenberg is approvingly cited by Hayek (1967a:135) in *Dr. Bernard Mandeville: Lecture on a master mind*.

²⁷ Schneider attributes this flaw to Mandeville’s defective comprehension of religion in sociological and psychological terms. Yet, a piercing and argued critique of religion and its institutions pervades Mandeville’s work, particularly the *Essay on Charity Schools*, the *Origin of Honour*, *A Letter to Dion* and *Free Thoughts*. In brief, Mandeville challenged the role of morality and religion in human affairs. He argued that religion had little effect on men who “are not more influenced by what they believe of a future state, than they are by the name of the street they live in (LD: 56). He believed in keeping God and society apart: “Religion is one thing and Trade is another” he wrote (I: 356).

2.3.1 Fabricating virtue, making men tractable

The nearer we search into human Nature, the more we shall be convinced, that the Moral Virtues are the Political Offspring which Flattery begot upon Pride” (I:51).

“Lawgivers and other wise Men, that have laboured for the Establishment of Society”, Mandeville (I: 42) argued, knew that society required tractable individuals. To serve “Publick Peace, and the Welfare of the Civil Society”, they had to render “Men governable, and unite Multitudes in one common Interest” (OH: 4). To this end, rulers aided by “Moralists and Philosophers of all Ages”, throughout history, have tried to persuade the “People they were to govern” to subdue their passions and serve public good over private interest (I: 42). As virtuous acts require not merely the conquest of the passions but also severe self-denial, ruling elites invented a surrogate “laudable Principle” (I: 260). They gave:

[T]he Name of V I R T U E to every Performance, by which Man, contrary to the impulse of Nature, should endeavour the Benefit of others, or the Conquest of his own Passions out of a Rational Ambition of being good. (I: 48)

Thus, notions of virtue were fabricated and artfully imposed on men to compensate for the violence that men “must commit upon themselves” by practising self-denial to suppress their nature and work for the benefit of the whole:

[I]t is not likely that any Body could have persuaded [men] to disapprove of their natural Inclinations, or prefer the good of others to their own, if at the same time he had not shew’d them an Equivalent to be enjoy’d as a Reward for the Violence, which by so doing they of necessity must commit upon themselves. (I: 42)

As an imaginary universal reward, virtue could serve “all Persons for every individual Action” without any cost to its inventors who had “undertaken to civilize Mankind” (I: 42). Mandeville clearly indicates that governing (and moralising) elites were not concerned about the public good but pursued their own self-interest to “reap the Fruits of the Labour and Self-denial of others”, indulge “their own Appetites with less disturbance” and govern “vast Numbers of them with the greater Ease and Security” (I: 47–48).

In *An Enquiry into the Origin of Honour, and the Usefulness of Christianity in War* (1732), Mandeville's striking deconstruction of honour exemplifies the extraction of ‘virtue’ from men’s self-liking passions, pride in particular (OH: 6–7). Mandeville

exposes the social ‘usefulness’ of honour and shame in establishing and sustaining a powerful mechanism of social and political control to make men governable. “Honour is an Idol”, Mandeville (OH: 66) writes, “by Human contrivance, rais'd on the Basis of Human Pride”. It is a “Chimera without Truth or Being” which is not “founded upon any Principle, either of real Virtue or true Religion” (II: 124, Fable I: 198). Mandeville considered honour and shame exceptionally strong notions that outdo even the power of religion (OH: 15).

Honour [...] is an Invention of Politicians, to keep Men close to their Promises and Engagements, when all other Ties prov'd ineffectual; and the Christian Religion itself was often found insufficient for that Purpose. (OH: 16)

Unlike true virtue, honour requires “little self-denial” and offers material “Allurements” committing men to acts that are vital for social and political order (OH: 43, 44, 29–30). In this account, flattery plays an important part. Exploiting pride and man’s need for social approbation, “moralists and politicians”²⁸ deployed the “bewitching Engine” of flattery to instruct men in the fabricated “notions of honour and shame” (I: 43). Hence, as Mandeville famously asserted, “the nearer we search into human Nature, the more we shall be convinced, that the Moral Virtues are the Political Offspring which Flattery begot upon Pride” (I:51).

Giving a further twist to his analysis, Mandeville (OH:39–40) argued those who have “endeavour'd to civilize Men, and render them more and more tractable” contrived to make man “an Object of Reverence to himself” by working on honour and shame. For, in “worshipping Honour, a Man adores himself” and he can be “easily induced to reverence what he loves so entirely” (OH:85). Working on man’s terrible dread of shame, a “real tie” of fear that exceeds even “that of Death” was established to make men “serve many noble Purposes in the Society”. Through this process, then, *a rational Creature is kept in Awe for Fear of it Self, and an Idol is set up, that shall be its own Worshiper* (OH:41)[Emphasis added]. So, Mandeville explains that ultimately it is not ourselves that

²⁸ I give those Names promiscuously to All that, having studied Human Nature, have endeavour'd to civilize Men, and render them more and more tractable, either for the Ease of Governours and Magistrates, or else for the Temporal Happiness of Society in general. (EOH:41)

we fear but the judgment and the “ill Opinion” others and the “Notion we form of that Opinion of theirs” (ibid.). Hence, Mandeville (OH:43) concludes, “The Invention of Honour has been far more beneficial to the Civil Society than that of Virtue, and much better answer'd the End for which they were invented.”

This account evokes and extends Mandeville’s earlier analysis in *An Enquiry into Origin of Moral Value* on the role of ruling elites and social control during the first stages in the evolution of society. There, Mandeville described the complex process whereby the founders of society broke savage man laying the “Foundation of Politicks” that ensured the civilising of humankind. He demonstrated how a social group is framed as a role model—whereas in *The Origin of Honour* man is set up as an idol of himself. More specifically, Mandeville argues that the first rulers divided mankind into two ideal classes: a class of wholly selfish “abject, low-minded People” seeking sensual pleasures and a supposedly unselfish superior class of men presented as capable of self-denial. Flattered by politicians as the “true Representatives of their sublime Species”, the “lofty-spirited” men were induced to live up to their virtuous image upholding moral ideals (I: 44–46). This ‘virtuous’ role model, then, was set up to incite emulation in the lowly selfish class and inspire awe amongst all laying the foundation of a political order:

This was (or at least might have been) the manner after which Savage Man was broke; from whence it is evident, that the first Rudiments of Morality, broach’d by skilful Politicians, to render Men useful to each other as well as tractable, were chiefly contrived that the Ambitious might reap the more Benefit from, and govern vast Numbers of them with the greater Ease and Security. This *Foundation of Politicks being once laid, it is impossible that Man should long remain uncivilized.* (I: 46–47) [Emphasis added]

It is important to note that Mandeville conceived the socialisation of the passions as a long drawn-out evolutionary process. It took ages to set up the “Idol” and establish the social conventions and the notions underpinning the management of passions by ‘dextrous’ politicians.

Human Wisdom is the Child of Time. It was not the Contrivance of one Man, nor could it have been the Business of a few Years, to establish a Notion, by which a rational Creature is kept in Awe for Fear of it Self, and an Idol is set up, that shall be its own Worshiper. (EOH: 41)

Mandeville's "Doctrine of good Manners" (II: 66, 141)²⁹ specifies another effective mechanism of social control involving the transformation of pride and other self-liking passions into civility. Mediated by hypocrisy, good manners (or the invention of politeness) hold society together creating the "Bond" that "exacts from every Member a certain Regard for others" (I: 79). Man's instruction in the doctrine of good manners begins in his infancy.³⁰ The process of social learning is reinforced by man's drive towards emulation:

It is incredible, how prone we are to Imitation, and how strangely, unknown to ourselves, we are shaped and fashioned after the Models and Examples that are often set before us. (Fable: II 39)

Complying with codes of civility, we make "ourselves acceptable to others, with as little Prejudice to ourselves as is possible" (I: 147). Processing pride through conventions of good manners,³¹ men learn by trial and error to conceal this passion substituting its objectionable natural symptoms with less offensive ones that are also economically more useful (II: 125–6).³² At the same time, men learn to gratify the self-liking of others who reciprocate in kind engaging in a process that leads to social harmony within a social group:

When once the Generality begin to conceal the high Value they have for themselves, Men must become more tolerable to one another. Now new Improvements must be made every Day, 'till some of them [...] not only deny the high Value they have for themselves, but likewise pretend that they have greater Value for others, than they have for themselves. This will bring in Complaisance, and now Flattery. (II: 145)

²⁹ A comprehensive account of Mandeville's theory of civility is provided by Peltonen (2003, Chapter 5 "Mandeville: politeness, duelling and honour").

³⁰ In a tolerable Education we are so industriously and so assiduously instructed, from our most early Infancy, in the Ceremonies of bowing, and pulling off Hats, and other Rules of Behaviour; that even before we are Men we hardly look upon a mannerly Department as a Thing acquired, or think Conversation to be a Science. (I: 149: 50)

³¹ The sooner Persons are imbued with good Manners, the sooner they grow perfect in concealing that Passion. (Fable II: 122)

³² Fine Cloaths, and other Ornaments about them, the Cleanliness observed about their Persons, the Submission that is required of Servants, costly Equipages, Furniture, Buildings, Titles of Honour, and every thing that Men can acquire to make themselves esteem'd by others, without discovering any of the Symptoms that are forbid. ((Fable II: 126)

In this manner, through a slow and reciprocal process of social learning and motivation, the mechanism of good manners allows the internalisation of the prevailing normative standards transforming pride, ostentation or vanity to benefit the harmony of the social whole.

Having examined Mandeville's theory of passions our inquiry next moves to examine Mandeville's explanation of sociation that is at heart of his political economy. How does Mandeville account for the 'Body Politick', its evolution and its institutions?

3. THE 'BODY POLITICK' AND ITS 'REQUISITES'

Following a brief introduction, this section, first, examines the economic and political context of Mandeville's work seeking to understand the factors that motivated Mandeville's 'Body Politick' project. Subsequently, it draws on our discussion of the passions to describe and analyse the evolution, the constitution and the prerequisites that Mandeville considered essential for the prosperity and the longevity of the 'Body Politick'. To assess Mandeville's legacy in economics, it concludes by evaluating Mandeville's evolutionary account of sociation against claims that classify it as a major early version of spontaneous order and laissez-faire theories.

Historically, the term 'body politic' alluded to the nature and the composition of the civil state in analogy to human anatomy implying that unlike the mortal human body the body politic was immortal; the concept was revived by Hobbes who sought to restore the idea of civic immortality that seemed forever gone amidst civil war and regicide (Attie 2008:497–98). William Petty emphasised the fundamental functional features of the 'Body Politick' in terms of 'structure, symmetry and proportion' to account for the "complexities of the real world" (McNally 1988; Roncaglia 2005:58fn12). According to Shaftesbury, only independent landed gentlemen free from concerns of labouring were bound by duty to participate in the body politic (McNally 1988:165).

Mandeville's conception of the 'Body Politick', in many respects, echoes

Hobbes's definition in *De Corpore Politico* (Hobbes 1655:122–23).³³ Yet, civic or human immortality was not among Mandeville's concerns. In contrast to Hobbes's (1655:141) "fictitious" body, Mandeville's 'Body Politick' is firmly materialist. In this sense, it is more close to Petty's concern with the real world. Unlike Shaftesbury's conception, the Mandevillean 'Body Politick' includes all men rather than an elite of landed gentry. Mandeville's representation of society is not a utopian or a closed microcosm but a 'large opulent Nation' prominent in an international context of military power and trade. Set in the buzzing London metropolis, Mandeville's 'Body Politick' offers a globally applicable model of remarkable diversity.³⁴ Harmony and balance are essential to the 'Body Politick'. Comparing it to a bowl of punch,³⁵ Mandeville argued that its many essential ingredients (passions) can only make a good drink if they are "judiciously mixt" together.³⁶

Mandeville sought to provide a functional account for the new social order that was emerging at a time of crisis, uncertainty and transition when the 'Body Politick' faced the danger of dismemberment (Halliday 2003). Using his complex anatomy of human passions, he applied himself to problems that are historically placed at the core of political economy to examine the material 'Requisites' of the 'Body Politick': the economic, social and political institutional structure that was essential for its continuity and well-being. At the same time, he needed to explain how "a most beautiful Superstructure may be rais'd upon a rotten and despicable Foundation" (II:64) that was defined by men's passions. For, regardless of the form government takes, it is vital in all sovereign states to ensure that

³³ This union so made, is that which men call now a-days, a body politic, or civil society; and the Greeks call it πόλις, that is to say, a city, which may be defined to be a multitude of men, united as one person, by a common power, for their common peace, defence, and benefit, corporation. (Hobbes 1655:141)

³⁴ Many Nations of different Religions, Forms of Government, Interests and Manners that divide and share the Earth between them, so the civil Society in every Nation consists in great Multitudes of both Sexes, that widely differing from each other in Age, Constitution, Strength, Temper, Wisdom and Possessions, all help to make up one Body Politick. (II:46)

³⁵ Keen to convey his ideas to a large public in a digestible manner, Mandeville often used "low" comparisons observing that "authors are always allow'd to compare small things to great ones, especially if they ask leave first" (Fable I: 105).

³⁶ Avarice should be the Souring and Prodigality the Sweetning of it. The Water I would call the Ignorance, Folly and Credulity of the floating insipid Multitude; while Wisdom, Honour, Fortitude and the rest of the sublime Qualities of Men, which separated by Art from the Dregs of Nature the fire of Glory has exalted and refin'd into a Spiritual Essence, should be an Equivalent to Brandy. (I: 105-6)

“no Luxury or other Vice is ever able to shake their Constitution” (I: 117)

3.1. The 'Body Politick' in context: Crisis, transition and uncertainty

In the Language of the World, the Age and the Time I live.
(LD:38)

The social and historical context that framed Mandeville’s thought is essential for any meaningful discussion of his conception of the ‘Body Politick’. In other words, what was special in this particular time frame? What were the objective conditions that prompted Mandeville to provide a coherent and reassuring explanation of society, its evolution and its institutions?

Historically, Mandeville appeared at the final decades of the general crisis of the European economy that lasted from the 1620s to the 1720s marking the last phase of the transition from a feudal to a capitalist economy (Hobsbawm 1954:44, 33). Key to this transition was primitive accumulation, described by Marx (1867:874–5) as “the historical process of divorcing the producer from the means of production”. As Marx (1867:915–16) wrote, the “chief moments of primitive accumulation” that “characterised the dawn of the era of capitalist production” at the end of the seventeenth century were “systematically combined together” in England.³⁷ These chief moments included the colonial system, national debt, modern taxation and the system of protection: both brutal force (as in the colonies) and the power of the state were deployed to accelerate the transition and the transformation of the feudal mode production into the capitalist mode (ibid.).

The transition was accompanied by uncertainty, instability and social transformation. Bringing into power “the landed and capitalist profit-grubbers” (Marx 1867:884), the Glorious Revolution of 1688 was followed by years of political conflict,

³⁷ Marx (1867:915) described as follows the “idyllic proceedings” that enabled primitive accumulation: “the discovery of gold and silver in America, the extirpation, enslavement and entombment in mines of the indigenous population of that continent, the beginnings of the conquest and plunder of India, and the conversion of Africa into a preserve for the commercial hunting of blackskins, are all things which characterize the dawn of the era of capitalist production.”

war, party polarisation and insecurity (Pincus and Robinson 2011).³⁸ The ‘Body Politick’ in England was under constant threat of dismemberment by conflicting religious identities, personal retaliations and political enmities in a context of extensive purges and counter purges (Halliday 2003). Urbanisation as well as the growth of foreign trade, commerce and industry upset the existing social stratification creating a polarised society (Earle 1989:4). At the lower end of the new social order, Mandeville's “labouring poor”³⁹ who were “unacquainted with everything but their Work” (I: 76), toiled devoid of ownership, land and capital. The aggressive expropriation of land from peasants and their transformation into a waged labour force was “accompanied by access to land, markets on which to buy and sell, and finance to purchase constant and variable capital” (Fine 2006:143). At the same time, heralding the economic growth of the later eighteenth century, capitalism was settling in “widely, evenly, and organically” across England’s social structure (Mann 1986:494). The financial institutions required to sustain the nascent commercial capitalist economy were established. The Bank of England⁴⁰ was founded in 1694 to finance the national debt caused by years of war (Goldsmith 1977:66–7). The South Sea Company was founded in 1712 and the East India Company consolidated with a merger in 1709 (Schneider 1987:30).

With capital flowing across Europe during the eighteenth century, capitalism demonstrated strength and adaptability deploying new financial practices, “methods, dealings and tricks” (Braudel 1977:114). A “brood of bankocrats, financiers, rentiers, brokers, stock-jobbers” emerged (Marx 1867:920). Speculative and fraudulent practices in England and in France bear analogies to our own times. The increasing political influence of finance implicated governments in profiteering, corruption and reckless financial

³⁸ The remarkable instability that followed the Glorious Revolution is reflected in the aborted rebellions in 1692, 1694, 1696, 1704, 1708 and 1722, and a civil war in 1715 that vastly upset the economy and rattled financial markets (Pincus and Robinson 2011:12).

³⁹ As Marx (1867:919, fn13) notes, the “expression ‘labouring poor’ appeared in English legislation the moment when the class of wage-labourers became noticeable: the term marked the distinction between the ‘idle poor’, beggars etc. and “those workers who are not yet plucked fowl but rather the possessors of their own means of labour”.

⁴⁰ The Bank established a public debt and relied on public credit ensuring to the governments of William and of Anne access to vast funds, beyond taxation, to finance the war against the France. The debt henceforth was secured as a parliamentary undertaking (Goldsmith 1977:6).

schemes. While Mandeville was preparing the 1723 edition of *The Fable*, the Mississippi (1719–1720) and the South Sea (1720) bubbles burst rattling stock markets and society consecutively in France and in England (Garber 2001). In England, the ensuing investigation revealed extensive corruption, bribery and falsification of accounts implicating persons of prominence; in Louis XIV's bankrupt France, John Law's operation to restructure the national debt collapsed (Garber 2001; Neal 2000; Velde 2007).⁴¹ Aware of the ills that came with the nascent financial capitalist institutions, Mandeville sharply commented on the corruption of elites that accompanied financial speculation:

The Year seventeen hundred and twenty has been as prolifick in deep Villainy, and remarkable for selfish Crimes and premeditated Mischief, as can be pick'd out of any Century whatever; not committed by Poor Ignorant Rogues that could neither Read nor Write, but the better sort of People as to Wealth and Education, that most of them were great Masters in Arithmetick, and liv'd in Reputation and Splendor. (I: 276)

Passages such as this in Mandeville's writings indicate that he was not indifferent to the context of crisis, change and uncertainty. He recognised the need to provide a coherent account of the emerging social order reassuring that it had a viable future. He was aware of the need for new norms of conduct and regulation to discipline “both rulers and ruled” in the new social order following years of turmoil that had undermined confidence in religious and ethical tenets (Hirschman 1977:64,129). In the newly constituted commercial society, Mandeville's readers had to engage with revised moral, social and economic priorities if they were to satisfy their needs (Hundert 1994:37). Mandeville was an influential opinion leader (Israel 2006:151). He was intellectually equipped, sufficiently motivated and strategically placed to offer explanations by articulating his ‘Body Politick’ project to which he diligently applied his study of human passions and his methodology.

How was, then, the 'Body Politick' constituted? What were the “Requisites” that

⁴¹ “Law's System” involved, among others, fiat money, debt-equity swaps at wildly inflated prices, nepotism and aggressive takeovers by Law's ‘Compagnie d'Occident’ of French monopolies in the colonies, chiefly Louisiana—hence ‘Mississippi’. To finance his venture, Law took subscriptions on shares payable in government debt and partly in cash (Law 1750:3; Velde 2007). For a detailed analysis of the early speculative bubbles see Garber (2001) and Neal (2000).

Mandeville thought could ensure a prosperous and viable society?

3.2. The economic constitution of the 'Body Politick':

[L]et the Value of Gold and Silver either rise or fall, the Enjoyment of all Societies will ever depend upon the Fruits of the Earth, and the Labour of the People [...]which joined together are a more certain, a more inexhaustible, and a more real Treasure, than the Gold of Brazil, or the Silver of Potosi. (I: 197–8)

Mandeville, distinguished trade as the main “Requisite to aggrandize a Nation” emphasising the importance of a healthy balance of trade where imports would never exceed exports (I: 248–9, 115–16, 304). Following the mercantilist tradition, he consigns such a policy to the “Legislature” and discusses at length international trade, shipping and navigation (I: 249, I: 358–363). He also specified that there are “other things to be taken care of besides” trade (I: 116). The social division of labour, a readily available cheap mass of the ‘labouring poor’ and money are also prerequisites for the healthy constitution of the ‘Body Politick’. At the same time, “Property should be well secured, Justice impartially administred”, foreign affairs cautiously managed, “no Man’s Conscience forc’d, and the Clergy allow’d no Share in State Affairs” (I: 116–17, 249).

The economic constitution of the ‘Body Politick’ vitally depends on aggregate demand that is spurred by consumption arising from men’s passions. Mandeville’s defence of luxury spending versus the artificial virtue of prodigality, that is “like Honesty, a mean starving Virtue” (I: 104) has been well discussed in the literature (Bick 2008; Goldsmith 1976; Gunn 1983; Hont 2006; Hurtado-Prieto 2006; Landreth 1975; Turner 2015; Winch 1995). Mandeville argued that luxury in itself does not pose a threat to the trade balance of a country provided that the imports and exports are kept in appropriate proportion; the economic constitution and the wealth of a nation are threatened by bad policy, negligence and the administrative inability of political leaders (I: 115,117, 304). Discussing mercantilism and theories of underconsumption in the *General Theory*, Keynes (1936:352–556) approvingly includes relevant extracts from Mandeville’s *Grumbling Hive*. Yet, it is not love of luxury alone but as intimated previously (2.1) an interactive compound of passions that sets in motion the wheels of the economy. Emanating from pride, a concatenation of passions including envy, avarice, emulation, ostentation and ambition takes hold of man: as he acquires more knowledge, “his Desires are enlarg’d, and consequently his Wants and Appetites are multiply’d” (I: 205–6). Thus, a compound of vices hitherto considered as sinful aberrations interact to fuel fundamental

economic activities: they create demand, foster production, enhance trade and promote the development of the division of labour. No wonder, then, as Keynes remarks, that such “wicked sentiments” were castigated by “moralists and economists who felt much more virtuous in possession of their austere doctrine” that prescribed the “outmost of thrift and economy both by the individual and by the state” (Keynes 1936: 362).

The economic structure of the ‘Body Politick’ is predicated on the men’s multiple social and natural ‘wants’ and the scarcity of the means to satisfy them. According to Mandeville, “there are great Blessings that arise from Necessity; and that every Body is obliged to eat and drink, is the Cement of civil Society” (II: 350). Similarly, Mandeville argued that “to make a Nation generally frugal, the Necessaries of Life must be scarce, and consequently dear” (I: 183). Foreshadowing Robbins’s (1935:15–16) assertion that “scarcity of means to satisfy ends of varying importance is an almost ubiquitous condition of human behaviour”, Mandeville emphasised that:

The Sociableness of Man arises only from these Two things, *viz.* The multiplicity of his Desires, and the continual Opposition he meets with in his Endeavours to gratify them. (I: 344)

Civil society is “entirely built upon the Variety of our Wants, so the whole Superstructure is made up of the reciprocal Services, which Men do to each other”: the “reciprocal Services which all Men pay to one another, are the Foundation of the Society” (II: 349, 221).

This reciprocity in social relations that satisfies men’s diverse needs underscores the division of labour. Among early modern writers such as William Petty who discussed division of labour, Mandeville first recognised that a highly developed division of labour implied that each individual depends on numerous others to fulfil his fundamental wants: this interdependence was mediated by commerce which formed the basis for society (Prendergast 2013:87–88). He understood that the efficient employment of resources through the proper division of labour provides the key to the prosperity and the power of a nation:

The greater the Variety of Trades and Manufactures, the more oporose they are, and the more they are divided in many Branches, the greater Numbers may be contained in a Society without being in one another’s way, and the more easily they may be render’d a Rich, Potent and Flourishing People (I: 367)

Mandeville elaborates on the idea of division of labour in the famous passages on shipbuilding, watch-making and the professions where he advocates a fivefold division of

labour (I: 356-58, 359–60; II: 141–142, 284). He asks “what a number of people, how many different trades, and what a variety of skills and tools must be employed to have the most ordinary Yorkshire cloth?” (I: 169). He convincingly argues that:

Watch-making [...] is come to a higher degree of Perfection, than it would have been arrived at yet, if the whole had always remain' d the employment of one Person; and I am persuaded, that even the Plenty we have of Clocks and Watches, as well as the exactness and Beauty they may be made of, are chiefly owing to the Division that has been made of that Art into many Branches. (II:284)

Given the importance of trade, Mandeville emphasised the international dimension of division of labour (I: 356)⁴² highlighting its benefits for public administration:

By dividing the Employments in a great Office, and subdividing them into many parts, every Man's Business may be made so plain and certain, that, when he is a little used to it, it is hardly possible for him to make Mistakes. (II: 235)

Mandeville understood that the social division of labour is closely linked to the idea that “trade consists essentially in the exchange of labour for labour” and provided the first “really suggestive British treatment of the connection between the division of labour in society and the phenomenon of value” (Meek 1956:39). As Marx (1867:765) remarks, Mandeville as “an honest man with a clear mind had not yet grasped” the intricate “mechanism of the accumulation process itself” which increases both the amount of capital and the mass of the “labouring poor” i.e. the wage-labourers, who turn their labour-power into a force for increasing the valorization of the growing capital”.⁴³ Mandeville identified labour as the surest source of wealth and “the multitude of Working Poor” as the “Basis that supports all (I: 248–49):

In a free Nation where Slaves are not allow'd of, the surest Wealth consists in a Multitude of laborious Poor; for besides that they are the never-failing Nursery of Fleets and Armies, without them there could be no Enjoyment, and no Product of any Country could be valuable. (I: 287)

⁴² What a Bustle is there to be made in several Parts of the World, before a fine Scarlet or crimson Cloth can be produced, what Multiplicity of Trades and Artificers must be employ'd! Not only such as are Cloth-workers, the Scourer, the Dyer, The Setter the Drawer and the Packer; but others that are more remote and might seem foreign to it. (I:356)

⁴³ In this passage, Marx (1867:765) includes a long quote from the Fable I (pp.212-13, 328).

Following the South Sea bubble crisis, Mandeville's later writings shift emphasis from the role of consumption to that of production (Dew 2005). To account for the new relations of production in the emergent social order, Mandeville devoted great attention to labour as attested by his carefully indexed⁴⁴ discussion of the labouring poor, the supply and demand for labour, wage formation⁴⁵ and the behavioural patterns of the labouring poor. He cautioned against misallocating the labouring poor in the professions: "when all Trades and Handicrafts are overstock'd, it is a certain sign there is a Fault in the Management of the Whole" (I: 301). Earning the lasting reputation of an early laissez-faire theorist, Mandeville argued that the unimpeded operation of the labour market efficiently allocates labour:

As it is Folly to set up Trades that are not wanted, [...] increase in any one Trade the Numbers beyond what are required [...] it would be preposterous to have as many Brewers as there are Bakers, or as many Woollen-drapers as there are Shoe-makers. This Proportion as to Numbers in every Trade *finds it self, and is never better kept than when no body meddles or interferes with it.* (I: 299-300)[Emphasis added]

How could, then, the multitudes of the labouring poor be controlled and manipulated to work for the benefit of the whole? Mandeville's answer is labour market discipline, that most efficient mechanism of social control. He explains the basis of labour market discipline as follows:

The Plenty and Cheapness of Provisions depends in a great measure on the Price and Value that is set upon this Labour, and consequently the Welfare of all Societies. (I: 286)

No matter what high value men set upon themselves, "Labour [...] will ever be the cheapest. Nothing can be dear, of which there is great Plenty [...] and Scarcity inances the Price of Things much oftener than the Usefulness of them (II: 350). Therefore, the

⁴⁴ Mandeville meticulously indexed his publications referring to paragraph numbers. In *Fable I* (p.371), the entries for the labouring poor read as follows: "Labouring Poor (the) would never work if they did not want; The Plenty of Provisions depends on the cheapness of their Labour; Qualifications required in the labouring Poor; What they ought not to Grumble at; Great Numbers of Poor are wanting; The Mischiefs arising from their not being well managed; Not to be suffer'd to stay from Church on Sundays; The petty Reverence that is paid to the Poor injurious"

⁴⁵ Landreth (1975:199) observes that Mandeville's theory of wages is not clear and presents contradictions. He suggests that in terms of current theory, Mandeville's labour supply curves would be downward sloping and unitarily elastic: every wage on this elastic supply curve would be a subsistence wage.

poor should be first kept constantly and cheaply employed. Second, they should be kept in ignorance. These are the “two Engines” of successful trade enabling Great Britain to unfailingly outsell the “Rivals of our Trade” [...] at Foreign Markets” (I: 317). The “Knowledge of the Working Poor” should be limited to their occupations, and never extend beyond their “Calling” (I: 288). For, ignorance prevents the poor from developing acquisitive passions above their station such as the love of luxury:

Knowledge both enlarges and multiplies our Desires, and the fewer things a Man wishes for, the more easily his Necessities may be supply'd. (I: 288)

Conditioned by their inclination to idleness,⁴⁶ workers are prone to downwardly adjust working time (I: 192).⁴⁷ With nothing to “stir them up to be serviceable but their Wants”, the poor should be “kept from starving” and “receive nothing worth saving” but a “moderate quantity of Money”, the only thing that can induce the poor to work:

When we see an Artificer that cannot be drove to his Work before Tuesday, because the Monday Morning he has two Shillings left of his last Week's Pay; why should we imagine he would go to it at all, if he had fifteen or twenty Pounds in his Pocket? (I: 193–94)

The wants of the labouring poor should be prudently relieved but it is a “Folly to cure” them “for who would do the work?” (ibid.). Passions also have a role to play in the prudent management of poor people's needs. Spurred by envy, emulation “sets the poor to work, adds Spurs to Industry and encourages the skilful artificer to search after further improvements” (I: 130, FT: 12).

In *An Essay on Charity and Charity Schools*, Mandeville recommends child labour arguing that educating the children of the poor would give them ideas above their “Painful Station of Life” and cause scarcity of cheap labour (I:287). Taken out of context, Mandeville's views on the labouring poor appear cruel to modern readers but they were

⁴⁶ Mandeville's description of the behavioural patterns of the laborious poor, ominously presages mainstream accounts of shirking workers (cf. Shapiro and Stiglitz 1985) that consider shirking an innate trait of human nature.

⁴⁷ Every Body knows [...] that there is a vast number of Journey-men Weavers, Tailors, Cloth-workers, and twenty other Handicrafts; who, if by four Days Labour in a Week they can maintain themselves, will hardly be persuaded to work the fifth (I:192)

not unusual in historical perspective. First, it is important to note, that even when he suggests leaving the labour market to its own devices, Mandeville recommends legislation to prevent the abuse of the labouring poor:

The Fearful and Cautious People that are ever Jealous of their Liberty, I know will cry out, that where the Multitudes I speak of should be kept in constant Pay, Property and Privileges would be precarious. But they might be answer'd, that sure Means might be found out, and such Regulations made, as to the Hands in which to trust the management and direction of these Labourers; that it would be impossible for the Prince or any Body else to make an ill Use of their Numbers. (I: 319)

Second, writers of the period generally agree on the need to keep the large population of the labouring poor both cheaply employed and poor (Coleman 1956: 280). William Petty, among others, was “no friendlier” towards the poor who hardly received any consideration before 1750 even by confirmed enemies of despotism and corruption: the quest for a future society involved “taking seriously the social and economic setting of the existing one – including its abuses” (Gunn 1983:117; Kaye 1924:lxx).

Given that the source of wealth is labour, what is the role of money in advanced societies? Mandeville acknowledged the vital function of money in the constitution of a healthy ‘Body Politick’—albeit as secondary to labour as a source of wealth. In the final *Sixth Dialogue of Fable II* which concludes his magnum opus, Mandeville extols money as an invention “more skillfully adapted to the whole Bent of our Nature, than any other of human Contrivance” (II: 353). He attributes to money an importance that exceeds even that of honour:

[N]othing is more universally charming than Money; it suits with every Station; the high, the low, the wealthy, and the poor: whereas Honour has little influence on the mean, slaving People, and rarely affects any of the vulgar; but if it does, Money will almost every where purchase Honour. (II: 354)

The main and most pressing use for money in a nation is to pay the “Labour of the Poor” keeping in mind that:

[T]he quantity of circulating Coin in a Country ought always to be proportion'd to the number of Hands that are employ'd; and the Wages of Labourers to the Price of Provisions (I: 193).

Reflecting that money is “deservedly call'd the Root of all Evil” (II: 349), Mandeville acknowledges its central function in an economy that relies upon the diverse needs of men. Money facilitates the direct exchange and the reciprocity of services, it enables the transfer of property, the exchange and accumulation of goods that cannot be immediately

consumed (ibid.). It provides “the Standard, which the Worth of every Thing will be weigh’d by” calling for legislation to ensure its proper use (I: 350). For these reasons:

[I]t is impossible to name another, that is so absolutely necessary to the Order, Oeconomy, and the very Existence of the Civil Society” that entirely relies “upon the Variety of our Wants, so the whole Superstructure is made up of the reciprocal Services, which Men do to each other.” (I: 349)

As an acceptable reward for the reciprocal services between men, money “obviates and takes away all those Difficulties” that arise in commerce and bartering and the work relationship:

To expect, that others should serve us for nothing, is unreasonable [...] Which way shall I persuade a Man to serve me, when the Service, I can repay him in, is such as he does not want or care for? (ibid.)

To conclude, emphasising the importance of trade and aggregate demand, Mandeville advocated labour market discipline as the best way to control labour which he considered the absolute source of wealth. He recommended the proportionate allocation of labour in various productive sectors, the continuous competition between workers to keep down wages and labour costs ensuring the competitiveness of British goods in foreign trade and he defended full employment by keeping branches of trade and manufacturing open to new jobs; he made it clear that this policy brief should be the “first care” of the Government” (I:197–8, 301–02). He summarised his economic vision for the ‘Body Politick’ as follows:

The great Art then to make a Nation happy and what we call flourishing, consists in giving every Body an Opportunity of being employ’d; which to compass, let a Government’s first care be to promote as great a variety of Manufactures, Arts, and Handicrafts, as Human Wit can invent; and the second to encourage Agriculture and Fishery in all their Branches, that the whole Earth may be forc’d to exert it self as well as Man; for as the one is an infallible Maxim to draw vast Multitudes of People into a Nation, so the other is the only Method to maintain them.

It is from this Policy, and not the trifling Regulations of Lavishness and Frugality, (which will ever take their own Course, according to the Circumstances of the People) that the Greatness and Felicity of Nations must be expected; for let the Value of Gold and Silver either rise or fall, the Enjoyment of all Societies will ever depend upon the Fruits of the Earth, and the Labour of the People; both which joined together are a more certain, a more inexhaustible, and a more real Treasure, than the Gold of Brazil, or the Silver of Potosi. (I: 197–8)

To provide an integrated model of a “lasting Society”, Mandeville also needed to specify the social and political prerequisites of the ‘Body Politick’ and account for the elevation of ‘Multitudes’ from the original condition of ‘Brutes’ to this superior form of

society.

3.3. The evolution of the 'Body Politick'

*'For unhappy is the People, and their Constitution will be ever precarious,
whose Welfare must depend upon the Virtues and Consciences of
Ministers and Politicians'.
(I: 189-190)*

Drawing on his analysis of socially processed passions, Mandeville was possibly the first to put forward a primarily secular evolutionary account to explicate the stadal development of society analysing the economic and political 'requisites' of the 'Body Politick'.⁴⁸ Owing to his profound understanding of evolution, Mandeville's integrated evolutionary account was unrivalled in earlier "embryonic and fragmentary" narratives of the evolutionary growth of society which were constrained by theological considerations (Kaye 1924: lxv, cxiii).⁴⁹ Mandeville's evolutionary approach extends to all the key aspects of his thought including his conception of the individual, the passions and knowledge. Indeed, Mandeville first developed a theory of social evolution based on the accumulation and the transmission of knowledge, practices and procedures by social interaction (Prendergast 2013:105).

3.3.1. *The stages of sociation, sociability, governability and fear*

Mandeville's evolutionary account of sociation is predicated on man's sociability and governability acquired through gradual processes which require years of experience, wisdom and "artful Education" by "Moralists and Politicians" (OH: 41). Mandeville (II: 183) recognised in men a "certain Fitness" for sociability specifying that this merely means "that Man is a Sociable Creature." What Mandeville meant was that men are not

⁴⁸ Mandeville's account of sociation is set out in *A Search into the Nature of Society* that was added to the later editions of *The Fable*, and in the *Fifth and Sixth Dialogues* of the second volume.

⁴⁹ Starting with Plato, Plato, Aristotle and Lucretius, Kaye (1924:cxiii, fn1) enumerates works broadly dealing with the development of society citing Machiavelli, Bodin, Vico, Grotius, Selden, Milton, Hobbes, Lambert van Veldhuyzen, Pufendorf, Filmer, Locke, Thomas Burnet and others.

innately sociable but “become sociable, by living together in Society” and benefit by it (II: 180,189).⁵⁰ Man’s ability to learn distinguishes him from other animals and enables the realisation of his potential for sociability. Man as a member of society is a “taught Animal” (I: 206).

All Men uninstructed, whilst they are let alone, will follow the Impulse of their Nature, without regard to others; and therefore all of them are bad, that are not taught to be good: so all Horses are ungovernable that are not well broke [...] no fine-spirited Horse was ever tame or gentle, without management [...] and a Man is then call'd vicious, when, breaking the Curb of Precepts and Prohibitions, he wildly follows the unbridled Appetites of his untaught or ill-managed Nature (II: 269–70)

Man’s sociability is motivated by his love “of his Ease and Security, and his perpetual Desire of meliorating his Condition” as well as the “necessitous and helpless Condition of his Nature” (II: 180). Humankind exists in multitudes which are elevated by social interaction and cooperation to form the ‘Body Politick’: one body capable to govern itself by the “Strength, Skill, and Prudence of every Individual” responding to all emergencies “as if it was animated by one Soul, and actuated by one Will” (II: 183). The first condition for man to attain an elevated state of society is the existence of his self-regarding passions:

No Societies could have sprung from the Amiable Virtues and Loving Qualities of Man, but on the contrary that all of them must have had their Origin from his Wants, his Imperfections, and the variety of his Appetites: We shall find likewise that the more their Pride and Vanity are display'd and all their Desires- enlarg'd, the more capable they must be of being rais'd into large and vastly numerous Societies. (I: 346–47)

As previously demonstrated in our discussion (2.3.), the second condition is the ‘dextrous’ manipulation of man’s countervailing passions in a slow process of social control and learning mediated by mechanisms of social control. Man’s sociableness, then, is acquired. In other words, men are like “Grapes for Wine” and their capability for social life is like “vinosity” requiring the social counterpart of slow fermentation to materialise (II: 185, 188–89).

Describing various forms of social interaction, Mandeville identified three ‘steps’ in the historical progress of men “toward Society” (II: 242). In the first “state of

⁵⁰ It is manifest, that associating in Men turns to better Account. (II:180)

simplicity”, savage men got together driven by fear and anger, the primeval passions of self-preservation; subsequently men cooperated to protect themselves from wild animals and a harsh environment (II: 240–2, 285).⁵¹ Mandeville’s self-loving individual was not isolated in the state of nature. While both Mandeville and Hobbes believed in the selfish character of human passions, Mandeville’s conception of social formation differs from the Hobbesian vision of men in the state of nature coming together without engagement to each other:

[The] causes of the social compound reside in men [...] sprung out of the earth, and suddainly (like Mushromes), come to full maturity, without all kind of engagement to each other. (Quoted in Lukes 1968:119)

“The second Step to Society, is the Danger Men are in from one another: for which we are beholden to that stanch Principle of Pride and Ambition, that all Men are born with” (II: 266–68). After conquering wild beasts and a harsh environment, man’s social and cognitive capacities expand. The “unruly” passions of fear and anger become prominent giving rise to conflict (II: 267–68). As society evolves, however, social interaction increasingly creates space for self-love to diversify into pride, envy, ambition and the “Thirst of Dominion” without which “Multitudes could never have been form’d into Societies” (II:205). Man’s superior understanding makes him “more industrious to please himself” and his self-love manifests “a greater Variety of Shifts to exert itself on all Emergencies” (II: 300). In other words, the mechanisms of social control acquire a larger space and new avenues to condition the individual who learns to manage himself. It is important to note that men change and evolve along with the stadial evolution of society: we learn the rules of the “dextrous Management of our selves, a stifling of our Appetites, and hiding the real Sentiments of our Hearts before others” (I: 68).

How do the mechanisms of social control operate upon the countervailing passions in the context of the evolution of society? Mandeville’s answer once more involves a complex mechanism of social control where legislature complements and interacts with

⁵¹ The first thing that could make Man associate, would be common Danger, which unites the greatest Enemies: This Danger they would certainly be in, from wild Beasts, considering, that no uninhabited Country is without them, and the defenceless Condition, in which Men come into the World. (II: 230)

the compound of passions that relate to reverence: fear, love and esteem (II: 279). This is a mechanism that renders man not merely sociable but governable articulating a new explanation of political power. Mandeville introduces the notion of governability in *Fable II* specifying that “there is great Difference between being submissive and being governable” (II: 184). Earlier, in *An Enquiry into the Nature of Society*, Mandeville had argued that while man “may be subdued by superior Strength, it is impossible by Force alone to make him tractable” (I: 42). As the first stages of sociation could only “produce sociable Creatures”, more was required “to produce a Man fit to govern others” (II: 231). This is a crucial distinction that qualifies the type of sociability which holds together advanced societies.

First, Mandeville specified that the conditions which enable man’s governability materialise with the third step towards the “Establishment of Society”. This is the “Invention of Letters” that allowed primitive forms of speech to improve and, most importantly, introduced written laws (II: 269). The establishment of legal order is one of Mandeville’s fundamental prerequisites of political organisation in elevated form of social organisation:

The undoubted basis of all Societies is Government [...] No Multitudes can live peaceably without Government; no Government can subsist without Laws; and no Laws can be effectual long, unless they are wrote down. (II: 183, 269)

The function of written laws is manifold: they secure “Property, and Safety of Life and Limb”. They serve as “Antidotes” to manage and restrain passions that are “obstructive and pernicious to Society” keeping men in “tolerable Concord among themselves” for the benefit of “the Public Peace and Welfare” (II: 183–84, 321, 300). By ensuring a stable order and safety, laws enable men to “divide and subdivide their Labour” (*ibid.*).

Second, Mandeville explains that “Reverence to Authority was necessary, to make human Creatures governable” (II: 278). Laws and authority on their own cannot make men governable: “the Passions of some People are too violent to be curb’d by any Law or Precept” counteracting the sense of reverence to authority (I: 95, II: 280). Governability “requires Fear, and some degree of Understanding; for a Creature not susceptible of Fear, is never to be govern’d”: man becomes “truly governable” only when he is reconciled to submission learning “to construe his Servitude to his own Advantage; and rests satisfy’d with the Account it finds for itself, *in the Labour it performs for others* (II: 183–84)[Emphasis added]. In this account of voluntary servitude, fear emerges as a particularly

useful passion:

The only useful Passion then that Man is possess'd of toward the Peace and Quiet of a Society, is his Fear, and the more you work upon it the more orderly and governable he'll be. (I:206)

In civilised society, man's experience and his cognitive capabilities expand multiplying and enlarging his fears. Therefore, to ensure men's governability laws should primarily regulate anger and fear by playing one against the other. The repressive function of law disciplines man's anger creating a balance between the two passions that teaches man to be peaceable and to refine his passions:

The first Care therefore of all Governments is by severe Punishments to curb [man's] Anger [...] and so by increasing his Fears prevent the Mischief it might produce [...] The Consequence of this must be, that as the Provocations he will receive to Anger will be infinite in the civiliz'd State, so his Fears to damp it will be the same, and thus in a little time he'll be taught by his Fears to destroy his Anger, and by Art to consult in an opposite Method the same Self-Preservation for which Nature before had furnished him with Anger, as well as the rest of his Passions. (I: 206)

Fear, then, becomes the "foundation of an internalized form of social obedience" in political societies (Hundert 1994:66). Thus, Mandeville shows that political power emanates not only from the formal structures of the state, but also relies on the socialisation of men's passions that render men governable. The scope of political power expands to manage not only obedient subjects but their emotional life, their values, needs and innermost desires.

3.3.2. *The evolution of institutions*

Laws and Government are to the Political Bodies of Civil Societies what the Vital Spirits and life itself are to the Natural Bodies of Animated Creatures. (Fable I: 3)

Having ensured man's governability, the multitudes advance towards the fully-fledged 'Body Politick' that is sustained by a set of institutions materialising through long drawn out evolutionary processes that rely on the transmission of knowledge between generations.

Our Knowledge is advanced by slow Degrees, and some Arts and Sciences require the Experience of many Ages, before they can be brought to any tolerable Perfection. (II: 187)

Importantly, "it is the Work of Ages to find out the true Use of the Passions" (II: 319).

The prime mover of knowledge transfer is the socialising power of human passions such as envy and emulation.⁵² Yet, a man's life alone is not sufficient to acquire what Mandeville described as consummate knowledge:

History collects the observations that are made in great length of time, that by the help of it, one at last may be made a Man of consummate knowledge, he being as it were the Compound or Product of all the Learning and Experience that Men of so many Ages have from time to time been endued with. (THHD:43)

Mandeville's idea of a gradual evolutionary development extends to all aspects of civilisation and the institutional structure of society. Laws and government evolve over time as man acquires knowledge through learning and experience: "It is not Genius, so much as Experience, that helps Men to good Laws" (II: 319). The laws of a flourishing polity gradually emerge out of long drawn-out processes of experimentation, trial and error, "Great pains and considerations":

[I]f you look into the history and antiquity of any such city, you will find that the changes, repeals, additions and amendments, that have been made in and to the laws and ordinances by which it is ruled, are in number prodigious. (II: 322–23)

The wisest Laws of human Invention are generally owing to the Evasions of bad Men, whose Cunning had eluded the Force of former Ordinances, that had been made with less Caution. (II: 319)

Similarly, all the manifestations of civilisation—"Agriculture, Physick, Astronomy, Architecture, Painting"—evolved by "slow Degrees" over a "Length of Time" (II: 288). Explaining the evolution of vocal organs, Mandeville demonstrated the gradual and uneven development of language, which was neither "ready made" nor God-given (Kaye: cxliii, II: 203, 288). Division of labour and production are refined by experience, toil and time that are needed to perfect the crafts and the professions. In this manner, "Soap-boiling, Grain dying, and other Trades" transfer accumulated knowledge from one generation to the next (II: 144–45). The evolutionary character of the division of labour exemplifies Mandeville's understanding of knowledge transmission that allowed

⁵² Envy and Emulation have kept more Men in Bounds, and reform'd more Ill Husbands from Sloth, from Drinking and other evil Courses, than all the Sermons that have been preach'd since the time of the Apostles. (I:9)

men to increasingly develop and specialise their capacities (Prendergast 2010:416; Rosenberg 1963:186).

Mandeville emphasised also the importance of education, the human life cycle, language, the invention of letters and family⁵³ in mediating the transfer of knowledge that is accumulated over the ages. Trial and error is crucially important in the evolution and modification of laws (II: 319, 321-23), language (II: 283–86), knowledge (II: 187) or good manners (II: 125-26, 145). Those who succeed in “Arts and Improvements” are “active stirring and laborious men [who] put their hand to the plough, try experiments and give all to what they are about” (Fable II:144). “Good Politicians by dextrous Management” learn how to best adjust regulations, impose or lower duties, set import limits to direct the “Course of Trade” (I: 116).

Nonetheless, a process of trial and error itself surmises purpose and goal-seeking including the effort to improve practices and prospects for achieving a goal with the help of intellectual insight (Steele 1987:188). The purposeful modification and improvement of rules and practices in Mandeville's account does not point towards a spontaneous and unconscious process particularly where some form of intentional enforcement is involved (Petsoulas 2001:5, 92). This point raises an important question bearing upon Mandeville's legacy to economics that is examined next.

3.4. Positioning Mandeville: was Mandeville the ‘Mastermind’ of spontaneous order?⁵⁴

Mandeville's evolutionary explanation of sociation prompted an influential current in literature which casts him as a precursor of laissez faire and spontaneous order (Barry 1982; Heath 1998; Kaye 1924; Rosenberg 1963; Schatz 1907; Smith 2006). Another strand situates Mandeville in the interventionist mercantilist tradition considering his emphasis on the role of government and laws, particularly the need for laws to ensure a healthy balance of trade (Cook 1975; Heckscher 1935; Horne 1978; Hurtado-Prieto 2006;

⁵³ It is to good discipline, and the prudent care of parents and masters, that men are beholden for the greater part of their improvements. (II:341)

⁵⁴ Hayek, Friedrich A. 1967. “Dr. Bernard Mandeville: Lecture on a Master Mind.” Pp. 125–41 in *Proceedings of the British Academy*, vol. 52 (Delivered on March 23, 1966).

Landreth 1975; Viner 1953). Following Kaye's (1924:cxl) assessment, however, Mandeville came to be primarily classified as the chief forerunner of laissez-faire and Adam Smith's economic liberalism.⁵⁵ Most importantly, Hayek (1967:126, 129) in his 'mastermind' lecture credited Mandeville with articulating all "the classical paradigmata of the spontaneous growth of orderly social structures: of law and morals, of language, the market, and of money, and also of the growth of technological knowledge".

Does Mandeville's evolutionary account fit in smoothly with Hayek's theory of spontaneous order? As Hayek's appraisal is largely responsible for the prevailing view of Mandeville as the major early forerunner of spontaneous order, a closer examination is needed to correctly assess Mandeville's standing. This examination points to elements of dissonance between Mandeville's and Hayek's accounts. This dissonance partly reflects Mandeville's thought that revolves around two opposite poles. For Mandeville combines an early account of unintended or unanticipated consequences with strong elements of intervention, discipline, control and made order. The unforeseen or accidental nature of social processes coexists with an almost Machiavellian understanding of control and manipulation (Jack 1987:40–43).

In this light, the first difficulty in fitting Mandeville into Hayek arises from the role of the manipulative politicians and the social control they exert. Hayek construes the skilful politician as a spontaneous supra-individual mechanism that steers self-love towards public interest (Hayek 1967a:134–5). Other studies reduce the skilful politician to a metaphor; a "mythical and allegorical figure" or a figurative "elliptical way" of indicating spontaneous social processes (Goldsmith 1985: 62; Hundert 1987: 174; Jack 1976: 372). Yet, Mandeville's recurring references to the role of skilful politicians, dextrous management, rulers and wary politicians are succinct and emphatic (I: 7, 115–16;

⁵⁵ Smith (1759:308–13) criticized Mandeville's "licentious system" for removing "the distinction between vice and virtue". He conceded, however, that Mandeville "in some respects bordered upon the truth" (p.313) embracing much of the substance of Mandeville's self-love notion. In *The Wealth of Nations* Smith (1776:26–7) wrote: "It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own interest". The relationship between Mandeville and Adam Smith has been well discussed in literature. See, among others, Force (2003), Forman-Barzilai (2000), Griswold (1999), Horne (1981), Hundert (Hundert 1994, ch.5), Hurtado-Prieto (2006) and Infantino (1998).

OMV: 46–47, 51; SNS: 369; II: 319–18; OH: 39). As discussed previously, Mandeville designates a ruling group in society which comprises politicians, rulers, moralists, philosophers, religious and military leaders. These real entities are important agents of socialisation who historically effected the intentional manipulation of human passions through mechanisms of social control. Mandeville specifically identifies these agents as the inventors of artificial virtues adept at playing one passion against the other and setting up moral and social norms. He assigns them a pivotal role in establishing and governing the 'Body Politick' and discusses in detail the responsibilities and the qualifications of public office (II: 341, 330–331, 333).⁵⁶ He elaborates on the “consummate Statesman” which is the “highest Qualification human Nature” can possess.⁵⁷ In the preface of *The Fable*, Mandeville (I: 6) plainly states that one of the aims of the book was to extol “the wonderful Power of Political Wisdom” that raised the “beautiful a Machine” of society “from the most contemptible Branches”.

Hayek (1967: 129) described Mandeville’s evolutionary account as the “definite break-through in modern thought of the twin ideas of evolution and the spontaneous formation of an order” which includes the salient notion of cultural group selection. Hayek’s (1982: 9) cultural evolution theory posits that practices and norms are “preserved because they enabled the group in which they had arisen to prevail over others”. In other words, only institutions, practices, and rules proven to be successful survive while the rest are deselected. Not only Hayek’s arguments on cultural group selection present tensions and inconsistencies (Hodgson 1994; Steele 1987; Witt 2002),⁵⁸ but he fails to notice that

⁵⁶ To be a Lord Chancellour indeed, requires higher Talents; and he ought not only to be a good Lawyer and an honest Man, but likewise a Person of general Knowledge, and great Penetration. (Fable II:324)

⁵⁷ [H]e must have read Men as well as Books, and perfectly well understand human Nature, and the use of the Passions [...] have an entire Command over his Features, and be well skill’d in all the Wiles and Stratagems to draw out Secrets from others [...] It is necessary, that *he should be a Man*, at least, of plain common Sense, and not remarkable for any gross Frailties or Imperfections. (II: 330–331,333)[Emphasis added].

⁵⁸ Hayek (1978:9, 1982:18) argued that modes of conduct are transmitted between generations by a process of selection whereby rules evolve not as the “recognized conditions for the achievement of a known purpose” but because the groups who successfully practised given rules displaced other groups. The political implication is that “in a culture formed by group selection, the imposition of egalitarianism must stop further evolution” (Hayek 1982:172). An insightful critique of Hayek’s evolutionary selection theory is provided in Hodgson (1994) and Steele (1987).

virtually nothing in Mandeville's writings suggests a process akin to cultural group selection in the evolution of society, its institutions, norms and practices (Petsoulas 2001: 91). Mandeville's emphasis on trial and error does not imply a competitive selection of rules and practices, in the sense that selection would be guided by the efficiency of the practitioner groups leading to their prevalence and survival.

Hayekian spontaneous order has no "particular purpose", does not require agreement on its desirability; it is an abstract order governed by abstract rules (Hayek 1967b: 162–3).⁵⁹ Mandeville's account of the individual and his historical representation of the 'Body Politick', its evolution and its institutions are far removed from abstraction in terms of method and explanation. Mandeville favours description rather than abstraction which characterises the Austrian approach in addressing the vast complexity of the social and economic world (Barry 1982). Far from being abstract, the 'Body Politick' is governed by specific rules that are subject to changes depending upon the historical context, custom, experimentation and practice. The social order which emerges from Mandeville's evolutionary account is not detached from intentionality, deliberate judgement and purpose. It is driven by the "restless Industry of Man to supply his Wants, and his constant Endeavours to meliorate his Condition upon Earth" (II: 128). This purpose drives the slow evolution of the arts, sciences, technology, language, laws, government and social norms which are the outcome of sound and deliberate judgment and of the common historical effort of men:

The Wisdom I speak of, is not the Offspring of a fine Understanding, or intense Thinking, but of *sound and deliberate Judgment*, acquired from a long Experience in Business, and a Multiplicity of Observations. By this sort of Wisdom, and Length of Time, it may be brought about, that there shall be no greater Difficulty in governing a large City, than (pardon the Lowness of the Simile) there is in weaving of Stockings. (II:321–2)[Emphasis added].

The restless Industry of Man to supply his Wants, and his constant Endeavours to meliorate his Condition upon Earth, have produced and brought to Perfection many useful Arts and Sciences, of which the Beginnings are of uncertain Æra's, and to which we can assign no other Causes, than human Sagacity in general, and the joynt Labour of

⁵⁹ Discussing Hayek and realism, Peacock (1993:255) notes that it is difficult to see precisely what Hayek means by a truly spontaneous order; the idea of an order that exists without any prior planning is as nonsensical as that of a completely planned society devoid of all spontaneity.

many Ages, in which Men have always employ'd themselves in studying and contriving Ways and Means to sooth their various Appetites, and make the best of their Infirmities. (II: 128)

Laws are “*design'd* as Antidotes, to prevent the ill Consequences of some Properties, inseparable from our Nature” (Fable II: 283)[Emphasis added]. If laws do not stand the test of time, men “make others with an intent to enforce, mend, explain or repeal the former” (OH: 16). The idea that evolutionary spontaneous processes can yield oppressive or imperfect laws is not emphasised by Hayek (Moss 1987: 176).

As Hodgson (1994: 433) notes, Hayek's one-sided view of evolution posits that it always spontaneously attains an ordered state ignoring the possibility of disorder and disruptive outcomes arising from the conflict of rival orders.⁶⁰ In contrast, Mandeville's account accommodates disorder and the possible emergence of a non-beneficent order. He repeatedly warns of contingencies that threaten an established order. He knows that the “fickle Breath of never stable Fortune” is to the Body Politick as natural as the “floating Air is to a living Creature (I: 149). “The very same Things, which are Blessings in One Year, are Calamities in another” Mandeville reiterates in his last work (LD: 50). Revolutions, invasions and persecutions threaten even the “best Forms of Government [...] and a *great many things must concur*, to keep a Society of Men together” (II: 318, 320)[Emphasis added]. Hence, in Mandeville's historical account there is no certainty in evolutionary order:

Experience has taught us, that the greatest Empires have their Periods, and the best govern'd States and Kingdoms may come to Ruin; so it is certain, that the politest People by being scatter'd and distress'd, may soon degenerate, and some of them by Accidents and Misfortunes [...] be reduced at last to Savages of the first and lowest Class. (II: 264)

Disorder can disrupt not only political but cultural and economic orders as well. An excess of money has ruined nations like Spain that recklessly amassed wealth from the colonies neglecting its domestic economy (I: 193–94). The decay of the Roman Empire alone showed that arts and sciences perish much more rapidly than material infrastructure

⁶⁰ Hodgson (1994: 433–4) observes that Hayek surrounds the idea of spontaneous order with “hallowed” mystery suggesting inviolability; accepting the eventuality of disorder would invite ideas of interventionist policies.

spreading a “Deluge of Ignorance” over many countries (II:320). The paradox of the bees itself exemplifies the destruction of a thriving social and economic order by a change in the prevailing values and norms in a society.

Problems that are omitted by Hayek are posed by Mandeville’s references to a divine purpose (Gunn 1975:97; James 1975:52). Despite the serious doubts that have been raised as to the sincerity of Mandeville's belief in divine providence, textual evidence indicates that he often refers to divine design:⁶¹

Providence superintends and govern every Thing without Exception” (II: 54)

You still talk of Miracles, and I speak of Providence, or the all-governing Wisdom of God. (II: 239)

In other passages, divine providence watches over the well-being of a state complementing laws and institutions: “the Care of Providence was to watch over it in the same manner as it did before” (Fable II: 323). Hayek’s spontaneous order avoids divine first causes. One cannot but wonder how Hayek missed Mandeville's references to divine providence.

Similarly, Hayek bypasses Mandeville's mechanistic orders. Mandeville explicitly discusses an efficiently functioning society as a well-regulated machine—a knitting frame, a clock or a roasting spit (II: 322-23.325). Elsewhere, society is likened to a “beautiful machine” erected by the “wonderful Power of Political Wisdom” (I: 6). Such references cannot be taken as metaphors and are closely related to Mandeville's conceptual heritage. As a doctor, Mandeville was influenced by iatromechanical theories of physiology which were the vanguard of medical theory in his day (Hundert 1994:5). More importantly, his studies at Leiden University had exposed Mandeville, among others, to the thought of Descartes (who is anathema to Hayek), Hobbes and Gassendi (Kaye 1924).⁶² Challenging Aristotelian and occult traditions, both the latter philosophers elaborated systematic

⁶¹ A discussion of Mandeville, religion and divine providence is beyond the scope of this study and is another area marked with ambivalence. In the context of our study, the references to a divine purpose or design are frequent in the Mandeville's later work, particularly in the *Dialogues of Fable II*.

⁶² On mechanical philosophy and Gassendi see Boas (1952) Spink (1960) and Osler (1994).

philosophies of mechanical explanations: all natural phenomena can be explained in terms of matter and motion (Osler 1994).⁶³ Mandeville confirms his mechanistic affinity in the preface of *Fable II* (II: 21) and in the second edition of the *Treatise of the Hypochondriak and Hysterical Passions* (1730). Glossing over this point, Hayek (1967a:137) merely admits that Mandeville “still struggles to free himself” from the preconceptions of constructivism. In sum, based on design and planning, a mechanistic order or construction is intentionally created to serve a specific purpose with a complexity that is accessible to human intellect (Petsoulas 2001:100). As such, Mandeville's mechanistic orders are at odds with the Hayekian conception that accommodates only two orders: a “self-generating or spontaneous order” and an “organization” which results from design denoting a “directed social order” (Hayek 1967b:162, 1982:2, 27, 37). Limiting organization to tribes, firms, and socialist states, Hayek’s account inherently omits forms of non-spontaneous or ‘artificial’ order including engineering or mechanical design, artifacts, and machines (Khalil 1997:302–3).⁶⁴

In all, Mandeville’s writings provide scarce textual evidence to directly support the spontaneous order and the laissez-faire arguments. Hayek (1967:135) quotes the passage about the “Felicity, that would flow spontaneously from the Nature of every large Society, if none were to divert or interrupt the Stream” (Fable II: 353). He also cites the passage about the unobstructed allocation of labour to different trades (I: 299–30) eager perhaps to enlist Mandeville as a defender of the ‘minimal state’ (Hayek 1982).⁶⁵ As noted earlier (3.2.), in that passage Mandeville qualifies his views affirming the need for “Regulations”

⁶³ Agreeing on the fundamental tenet of mechanical philosophy that all natural phenomena can be explained in terms of matter and motion, Descartes and Gassendi shaped the conceptual framework of natural philosophy but disagreed on virtually everything else: the nature of matter, the epistemological status of scientific knowledge, and particular mechanical explanations of individual phenomena (Osler 1994: 9–10, 153–167). Like Hobbes, Gassendi deployed his conception of matter and motion to expound his philosophy in areas beyond the domain of modern science (Sarasohn 1985: 363).

⁶⁴ Hayek rejects the “erroneous” natural/artificial dichotomy. He ascribes it to the rationalist constructivism of Descartes traced to ancient Greek thought (Hayek 1967a: 129–30, 1967b: 96–97). Constructivism is the antithesis of spontaneous order and the basis of the “whole of socialism” (Hayek 1978: 18).

⁶⁵ “The short-sighted Wisdom, of perhaps well-meaning People, may rob us of a Felicity, that would flow spontaneously from the Nature of every large Society, if none were to divert or interrupt the Stream’ (II: 353).

as the “surest Means” to prevent the abuse of workers (I: 319). Given Mandeville’s detailed policy prescriptions and his emphatic insistence on the role of government one is inclined to agree with Landreth (1975: 204) that Mandeville “explicitly rejects the invisible hand and repeatedly accepts the governmental hand” or Horne (1978: 51–75) who observes that ‘It should [...] be clear that Mandeville did not believe in a spontaneous order arising out of the self-regarding actions of men. On the contrary the egoism of man demanded what seems to be continual governmental activity” (p.73). Notably, *The Fable* starts with the assertion that “Laws and Government are to the Political Bodies of Civil Societies, what the Vital Spirits and Life it self are to the Natural Bodies” (I: iii). And Mandeville concludes his last work reasserting that:

“Private Vices, by the dexterous Management of a skilful Politician, might be turn'd into Publick Benefits. There is Nothing forc'd or unnatural in this Explanation (LD: 36–37)⁶⁶

In an often misinterpreted passage, Mandeville (II: 323) remarks that when laws are perfected and the government is “put into good order the “whole machine may be made to play of itself, with as little skill as is required to wind up a clock”. What Mandeville meant is not the minimal state but an effective system of governance capable to withstand the corrosive influence of passions that ignited conflicting interests in an age of crisis and transition. As ample textual evidence from his writings attests, Mandeville advocated good laws—not the absence of regulation. Enumerating the economic and political “Requisites to aggrandize” nations, Mandeville emphasises the need to protect nations so that “no Luxury or other Vice is ever able to shake their Constitution” (I: 116–7). For, Mandeville was aware that the source of corruption and disorder resided in human nature rather than the government (Gunn 1975: 106). Therefore:

To expert Ministries without Faults, and Courts without Vices is grossly betraying our Ignorance of human Affairs. (FT: 355)

“Offices of the greatest Trust are bought and sold”, ministers are corrupt and the country runs the risk of being sold to the highest bidder (I: 115). Countries are ruined and people

⁶⁶ In his introduction to Mandeville’s last work *A Letter to Dion*, Viner (1953) correctly points out that when Lysicles suggests: “Leave nature at full freedom to work her own way, find all will be well” Mandeville emphatically rejects the idea citing the stress he repeatedly had put on “laws and governments” in *The Fable of the Bees*.

are killed when obstinate kings pursue senseless wars (II: 166). For these reasons, Mandeville insisted on tested laws, good government and the skilful management needed to prevent the passions from harming the 'Body Politick'.

Mandeville's conviction that strong laws and stable governments are required for a healthy 'Body Politick' was strengthened by economic and political events of which he was a keen observer. Published at the peak of the South Sea and the Mississippi bubbles, *Free Thoughts* (1720) reflects this concern. Elaborating at length on good governance, national happiness and the abuse of religion to serve the worldly designs of priests and politicians, Mandeville warns against relying too much reliance "upon the Virtue and Probity of Politicians" (FT: 343–44). Governments are good when everybody is honest and does his duty. Yet, in times of trouble, treachery and deceit the 'Body Politick' needs the best and strongest of constitutions:

[...] which provides against the worst Contingencies, that is armed against Knavery, Treachery, Deceit, and all the wicked Wiles of human Cunning, and preserves itself firm and remains unshaken, though most Men should prove Knaves. It is with a National Constitution, as it is with that of Men's Bodies; that which can bear most Fatigues without being disorder'd, and last the longest in Health, is the best. (FT: 297)

To conclude, our discussion suggests that the view of Mandeville as a mastermind of spontaneous order or a prophet of laissez-faire is not easily sustainable. Hayek (1967a: 127) conceded that Mandeville did not "precisely show how an order formed itself without design, but he made it abundantly clear that it did". What Mandeville emphatically made clear was that private vices are not transformed into public benefits spontaneously but by the 'dextrous' management of skilful politicians buttressed by solid laws. Tensions exist in Mandeville's thought but in the final analysis they do not warrant his classification as a spontaneous order or laissez-faire forerunner. Ambivalence about many aspects of Mandeville's thought has been recognised in scholarship (Hjort 1991; Luban 2015; Monro 1975; Schneider 1987; Scott-Taggart 1966). Ambiguity of a different order, however, surrounds Hayek's spontaneous order and key concepts related to his account. Or, Hayek typifies twentieth century "prominent social scientists" who found in Mandeville's work a "template, from which one could read off a variety of doctrinal messages according to interest and taste" (Hundert 1994:248).

4. THE MANDEVILLEAN METHOD

If we would know the World, we must look into it.
(II: 110)

Wise Men never look upon themselves as individual Persons, without considering the Whole, of which they are but trifling Parts.
(II: 46)

As argued in this paper, Mandeville's methodology is an important part of his lasting heritage to economics. Mandeville's theory of the passions and his account of social formation are intimately linked to his methodology. To recall Blaug (1992: xxv), if the methodology of economics concerns how economists explain the "phenomena with which they are concerned", then Mandeville provided a startlingly precise and contemporary account of his method of explanation almost three centuries before the notion of methodology become part of economic debates. This section, then, considers the third sub-question of our inquiry "What is the significance of Mandeville's methodology and how does Mandeville deploy his method?" To assess Mandeville's methodological legacy, it critically examines the method that Mandeville exhaustively applied to study the individual, the passions and the social whole. It argues that Mandeville's methodological individualism endowed economics with an enduring explanatory device that has been identified as a key factor in the process of the desocialisation and dehistorisation of economics (Fine and Milonakis 2009:8). The historically most coherent 'homo economicus' that we could call 'homo Mandevillius' is also an important part of this legacy. To corroborate this claim, Mandeville's methodological individualism and his conception of the individual are evaluated.

4.1 The premises of the Mandevillean method

I don't pretend to account for the Functions of the Brain. I never heard of a System or a Philosophy that could do it. (THHD: 132)

Mandeville took great pride in the scientific integrity of his method, the "unbiass'd Method of searching after Truth and enquiring into the Nature of Man and Society" (II: 22). Mandeville's method is intimately linked to his medical background. As Marx (1867: 766,fn 6) notes, the theoretical aspects of political economy "especially were studied, and with the greatest success, by medical men like Petty, Barbon, Mandeville and Quesnay" along with philosophers, businessmen and statesmen. Medicine was a key area of the scientific/philosophical revolution of the Enlightenment whose pioneers saw themselves as physicians tending to an ailing civilisation (Gay 1969:13). In this sense, Mandeville, the skilful doctor, when dealing with passions and society can be seen as the scientific

counterpart of the skilful politician (Cook 1999: 122–23). As Hayek (1967a:186) points out, Mandeville possessed a “strikingly modern” insight into the workings of the human mind and a remarkable ability to understand human nature. A specialist in nervous and gastro-intestinal disorders, Mandeville located the root of many afflictions in the way the mind affects the body investigating areas of the human psyche and unconscious behavioural processes that largely remained uncharted before the age of Freud (Seigel 2005: 117–8).

Mandeville drew the key elements of his empiricism and his materialist scientific method from a diversity of sources previously identified in this paper (3.4; 1.1).⁶⁷ The formative influence of Mandeville's formal education cannot be overstated. The University of Leiden where he obtained a doctoral degree in philosophy and medicine was at the time a stronghold of empiricism, biological materialism and medical Cartesianism (Cook 1999: 117). By the time he wrote *The Fable*, however, Mandeville had abandoned Cartesian ideas coming closer to Pierre Gassendi's theories (Kaye 1924:cv–cvi).⁶⁸ One of the most influential revivers of Greek atomism and Epicureanism, Gassendi wholly rejected Aristotelian ideas elaborating a mechanical philosophy to account for the properties of bodies (Boas 1952: 420–30).⁶⁹ Mandeville combined Gassendian insights⁷⁰ with iatromechanism which explained physiology in mechanical terms. He admired the work of the Italian physician Giorgio Baglivi who ardently opposed Cartesianism as

⁶⁷ See also Kaye's (1924: lxxvii–cxlvi) *Introduction to The Fable* which by large remains the major authoritative guide to Mandeville's intellectual background.

⁶⁸ In particular, Kaye (I: 181, fn1) points out that Mandeville abandoned the Cartesian thesis that animals are automata with no feelings adopting the position of Gassendi that animals can feel.

⁶⁹ Gassendi's prominent Christianity and atomism were not embraced by Mandeville. As a Catholic priest, Gassendi avoided the atheistical aspects of Epicureanism trying to reconcile his materialism with religion (Boas 1952; Sarasohn 1985). Mandeville acknowledges Gassendi as an epistemic mentor in the preface of *Fable II* (II: 21) and in the second edition of the *Treatise of the Hypochondriack and Hysterical Passions* (1730).

⁷⁰ Kaye (1924: cv–cvi) attributes Mandeville's early Cartesian affinity to his reluctance to go against his Cartesian thesis supervisors at Leiden University. Mandeville himself comments on the extraordinary “hatred and animosity between the Aristotelians and Cartesians, when [he] was at Leiden (THHD: 114–15). Israel (2001: 25, 127) provides a compelling account of the deep split at Dutch universities, particularly Utrecht and Leiden, that was unprecedented in European intellectual history for its “acrimony, duration, and divisiveness”.

detrimental to lucid clinical observation (Hundert 1994: 41).

Blending his diverse intellectual influences, Mandeville (II: 160-61) argued that man is a complex and “curious Machine”, the study of which required a thorough knowledge of “Geometry and Mechanicks” to complement a perfect knowledge of anatomy and diagnostic skills. As a convinced empiricist, Mandeville believed that “sense experience is the ultimate source of all our concepts and knowledge” (Markie 2015). In the preface to *A Treatise of the Hypochondriak and Hysterical Passions*, he quotes a fundamental empiricist tenet that “nothing is in the mind which was not first in the senses” (THHD: vi).⁷¹ Subsequently, he emphasises the need to substantiate theoretical reasoning with experience and fact:

We have all our Knowledge of things natural from Experience made by the Senses; and whence by reasoning consequentially human Understanding enquires into the Causes of the Effects we find; yet no body can be sure that he is in the right, 'till after he has been convinced of the Solidity of his Reasoning by the same Experience, proving and confirming the said Reasoning with matter of Fact. (THHD: vi)

Considering man as a “sentient machine” (Kaye 1924: lxxxv), Mandeville emphasised that the passions act forcefully upon the senses overcoming reason:

Things that immediately strike our outward Senses act more violently upon our Passions than what is the result of Thought and the dictates of the most demonstrative Reason, and there is a much stronger Bias to gain our Liking or Aversion in the first than there is in the latter. (I: 316)

Rejecting reason as source of knowledge, Mandeville argued that man’s passions could not be explained and controlled by reason. “Passion manifestly sways, and with a strict Hand governs the Will” (II: 229) reducing reason to a mere subterfuge for justifying the passions:

We are ever pushing our Reason which way soever we feel Passion to draw it, and Self-love pleads to all human Creatures for their different Views, still furnishing every individual with Arguments to justify their inclinations. (I: 333)

How are, then, these general premises applied by Mandeville in practice? What is

⁷¹ Nihil est in intellectu quod non fuerit in sensu. (THHD: vi)

the proper scientific method needed to lay bare and explain human passions and their usefulness for society?

4.2. Mandeville's method in practice

The short-sighted Vulgar in the Chain of Causes seldom can see further than one link; but those who can enlarge their View, and will give themselves the leisure of gazing on the Prospect of concatenated Events, may, in a hundred Places, see Good spring up and pullulate from Evil, as naturely as Chickens do from Eggs. (I:91)

Mandeville set out in detail his empiricist scientific method mainly in *The Fourth Dialogue* in *Fable II* and the corrected 1730 edition *Treatise of the Hypochondriak and Hysterical Passions*. He specified practice, experimentation and diligent observation as the pillars of his method and the only reliable means to advance and transmit knowledge. Mandeville's evolutionary approach to knowledge is prominent also in his methodological considerations. Human knowledge can attain extraordinary heights only by diligent observations "when they are faithfully transmitted from one to another, and without intermission continued for several Ages" (THHD: 111). The historical evolutionary progress of epistemic knowledge is a prerequisite for scientists to attain cognitive perfection:

History collects the observations that are made in great length of time, that by the help of it, one at last may be made a Man of consummate knowledge, he being as it were the Compound or Product of all the Learning and Experience that Men of so many Ages have from time to time been endued with.⁷² (THHD:43)

Mandeville firmly rejected speculative theorizing, criticising "the witty Speculations of Hypothetical Doctors" and the "Speculative part of Physick, as it is distinct from the Practical" (THHD: iv, 59). He asserted that:

'Tis observation, plain observation [...] that makes the art; and all who neglecting this point have strove to embellish it with the fruits of their brains have but cramped and confounded it (THHP: 35).

Arguing that "all our Knowledge comes *à posteriori*", Mandeville cautioned against

⁷² Attributing this quotation to Mandeville mentor in medicine Baglivi, Prendergast (2013:91) suggests that Baglivi's views shaped Mandeville's general evolutionary approach elaborated in the second volume of the *Fable*, which was previously examined in our study.

reasoning “otherwise than from Facts” for “there is no Argument so convincing as Matter of Fact” (I: 122, II: 261). The method that can yield “useful Knowledge” combines “unwearied Observation, judicious Experience, and arguing from Facts *à posteriori*, than from the haughty Attempts of entering into first Causes, and reasoning *à priori*” (II: 164). Therefore, the proper method is only:

[The] Method of reasoning from Facts *à posteriori* that has laid open to us the Nature and Usefulness of Self-liking, all the rest of the Passions may easily be accounted for, and become intelligible” (II: 175-6).⁷³

As the opening quote to this section intimates, Mandeville was concerned with the epistemic constraints of scientific inquiry in contrast to the proud “acute Philosophers,” who reject the idea that “Nature should have Recesses beyond the Reach of their Sagacity” (THHD: v-vi). He was not proud like the Galen⁷⁴ who “told the World that Physick was a rational Art” and reasoned from “Speculation and Probability” to propound hypotheses “the best of which will be always defective and full of Error” (THHD: 63-4). Mandeville's epistemic scepticism cautioned against certainty: no more than “middling Capacity may be certain, by seeing only the Outside” (II: 164). Even if scientific tools (microscopes, optical lenses) were to reach perfection, key processes of the brain would remain unintelligible: as with a spring-watch, we have “to see the Inside” to understand the inner workings of the mind since anatomy is of little help in studying the “Brain of an Animal [...] whilst it is alive” (II: 166-4):⁷⁵

Should you take the main Spring out of a Watch, and leave the Barrel that contain'd it, standing empty, it would be impossible to find out what it had been that made it exert itself, whilst it shew'd the Time. We might examine all the Wheels, and every other Part belonging, either to the Movement or the Motion, and, perhaps, find out the Use of them,

⁷³ In Mandeville's reference to the ‘Usefulness of Self-liking’, Kaye (1924) identified utilitarianism. At the same time, however, Kaye notes, that private actions (vices) are examined under an anti-utilitarian perspective by focusing on the motive of the action rather than its outcome (Kaye 1924:22-26).

⁷⁴ One of Mandeville's villains, Galen (AD 129-C210) was the Graeco-Roman philosopher-physician and medical writer who emphasised bloodletting and purging techniques.

⁷⁵ “As a materialist, Mandeville believed that the soul cannot think: “The Soul, whilst in the Body, cannot be said to think, otherwise than an Architect is said to build a House, where the Carpenters, Bricklayers, &c. do the Work, which he chalks out and superintends” (II: 164). Men are “a Compound of Body as well as Soul”, he observed, but we can only be sure of the existence of the first part. Therefore, “It is utterly incomprehensible that when the Body is dead Thought should remain” (THHD: 51, 159, 160).

in relation to the Turning of the Hands; but the first Cause of this Labour would remain a Mystery for ever. (ibid.)

[I]t is as impossible to see the volatile Particles that perform the Labour of the Brain, when the Creature is dead, as in the Engine it would be to see the Steam, (which yet does all the Work) when the Fire is out and the Water cold. (II: 163)

What is, then, the place of theory in the Mandevillean method? Which theories can advance science and knowledge? Mandeville's empiricism is not dogmatic. He adheres to the empiricism (a word "much abus'd" in England) of observation and experience (THHD: 56-57). He does not reject theorising and the role reasoning; what he objects is the "lofty self-sufficient reason" detached from experience and observation (THHD: 129–30).⁷⁶ Mandeville presciently describes a process of scientific progress in terms that evoke Kuhn's (1962) *Structure of Scientific Revolutions* and paradigm change. Taking into account the social dynamics involved in scientific progress, Mandeville recognised the social nature of science and the influence of passions such as envy amongst practitioners of science:

An hypothesis when once it is establish'd a little time becomes like a Sovereign, and receives the same homage and respect from its Vassals, as if it was Truth it self: This continues till Experience or Envy discovers a flaw in it. (THHD: 125)

In the eighteenth century, Mandeville surely could not have imagined Kuhn's theory and terminology. Yet, his account that identifies a "Leige Hypothesis" and an "upstart" hypothesis startlingly unfolds a rudimentary process akin to paradigm change. He describes how a new paradigm is formed after faults in the dominant one become evident gaining its own new followers, the resistance of the dominant paradigm and the ensuing violent intellectual confrontation between the followers of the new paradigm and those of the old:

Yet unless it be a great Man indeed, that finds fault first, his discovery is only answered with contempt for a while: But when another Hypothesis is broach'd (which is commonly soon after) that not having the fault of the former, and being likewise well contriv'd, gets

⁷⁶ I would not make a step without reason [...] I would not have you think that I speak of the lofty self-sufficient reason that boldly trusts to its own wings, and leaving experience far behind mounts upon air, and makes conclusions in the skies; what I make use of is the plain and humble, not only built upon, but likewise surrounded with, and every way limited by observation. (THHD: 129–30)

a considerable number of followers; Then you see all that fought under the banners of the old Hypothesis bristle up, and every Man of Note among them thinks himself personally injured, and in honour obliged to stand by it with his Life and Fortune. Now all Arts and Sciences are ransack'd, and whatever can be drawn from Wit, Eloquence, or Learning, is produced to maintain their own Leige Hypothesis, and destroy the upstart one, and the whole Party is alarm'd with as much concern as they are in a Man of War, when they have receiv'd a Shot under Water: In the mean time they that have listed themselves into the new Hypothesis are not idle, and thus both Parties enter into a perfect state of War; the better sort fighting with Arguments, the rest with personal Reflections. This Play is generally continued for a considerable time with a great deal of violence; and I have observ'd as much hatred and animosity between the Aristotelians and Cartesians, when I was at Leiden, as there is now in London between High Church and Low-Church. (THHD: 114–15)

If the new hypothesis is continually supplied with men of sense, that zealously espouse its cause, and keeps the field until some of its chief enemies, and those that first opposed it are dead, it daily gets ground till it triumphs at last, and ascends the throne of the poor old one. (II: 125-6)

The portrait that emerges from our discussion is that of a studious and careful scientist who distanced himself from the excesses of dogmatism but rigorously applied his methodological principles. Mandeville's study of the individual that grounded his particular version of methodological individualism confirms this assessment.

4.3. Mandeville's application of methodological individualism

'Every Individual is a little World by itself, and all Creatures, as far as their Understanding and Abilities will let them, endeavour to make that Self happy: This in all of them is the continual Labour, and seems to be the whole Design of Life'. (II: 178)

The emphasis on the individual in analysing socio-economic phenomena became prominent during the Enlightenment. With a few important exceptions such as Vico and Montesquieu, the individualist approach to explanation was embraced by pre-eminent thinkers of the Enlightenment including Hobbes, Locke and later Hume—notwithstanding differences as to what and how much was included in the explanantia (Lukes 1968: 119; Udehn 2001). Providing a first clear articulation, Hobbes (1657: 67) stated that “the cause of the whole is compounded of the causes of the parts; but it is necessary that we know the things that are to be compounded, before we can know the whole compound”. Mandeville belongs to the tradition of the Enlightenment that sought to account for the origin and development of social institutions by investigating the individual and his passions. His work contains the essential seeds of the economic and social philosophy of individualism (Schatz 1907: 60). These intellectual seeds underscore Mandeville's individualist methodology. How does, then, Mandeville understand and apply what came to be termed

methodological individualism?

Mandeville makes clear that he does not seek to provide normative explanations. In the *Preface of Fable* (I: 9), he declares that unlike “most writers” who are always “teaching Men what they should be”, he wants to show men “what they really are”.⁷⁷ His aim is to delve into the real causes of human behaviour and “make Men penetrate into their own Consciences and [...] the true Motives of their Actions” so that they come “to know themselves” (FT: 11). Setting out Mandeville's explanatory project, *The Fable* starts with a mechanistic representation of the individual (I: 3-4). The explanandum, the phenomenon to be explained, is the paradox of society, namely that men's passions are the prerequisite for a healthy and prosperous ‘Body Politick’. Subsequently, we read that the book aspires to show the impossibility for prosperity and worldly power to coexist with virtue and innocence. To do so, Mandeville needed to show that:

[T]he Vileness of the Ingredients that all together compose the wholesome Mixture of a well-order'd Society; in order to extol the wonderful Power of Political Wisdom, by the help of which so beautiful a Machine is rais'd from the most contemptible Branches. (I: 6)

His explanans is the individual and particularly the “small trifling Films and little Pipes that are either over-look'd, or else seem inconsiderable to Vulgar Eyes”, which are “more immediately required to continue the Motion of our Machine” rather than hard Bones, strong Muscles and Nerves” (ibid.).

Mandeville's applies his “Method of reasoning from Facts *à posteriori*” (II: 175–76) in a systematic manner by assembling individual cases, testing his hypothesis and constructing a theory for the whole. His central idea was to “study the individual and the whole will then look after itself” (Kaye 1924: lxxiii). Mandeville describes his methodological undertaking as follows:

To do this, I first slightly touch upon some of the Faults and Corruptions the several Professions and Callings are generally charged with. After that I shew that those very Vices of every particular Person by skilful Management, were made subservient to the Grandeur and worldly Happiness of the whole. Lastly, by setting forth what of necessity

⁷⁷ Mandeville's phrasing directly invokes Spinoza's (2002:681) opening lines in the *Tractatus Politicus*: philosophers “conceive men not as they are, but as they would like them to be”.

must be the consequence of general Honesty and Virtue, and National Temperance, Innocence and Content, I demonstrate that if Mankind could be cured of the Failings they are Naturally guilty of, they would cease to be capable of being rais'd into such vast, potent and polite Societies, as they have been under the several great Commonwealths and Monarchies that have flourish'd since the Creation. (I: 7)

Mandeville's individualist methodology reduces every human action to some form of open or concealed self-love/liking. The reduction is not a priori but results from observation based on individual case studies and general social phenomena. To substantiate the power of self-regarding passions, Mandeville needed to demonstrate the rarity of self-denial and true virtue judging "men from their practice" (I: 166) instead of their professed values. So, first he exhaustively and rigorously used the individual as the building block of analysis to test his arguments and explain a multiplicity of social phenomena. He scrutinised phenomena as varied as charity schools, war, religious beliefs and practices, duelling, polite society, prostitution (public stews),⁷⁸ public executions, relations between sexes and so forth. Second, he examined several individual case studies as "Examples from which the Rules are to be gather'd" to "judge of Men's Actions" (II: 43). Third, he tested his hypothesis against competing theories, which he sought to refute, namely "the lovely System of Lord Shaftesbury" that is "diametrically opposite to that of the Fable of the Bees":

This Noble Writer (for it is the Lord Shaftesbury I mean in his *Characteristicks*) Fancies, that as Man is made for Society, so he ought to be born with a kind Affection to the whole, of which he is a part, and a Propensity to seek the Welfare of it. In pursuance of this Supposition, he calls every Action perform'd with regard to the Publick Good, Virtuous; and all Selfishness, wholly excluding such a Regard, Vice. (I: 324)

Against Shaftesbury's claim that "natural affections" such as benevolence and generosity generate both private and public good,⁷⁹ Mandeville focused on "realities in our frame and not imaginary Qualities" (I: 67) to prove that seemingly altruistic acts arising from self-

⁷⁸ "Stew" is defined in the Oxford English Dictionary as a brothel (or a compound of brothels) in a neighborhood. The term was used in this sense from the Middle Ages until the late 19th century.

⁷⁹ Apart from the benevolent affections that underpin feelings of love between men, Shaftesbury divided the passions into the 'self-affections' or 'self-passions,' which are conducive to the private but not necessarily the public good, and the 'unnatural affections' such as inhumanity and envy, etc., which attain neither public nor private good (Hirschman 1977:64; Primer 1975).

regarding motives can ultimately benefit society.

Mandeville assembled his individual cases without any discrimination: “Multitudes of both Sexes, that widely differing from each other in Age, Constitution, Strength, Temper, Wisdom and Possessions, all help to make up one Body Politick” (II: 46). Representing the “social System”, the cases include politicians and rulers (pp.41-43), a poor woman (pp.43-4), a lawyer and a physician (pp.47-48), a tradesman (pp.51-52), clergymen and cardinals (pp.54-5). Examining “men from their practice” (I: 166) against their professed values within their particular social context, Mandeville demonstrated the power and the social usefulness of self-regarding motives in a variety of social interactions. The cases of clergymen and politicians who supposedly have moral responsibilities towards the social whole, served as benchmarks. All are found to lack in true self-denying virtue when their life style and practices are scrutinised. Thus, the power of the individual’s self-love/liking and the scarcity of self-denial as empirical claims are proven. Mandeville concludes that “there is certainly more Truth, and Nature is more faithfully copied” in his theory—granting gracefully that Shaftesbury’s “System of Man's sociableness is more lovely and more plausible” (II: 356).

Having examined Mandeville’s method and its practice, our discussion now moves to consider of Mandeville’s conception of the individual, the building block of his methodological individualism.

4.4 Making sense of ‘homo Mandevillius’: Mandeville's conception of the individual

If man is social by nature, he will develop his true nature only in society, and the power of his nature must be measured not by the power of the separate individual but by the power of society.
(Marx and Engels 1845: 131)

How oddly are we manag’d by Self- Love! , and yet, to sooth a predominant Passion, obliges us to act against our Interest. (I: 58)

Key in evaluating Mandeville's methodological legacy is his conception of the individual in relation to the ‘Whole’, his vision of society encapsulated by the ‘Body Politick’. As Schneider (1987: 46) points out, “nothing can be clearer, with regard to Mandeville's punch than that its individual ingredients are to be considered in relation to the whole.” Many elements in Mandeville’s anatomising of the individual were presaged by Locke and other thinkers of the Enlightenment with the greatest influence coming from the anti-rationalist sceptical French thinkers, particularly Bayle and La Rochefoucauld

(Kaye 1924: cviii, lxxxiv).⁸⁰ In this light, our discussion moves to evaluate Mandeville's individual with a view to assess the weight of his legacy in economics and the social sciences. To make sense of Mandeville's self-loving/liking individual, an examination of his defining characteristics is in order. In other words, we need to determine how the Mandevillean conception of the individual compares with other accounts set forth in the Enlightenment and the neoclassical 'homo economicus'?

The building block of mainstream methodological individualism is essentially an asocial (or socially isolated), atomistic being defined solely in terms of her/his own personal characteristics leaving out any reference to social characteristics and social relationships (Davis 2009: 262). The asocial individual of mainstream economics is a rational and calculating being who seeks to satisfy his own selfish preferences maximising his "own consumption possibilities (or utility based on selfish preferences)" (Milonakis and Meramveliotakis 2012: 15). Davis (2003:107, 2–6) traces the neoclassical conception of the atomistic individual back to the Enlightenment emphasising the dualism of man's subjective and objective domains. In particular, he argues that Locke's subjectivist legacy reflecting the Enlightenment dualism evolved into a formalist abstract conception of the individual that ultimately left mainstream economics without a theoretical understanding of the individual (Davis 2003: 6, 23–4, 51). A closer inspection of Mandeville's individual reveals differences from the socially isolated neoclassical agent that is abstracted from history, society and institutions.

Given the importance of the atomistic tradition, the first point that needs to be made is Mandeville's rejection of atomism, which is overlooked in Mandeville scholarship. While in many respects Mandeville applied Epicurean and Gassendian insights, he was explicitly critical of atomism, which can partly account for the ways in which the Mandevillean individual diverges from the atomistic tradition. More specifically, discussing the origin and the make-up of man in the *Sixth Dialogue*, Mandeville (II: 310) affirms that "the Doctrine of Epicurus, that every thing is deriv'd from the Concourse and fortuitous Jumble of Atoms, is monstrous and extravagant beyond

⁸⁰ Kaye (1924: xciv) also refers to Erasmus, Hobbes and Spinoza.

all other Follies”.⁸¹ Refusing the notion that “our selves and every thing we see [...] τὸ πᾶν, the Universe, was from all Eternity”, Mandeville reflects that “this is not more satisfactory or comprehensible, than the System of Epicurus, who derives every thing from wild Chance, and an undesign’d Struggle of senseless Atoms” (II: 311–12). From the atomistic tradition Mandeville retains only the notion that the atomistic individual is a distinguishable human being (Davis 2003: 18, 46). The men and women that make up the ‘Body Politick’ differ “from each other in Age, Constitution, Strength, Temper, Wisdom and Possessions” (II: 46). Their circumstances vary and they keep different company (II: 312).

Breaking away from atomism, Mandeville articulated an account of the individual that differs from Locke’s atomistic individual who is disengaged from social contexts, influences of opinion, custom and desire and is autonomously constituted only by first-person experiences (Davis 2003: 3). The Mandevillean individual also diverges from Hobbes’s “social atomism” of equal, unrelated agents that driven by their passions move independently like molecules of gas inside a container where “no atom helps or moves aside for another”; a vision that yielded a theory of society that can “claim a truth that is abstracted from historical contexts” (Wolgast 1987: 4, 7–8). Mandeville’s account represents a complex “whole man” that over the course of history increasingly became more narrowly defined (Morgan 1996: 4,1). What are, then, the constitutive characteristics of Mandeville’s ‘whole’ man that provided the building block of his methodological individualism?

First, unlike the socially isolated, mono-dimensional neoclassical individual that is abstracted from history, society and culture, Mandevillean individuals are socially, culturally and historically constituted. They exist in various historical, geographical and social spaces and contexts that are meticulously described by Mandeville. In Mandeville’s vast and interactive social mosaic (or ‘bowl of punch’), individuals are socially defined by material factors such as profession, ‘calling’, ‘station in life’, property or religion.

⁸¹ Mandeville points out that even if Epicurean atomism cannot be disproved, to believe in such theories is “a greater Reproach to human Understanding [...] than it is to believe the most childish Stories that are told of Fairies and Hobgoblins” (II:310).

Mandeville's individual 'case studies' (4.3) attest to his approach. There, the behaviour of the physician, the lawyer, the politician, the cardinal, the tradesman and the destitute woman is explained by "reference to their social role involving "an implicit reference to a vast range of social norms and institutions that surround and define each role" (Rutherford 1996: 34–5). Similarly, in *An Enquiry into the Origin of Honour and the Usefulness of Christianity in War*, military men (soldiers and generals), army chaplains, bishops, parsons or the 'popish clergy' are considered in historical perspective by reference to their social role/position taking into account norms, conventions and the overall institutional context (e.g. Cromwell's army, the Huguenot army, the Roman church). The same applies to the labouring poor, the prostitutes and their clients in *A Modest Defence of Publick Stews*, to Misomedon, the patient in *A Treatise of the Hypochondriack and Hysterick Passion*, courtiers, politicians and so forth.

Unlike Hobbes's equal unrelated molecules, these individuals cooperate, coordinate their actions and engage in social and economic interactions. The relationship of man to the social whole and other individuals is reciprocal. On the one hand, man's needs are vital in sustaining the political and economic constitution of society: "What the Necessity of humane Affairs requires, the Society cannot be without" (FT: 257). On the other hand, individuals become members of society prompted by "their necessity and consciousness of standing in need of each other" so that:

[W]hat makes this assistance voluntarily given and lasting, are the gains or profit accruing to industry for services it does to others, which in a well order'd society enables every body, who in some thing or other will be serviceable to the publick, to purchase the assistance of others in other instances. And as all the conveniencies, and chief comforts of life depend, in a great measure, on the labour and the services of others, so he that is able to purchase most of them, is in the vogue of the world reckoned the most happy. (FT: 254)

There is no meaningful existence or self-realisation for the materially constituted individual outside the social whole of which he is a constituent part:

When a Man is dead, he ceases to be a Member of the Society, and he is no longer a Part of the Publick; which latter is a collective Body of living Creatures, living upon this Earth, and consequently, as such, not capable of enjoying eternal Happiness. (LD: 39)

Second, the Mandevillean individual is socially and cognitively shaped by historical evolutionary processes. The historical pervades Mandeville's evolutionary worldview and his arguments on man's nature and institutions which are enriched and tested against numerous historical examples. Arguing, that "History of all Ages is a

sufficient Witness (II: 276), Mandeville tests his arguments “by the most obvious Examples in History” (I: 343).⁸² More importantly, Mandeville’s historicised evolutionary account of the development of society and its institutions, distinguishes the individual in the historical space of the “Savage State” (who is “rude and untaught in the Sciences of Modes and Manners”) from man in the advanced stages of sociation who is “a Member of a Society and a taught Animal” (I: 205, 143). Emphasising how man, his knowledge and behaviour historically evolve and change along with norms and institutions, Mandeville “buttresses the vision of humans as historically and culturally constituted” with aims and desires that are determined by custom, learning, and institutions rather than nature (Luban 2015: 24).

Following the Enlightenment tradition, Mandeville, too, considers the individual from a dualist objective/subjective perspective as evidenced in a remarkable passage from *Free Thoughts* (FT: 253–56). There, Mandeville asserts that “To judge impartially, [...] all Men ought to be consider’d in two different ways”. First, “as Parts and Members of the whole Society” taking into account their social characteristics and the “Benefit they may be of to the Publick”,⁸³ and, second, as integral parts of a “lesser World” with passions and needs that is composed of different constituent parts.⁸⁴ In the objective sphere, man as a member of society is defined by his usefulness to the social whole. In the subjective sphere, the individual is defined by her/his passions and needs. At this point, it is pertinent

⁸² As Cleomenes suggests to his interlocutor Horatio in the *Sixth Dialogue* (II: 217) “cast your Eyes on the infinite Variety of Ideas, Men have form’d to themselves [...] Run over the History of all Ages; look into every considerable Nation, their Streights and Calamities, as well as Victories and Successes; the Lives of great Generals, and other famous Men, their adverse Fortune and Prosperity”.

⁸³ First, as to their Occupation, the Station of Life, which either Choice or Necessity has put them in. And here we chiefly mind the Usefulness and Dignity of their Callings, their Capacities, with all Qualifications requir’d for the Exercise or Performance of their Functions. *In this view we have no Regard for the Persons themselves, but only the Benefit they may be of to the Publick*, if they please and their Service be wanted; and *they are only look’d upon as Parts and Members of the whole Society*. (FT:253)[Emphasis added]

⁸⁴ Secondly, every Person is to be consider’d *as an entire Individual*, a wonderful Machine, endued with Thought and a Will independent of any thing visible from without. In this View we look upon him as a necessitous Being, subject to Hunger and Thirst, and *having many Passions to gratify, and at the same time a vast Compound*, a lesser World, with a Sovereignty, and Court of Judicature within, having a private Welfare and Preservation of his own to mind, altogether abstract from the Good of the Publick. (FT: 253–4)[Emphasis added]

to ask how the objectivity of the socially and historically constituted individual coexists with the rich and complex subjectivity that Mandeville so thoroughly scrutinised. What about “the Seeds of this Passion” that we would discover “could we undress Nature, and pry into her deepest Recesses” (I: 142–3)?

To unravel the paradox of Mandeville's individual, we need to revisit our discussion on the transformation of the passions. Mandeville resolves the dualist contradiction of his individual by reconciling man's nature and his needs with the needs of social configuration. He does so in the same manner by which he explains his central paradox, namely how ‘private vices’ are transformed to ‘public benefits’. More specifically, Mandeville's answer to the duality of man resides in the mechanisms that effect the socialisation of the individual's passions that are described and analysed in this paper. These are the mechanisms that can transform moral virtues into the “political offspring which flattery begot upon pride” (I: 47), pride into honour and shame, fear into governability or man's passion for self-esteem and social approbation into pity. In Mandeville's evolutionary perspective, man's personality evolves and is transformed by social norms and institutions. This process of transformation is underscored by man's receptiveness to learning and education as a social ‘taught Animal’. The core of Mandeville's ‘Body Politick’ project revolves around man's transformation into a sociable and tractable being with reference to the social whole. This transformation that raises savage multitudes into the ‘Body Politick’ is accomplished by the dialectic of the countervailing passions that are socially processed and institutionally controlled by skilful management, good manners, custom, ‘art and education’:

[S]uch is the force of Education, and a Habit of thinking as we are taught, that sometimes Persons of either Sex are actually in Love without feeling any Carnal Desires, or penetrating into the Intentions of Nature. (I: 144)

[T]he Force of Custom warps Nature, and at the same time imitates her in such a manner, that it is often difficult to know which of the two we are influenced by. (I: 330)

[T]he fear of Shame in general is a matter of Caprice, that varies with Modes and Customs, and may be fix'd on different Objects, according to the different Lessons we have receiv'd, and the Precepts we are imbued with. (II: 95)

Thus, rather than ‘disengaging’ the individual from social contexts, custom, habit desire and conventions, Mandeville engages and embeds his individual in norms and institutions that socialise the individual transforming his private vices into public benefits. Through mechanisms of social control, Mandeville's self-loving/liking individual is recomposed to emerge as a socialised entity having learned to realign her/his passions

with the public benefit. This process of ‘reidentifying’ or remaking oneself (Davis 2003) differs from Locke’s “punctual self” that adopts a “radical stance of disengagement with a view to remaking” the self by consciously detaching it “from all the particular features which are objects of potential change” (Taylor 1989: 171–2).

Ultimately, the evil that remains in the nature of the Mandevillean individual is whatever “Art and Experience have not taught us to turn into a Blessing” (I: 345). For this reason, at the very start of *The Fable*, Mandeville (I: 3–4) warns us that to understand the passions man’s nature should be examined “abstract from Art and Education”. Furthermore, dissimulation, an acquired historical characteristic which men develop at the advanced stages of sociation (Dickey 1990: 406), complements the work of art, custom, education and law. The “strong Habit of Hypocrisy” teaches us “from our Cradle to hide even from our selves the vast Extent of Self-Love, and all its different Branches” (I: 135):

[I]t is impossible we could be sociable Creatures without Hypocrisy [...] all Civil Commerce would be lost, if by Art and prudent Dissimulation we had not learn’d to hide and stifle [our passions]; and if all we think was to be laid open to others in the same manner as it is to our selves, it is impossible that endued with Speech we could be sufferable to one another. (I: 349)

For the rest, as emphasised previously, formal institutional structures such as government, laws and regulations provide the ultimate social safeguard to keep man’s dual nature in check for the smooth operation of the ‘Body Politick’.

Mandeville's synthesising of the outer and inner domains of the individual is grounded on the idea of the relativity of the passions (I: 324) that renders them in some way transformable. An implication of Mandeville's relativist understanding is that “Men vary in their Tastes and Humours” and their preferences (I: 326). “Our Liking or Disliking of things chiefly depends on Mode and Custom” (I: 330).⁸⁵ So, men differ in their subjectivity which shapes their inclinations:

⁸⁴ When Mandeville writes “De gustibus non est disputandum” (I: 314–15) he means to emphasise that men’s judgements, values, preferences and consumption patterns⁸⁵ are subject to change. This conception of the individual’s tastes and preferences stands in contrast to Stigler and Becker’s (1977:76) “De Gustibus Non Est Disputandum” whereby “tastes neither change capriciously nor differ importantly between people”; like the Rocky Mountains they “are there, will be there next year, too, and are the same to all men”.

Experience teaches us first, that as People differ in their Views and Perceptions of Things, so they vary in their Inclinations; one Man is given to Covetousness, another to Prodigality, and a third is only Saving. (II: 182)

Furthermore, to recall our discussion of the passions, different passions gain the upper hand in the different historical stages of sociation: fear is dominant in the savage state while counterfeit virtue and the self-liking passions (especially pride and its derivatives) become prominent in advanced civilised society. Even, pride, that arch villain of passions, is subject to change manifesting itself differently in different individuals:

Men have not an equal share of Pride, and differ from one another in Shape and inward Structure, it is impossible they should be all equally fit for the same uses. (I: 211)

I am convinced that the difference there is in Men, as to the Degrees of their Pride, is more owing to Circumstances and Education, than any thing in their Formation. (II: 122)

As Winch (1995: 9) observes, Mandeville rejects absolute standards and considers values as specific “to where we happen to live”. He emphasises the role of customs, norms and acquired tastes as specific to peoples, cultures and places; hence by recognising the forceful impact of custom or tradition in human affairs, Mandeville sides firmly “with culture in the debate with nature” (ibid.).

To conclude, the complex and idiosyncratic building block of Mandeville’s individualism is indeed oddly “manag’d by Self- Love” (I: 58) warranting perhaps the label of *homo Mandevillius*. Our discussion has shown that the Mandevillean individual differs from the socially isolated atomistic model and is materially, historically and socially constituted. Governed and ‘swayed’ by a complex subjectivity, Mandeville’s man can rarely exercise instrumental rationality but overcomes the dualistic conflict by the transformative mechanisms of socialisation. Having examined Mandeville’s conception of the individual and his application of methodological individualism we can now proceed to evaluate Mandeville’s methodological individualist legacy.

4.5 Sorting out Mandeville’s methodological individualism

A central claim made in this paper is that Mandeville’s systematic application of methodological individualism and his prototype of the self-regarding individual constitute a distinct contribution to the history of economic thought. This section has so far sought to demonstrate the importance of methodology in Mandeville’s work. Our discussion suggests that the rigorous and thorough application of his methodological principles enabled Mandeville to pursue successfully his central problematic of the passions and

sociation navigating through a vastly diverse subject matter, different levels and lines of narrative. Our inquiry next proceeds to evaluate Mandeville's methodological individualism with respect to contemporary accounts of the doctrine. Is Mandeville's methodological individualism the authentic precursor of neoclassical methodological individualism that came to prevail in economic analysis detaching it from historical and social specificity? To address this question, fundamental aspects of the debate around methodological individualism should be revisited.

Ever since the term methodological individualism was coined by Schumpeter (1908), various definitions have been advanced across the social sciences. Yet, the term is often defined without sufficient precision and it is not free from ambiguity (Hodgson 2013: 29). In the simplest terms, however, the central thesis of methodological individualism common to all accounts is that “all facts about society and social phenomena are to be explained solely in terms of facts about individuals” (Lukes 1968: 120).⁸⁶ As Elster (1982: 453) asserted, “social phenomena (their structure and their change) are in principle explicable only in terms of individuals—their properties, goals, and beliefs”. Therefore, “all social phenomena resolve themselves into decisions and actions of individuals that need not or cannot be further analysed in terms of superindividual factors” (Schumpeter 1954: 888). The implication is that not only an individualist explanation can explain social wholes but “one ought to do so whenever practically possible” (Davis 2003: 35–6). In other words, taking the individual as the building block of explanation, the whole is explained “in terms of the properties of its individual parts”, namely the goals and interests of individuals so that “the whole becomes a mere aggregation of its individual parts with no existence outside them” (Milonakis and Fine 2009: 14). Society, social relations and institutions, then, are effectively reduced to

⁸⁶ In the words of Kenneth Arrow (1994:3), the “individualist paradigm” starts at the “simple fact that all social interactions are after all interactions among individuals. The individual in the economy or in the society is like the atom in chemistry; whatever happens can ultimately be described exhaustively in terms of the individuals involved”.

individuals.⁸⁷ Prevailing as the key explanatory device in neoclassical economics, methodological individualism has been instrumental in detaching the social and the historical from economic analysis (Fine and Milonakis 2009:8). In particular, marginalism advanced a “methodological individualism of a special type, associated with utility maximisation or, in the parlance of other social sciences, rational choice” (Fine and Milonakis 2009: 31).

The inconclusive debate around methodological individualism is reflected in a varied typology that classifies different versions of the doctrine mainly by their degree of strength or weakness depending on whether supra-individual entities, relations between individuals and ultimately social structures are included in the explanantia (Hodgson 2013: 40–1; Rutherford 1996: 31–6; Udehn 2001). In other words, methodological individualism ranges “from versions requiring that social phenomena be fully explained in terms of individuals, to versions requiring only that they be partly explained in terms of individuals” (Udehn 2002: 498). Weaker forms of methodological individualism that include social relations and institutional parameters in explanation are more common in the other social sciences. Conversely, strong atomistic versions such as the social contract theory and the theory of general equilibrium that exclude exogenous socio-cultural variables from the explanantia prevail in mainstream economics making it “the purest exemplar of methodological individualism” (Arrow 1994: 2; Udehn 2001: 346).⁸⁸ Furthermore, the confusion around methodological individualism is compounded when ontological propositions about “what exists” are conflated with methodological propositions about how phenomena should be explained (Hodgson 2013: 33).⁸⁹ Hence, a

⁸⁷ Methodological reductionism denotes that an “understanding of a complex system is best sought at the level of the structure and behavior of its component parts” • as opposed to methodological holism whereby a complex system is best understood by “principles governing the behavior of the whole system” instead of the structure and behavior of its component parts” (Healey 1999).

⁸⁸ In descending order of strength, Udehn (2001:347) distinguishes five versions of methodological individualism: a) The theory of the social contract which has at its starting point the natural ‘asocial’ individual existing a natural state devoid of without social institutions b) the theory of general equilibrium c) Austrian methodological individualism d) Popperian methodological individualism, and e) Coleman’s methodological individualism.

⁸⁹ A weak type of ontological individualism implies that individuals are among things that exist in the world whereas for strong ontological individualism only individuals exist (Davis 2009:261).

distinction should also be made between explanatory methodological individualism and non-methodological ontological versions which deny the existence of certain entities (Goldstein 1958: 3–4).⁹⁰ As a strong version of explanatory methodological individualism, general equilibrium theory can also be described as “ontological individualism since only individuals are included in the explanantia and only individuals exist; their choices are not affected by externalities and their social relationships are mediated by an invisible auctioneer in a competitive market, which hardly constitutes an institution” (Screpanti and Zamagni 2005: 393).

In *Individualism: True and False*, Hayek (1948: 4, 9) acclaimed Mandeville as a pioneer of ‘true’ English individualism,⁹¹ which considers man to be a flawed and irrational being as opposed to the ‘false’ rational intelligent individual espoused by what Hayek considered “pseudo-individualist Cartesian rationalism”. In this light, next, we attempt to assess Mandeville's methodological individualism against the Hayekian version of the doctrine. Hayek (1948: 6) places the individual and his subjectivity at the starting point of his analysis positing that social phenomena can only be understood “through our understanding of individual actions directed toward other people and guided by their expected behavior.” Both Mandeville's and Hayek's individuals are irrational beings. Like Mandeville's individual, the Hayekian one is not isolated: “the silliest” common misunderstanding is the notion that:

[I]ndividualism postulates [...] the assumption of the existence of isolated or self-contained individuals, instead of starting from men whose whole nature and character is determined by their existence in society. (Hayek 1948: 6)

Unlike Mandeville's man, however, Hayek's individual resides and becomes part of a “another” world constructed “by his actions, determined by the views and concepts he possesses”: “*things are* what the acting people think they are” (Hayek 1955: 24, 27) [Emphasis added].

⁹⁰ As Lawson (1997:159) argues in mainstream economics “the basic ontology of social atomism remains along with its epistemological manifestation as a form of reductionism, basically as methodological individualism.”

⁹¹ Hayek (1948:4) includes Locke, Mandeville, Hume, Tucker, Ferguson and Adam Smith in the forerunners of true individualism.

As demonstrated previously in this paper (2.3)(4.4), Mandeville's explanatory toolkit includes relations between individuals and relations between individuals and various supra-individual entities/ institutions that affect individual behaviour. Hayek's individualist explanations accommodate supra-individual entities in a different manner positing that institutions and relations between men exist as concepts and ideas reflected in mental states:⁹²

[A]ll the relations between men and all the social institutions can be understood only in terms of what men think about them. Society as we know it is, as it were, built up from the concepts and ideas held by the people; and social phenomena can be recognized by us and have meaning to us only as they are reflected in the minds of men. (Hayek 1955: 33–4)

Hayek's view "that supra-individual entities are merely concepts rather than real things" (Davis 2003: 34), can explain why Hayek interpreted Mandeville's skilful politicians as non-physical entities. Our previous discussion indicates that Mandeville's supra-individual entities are real and do not exist in man's mind. For Mandeville, man's opinions or beliefs do not 'build up'—and neither are they a condition for—the existence of institutions and norms which shape the beliefs, opinions and behaviour of the individual.

Notably, the purity of Hayek's methodological individualism with reference to the dominant neoclassical version of the doctrine has been questioned by scholars expressing critical views (Hodgson 2013; Madison 1990; Udehn 2001) or supporting views (Caldwell 2002: 287–91; Zwirn 2007). Furthermore, as Zouboulakis (2002: 30) notes, Hayek and other Austrian scholars like Mises, and Lachmann unequivocally distance themselves from the neoclassical tradition of methodological individualism, criticising its "scientism", which blindly imitates of the methods of the natural sciences proffering causal explanations of individual behaviour "as if humans were omniscient". Other commentators argue that methodological individualism is inconsistent with Hayek's

⁹² According to Hayek (1955:37–8) only "motivating or constitutive" ideas are "a condition of the existence of the 'wholes'" (e.g. beliefs and opinions motivating acts such as producing, selling, or buying certain quantities of commodities). These ideas form the basis of "methodological individualism which is closely connected with the subjectivism of the social sciences". On the contrary, "the speculative or explanatory views which people form about wholes ("pseudo-entities") such as society, the economic system, capitalism or imperialism are not facts and should be avoided."

evolutionism and his notion of the natural selection of norms, traditions etc. that relies on a collective criterion of natural survival shifting explanations of society “from individual choices to genetic fitness” (Gray 1984: 50–51, 52; Hodgson 1994: 411–12; Witt 2002: 185).⁹³ Also, Hayek (1948: 4,5 fn.5) treats individualism inseparably from the ideology of liberalism (Udehn 2001: 119) as opposed to “socialism or collectivism” which he saw as an outcome of rationalistic individualism.

Mandevillean methodological individualism would qualify as a weak version of the doctrine. Institutional individualism, a weak version of the doctrine advanced by Agassi (1960, 1975),⁹⁴ provides a framework that can broadly accommodate Mandeville's methodological individualism. This form of institutional individualism is flexible enough to allow the incorporation of social and institutional parameters as explanatory variables “regardless of the remaining methodological assumptions adopted” (Toboso 2001: 773). Agassi's approach holds that only individuals have goals and interests but accepts institutions as part of “the individual's circumstances” that affect and constrain behaviour (Agassi 1960: 247). It recognises that the social whole is more than an aggregation of its individual parts and it requires a specification of the mechanisms through which individual behaviour is affected to generate social phenomena (Rutherford 1996: 36). As our inquiry suggested, Mandeville's account starts with individuals that have goals and interests, it recognises institutions as part of the individual's circumstances, and it specifies the mechanisms that affect/constrain individual behaviour. Mandeville's explanations include in the explanantia relations between individuals (e.g. division of labour, dueling, buying and selling) and various supra-individual entities (laws, government, the church, skilful politicians, the army, money, charity schools etc.). Distinguishing the individual level from the collective (the “state of the hive”), Mandeville does not infer the characteristics of the social whole by adding up the

⁹³ The natural–cultural selection of spontaneous order is also seen as incompatible with the Austrian resolute-compositive approach to methodological individualism (Gray 1984:52).

⁹⁴ Agassi (1975:146, 151) opposed what he termed “psychologistic individualism” which holds that only individuals exist and have interests so that in the final analysis social wholes do not exist. Udehn (2001: 219–21, 2002:489) points out to tensions in Agassi's scheme arising from his basing his institutional individualism on Popper's institutionalism and situational logic failing to notice that these positions conflicted with Popper's methodological individualism

characteristics the persons that constitute it: hence ‘private vices’ are not directly equivalent to ‘public benefits’ (Schneider 1987: 17–18). Mandeville's account, however, does not conform to Agassi's (1975: 26) contention that “according to institutionalist individualism social aims do not exist” since only individuals—not institutions—have aims. Mandeville's whole ‘Body Politick’ project is about social aims and making men serve those aims. Individual passions are tamed by the skilful management of politicians, social norms, law and ‘precept’ that aim to render men “subservient to the Grandeur and worldly Happiness of the whole” (I: 7):

[A]ll Lawgivers have two main Points to consider, at setting out; first, what things will procure Happiness to the Society under their Care; secondly, what Passions and Properties there are in Man's Nature, that may either promote or obstruct this Happiness. (II: 275)

To conclude, Mandeville's methodological individualism is linked to the idea of serving the public good: the “happiness of the whole” that is the *raison d'être* of the 'Body Politick'. In fact, the notion of the public good to which men must submit pervades Mandeville's thought to such an extent that could have raised Hayek's fear of collectivism and totalitarianism. Wise men, Mandeville asserted, “never look upon themselves as individual Persons, without considering the Whole, of which they are but trifling Parts” and they cannot rest satisfied with “Things that interfere with the Publick Welfare”:

This being undeniably true, *ought not all private Advantage to give way to this general Interest*; and ought it not to be every one's Endeavour, to increase this common Stock of Happiness; and, in order to it, do what he can to render himself a serviceable and useful Member of that whole Body which he belongs to? (Fable II: 6)[Emphasis added]

5. SUMMARY, FINDINGS AND CONCLUDING DISCUSSION

The purpose of this study was to offer a new narrative of Bernard Mandeville with a view to assess his standing as precursor of classical political economy and address the central research question formulated as “What explains Mandeville's importance for the history of economic thought?” To elucidate Mandeville's importance three lines of inquiry were pursued broadly corresponding to three interrelated sub-questions. This section offers a concise summary of the main findings and concludes.

Addressing the first line of inquiry, section 2 sought to elucidate “Why is Mandeville's treatment of the human passions and their transformation important?” It described and analysed Mandeville's conception of the passions, the role of virtue, the derivation of counterfeit virtues from the passions and the social transformation of the passions. The findings of this discussion can be summarised as follows. Mandeville's

holistic conception of the passions as a compound introduces a key distinction between self-love and self-liking which enlarges the explanatory scope of Mandeville's theory of passions marking out an important socialising role for passions such as pride in advanced societies. Mandeville's distinction between true and socially fabricated virtue as a derivative of the passions (e.g. honour) adds another important explanatory dimension. Building on these premises and his diverse intellectual roots, Mandeville masterfully deploys the strategy of countervailing passions to provide a powerful explanatory device, contrary to Hirschman's (1977) interpretation of Mandeville as a proponent of solely harnessing the passions. This is an important distinction because the dialectic of the countervailing passions, as opposed to merely harnessing them, defines Mandeville's account of their social transformation which in turn crucially bears upon his conception of social control, sociability, the individual and ultimately sociation. Our inquiry in this section identified and analysed Mandeville's complex mechanisms of 'skilful management' by various ruling groups and the doctrine of 'good manners' that effect the socially useful transformation/socialisation of the passions by exploiting men's frailties and fears, playing one passion against another and inventing 'virtues'. These mechanisms articulate a prescient and original account of social control and conditioning that has not been systematically studied in the literature. In particular, as our subsequent discussion of 'homo Mandevillius' demonstrated (4.4), the 'skilful' transformation of the passions enabled Mandeville to overcome the Lockean objective/subjective duality and 'remake' his socially constituted individual by indicating how his subjectivity (passions) is socially processed. In sum, Mandeville's theory of the passions contains the key to explicate how 'private vices' can become 'public benefits' and therein lies its significance.

Building on these findings, section 3 considered Mandeville's explanation of sociation and his account of the 'Body Politick'. It examined the economic and socio-political constitution of the 'Body Politick' focusing on the institutions Mandeville saw as 'requisites' for the well-being and prosperity of society in a turbulent age of uncertainty and epochal transformation. Engaging with Mandeville's evolutionary account of sociation, our discussion found a remarkably integrated secular narrative that encompasses all major elements of Mandeville's thought: the stadial evolution of society and its institutions, sociability, knowledge, division of labour, man himself as a social 'taught' animal, tastes, beliefs and ultimately the passions themselves. Mandeville's treatment of the passions and their transformation is central to his explanation of the evolution of society marking out other mechanisms of social control. Our discussion identified, first,

Mandeville's straightforward labour market discipline interwoven with his in-depth discussion of the labouring poor to keep labour as a source of wealth under constant control. Second, the complex mechanism of governability in advanced stages of sociation reshapes tractable men into governable beings by combining the coercive power of law with the passion of fear transforming it to reverence. Another important finding regards the overwhelming importance Mandeville attributed to proper governance and solid laws suggesting that Mandeville does not easily fit in the laissez-faire tradition. Similarly, our discussion strongly suggested that Mandeville's theory of evolution in many respects does not conform to Hayek's theory of spontaneous order. Given that in contemporary economic and political debates, Mandeville has become shorthand for spontaneous order and laissez-faire this finding sheds new light on Mandeville's legacy.

Our third line of inquiry questioned the significance of Mandeville's methodology that is largely neglected in literature. Considering the basic premises and the application of the Mandevillean method, our examination indicated that Mandeville blended a variety of intellectual influences to elaborate an integrated empiricist scientific method. He thoroughly and rigorously applied this method to substantiate his arguments. If methodology in economics is about how economists explain the "phenomena with which they are concerned" (Blaug 1992: xxv), then Mandeville provided a startlingly precise account of his method of explanation almost three centuries before the term methodology appeared. Notably, Mandeville's method also includes a rudimentary proto-Kuhnian vision of paradigm change. A claim made in this paper was that methodological individualism and the 'homo economicus' prototype constitute a major aspect of Mandeville's legacy to economics. Two significant findings emerge from this study validating these arguments. First, Mandeville's application of his method constitutes perhaps the first systematic application of methodological individualism that started from the individual as a building block to explain the whole. Second, Mandeville's conception of the individual articulated an elaborate prototype of the economic man. The assessment of Mandeville's methodological individualism against contemporary versions of the doctrine indicated that it constitutes a weak version largely conforming to Agassi's institutional individualism rather than to Hayek's version of the doctrine. The discussion of Mandeville's 'socially processed' individual found that she/he differs in many respects both from enlightenment accounts and the neoclassical version. In a larger historical context, these findings inevitably invite a comparison as to how Mandeville's methodological legacy survived in economics undergoing significant mutations that indicate the progressive sterilisation of

the discipline to excise the social and the historical.

Emerging from the three lines of inquiry, the findings summarised above provide an answer to the question “What explains Mandeville’s importance for the history of economic thought?” Synthesising and drawing on secondary insights marked out in this study, we can draw general conclusions.

As Hayek (1967: 127) remarked, Mandeville did “show that there was an object for a social and economic theory” by asking the right questions. This study suggests Mandeville could provide answers as well. In a period of disquieting epochal transformation, Mandeville anticipated the concerns that came with the emergence of the commercial capitalist, pre-industrial society. He compiled an articulate paradigm of the new society pivoting on the dynamics between man’s socialised passions and the ‘requisite’ institutions that could sustain a smoothly functioning and viable ‘Body Politick’. Mandeville proposed explanations and policy blueprints to relieve the tensions that accompanied the dawning of the new age. In doing so, he set the agenda for the eighteenth century attempts to understand modern commercial society (Maas 2004). His ‘Body Politick’ foreshadows Hume’s civilised society, Adam Smith’s commercial society and J.S. Mill’s industrious society. Drawing on his complex treatment of the passions, Mandeville’s original account showed how the passions can be socially processed to fulfill an integrative rather than a destructive function to ensure prosperity and social order. Thus, Mandeville showed that political power does not solely emanate from the formal structures of the state raising questions about the processes that render men governable and the role of ruling elites. In particular, Mandeville successfully offset ethical and moral objections directed against the materialist values of the new socio-economic order (Goldsmith 1977, 1985).

In a broader perspective, Mandeville’s work greatly contributed in destabilising the moral and theological premises that had restrained economic thought challenging their claim to relevance in shaping policy. Mandeville surely did not write economic treatises or

employ technical economic terms as did William Petty⁹⁵ and his other contemporaries. Yet, showing that virtues such as thrift and frugality had limited social value compared to their opposites and that spending creates employment, Mandeville introduced new avenues in economic thought (Screpanti and Zamagni 2005: 49). He grappled with problems that historically are placed at the core of political economy and handed down important insights which starting with Adam Smith grew into fundamental concepts of political economy. As Moss (1987: 180) observes, “there is no one, absolutely no one, quite like Mandeville in the early history of economic thought.” Mandeville’s legacy proved to be lasting, relevant and useful also to the new audiences that succeeded his shocked contemporaries.

Mandeville's lasting influence is most prominent in his methodological legacy. Methodological individualism and ‘homo economicus’ became the foundational pillars of the neoclassical explanatory toolkit prevailing in economic analysis. Ultimately, both ‘homo economicus’ and methodological individualism were embedded in the neoclassical toolkit and exported part and parcel across interdisciplinary boundaries serving the thrust of mainstream economics to dominate the social science field. In this light, it is proper to consider how Mandeville’s methodological legacy survived in economics starting from the adventures of the economic man whose “development has closely paralleled that of the entire discipline” (Giocoli 2003: 3). For, the (faintly) rational complex compound of passions, ‘or the ‘whole’ man of the Enlightenment, underwent drastic mutations. ‘Homo Mandevillius’ found his way into Adam Smith—albeit disguised by the linguistic trick Smith attributes to Mandeville to name as vicious all the passions that were merely natural (Maas 2004). Still, Smith’s individual is not “the single-minded and selfish utility maximiser of modern neoclassical economics” (Milonakis and Fine 2009: 17). Smith's individual is a complex being “blessed with multiple selves” whose contrasting sentiments of altruism and selfishness are influenced by important personality building mechanisms related to the social context and the individual’s inclinations akin to Mandeville's social control mechanisms (e.g. emulation)(Screpanti and Zamagni 2005: 78–9). John Stuart

⁹⁵ Unlike Mandeville, the importance and the contribution to economic theory of Sir William Petty—also a doctor with studies at Leiden – have been widely recognised.

Mill first explicitly conceptualised the individual as a man aspiring to possess wealth abstracted from any human passion or motive (Milonakis and Fine 2009: 32). For Mill, however, the key question concerned the interaction of economic man and economic institutions; he recognised that economic behaviour could vary across industries, nations and epochs and that in great part variations in behaviour could be traced to different institutions (Persky 1995: 224–5). In the 1870s, the marginalist revolution introduced a new twist in the adventures of the economic man: Jevons’s mechanically rational, mathematised ‘calculating man’ provided the prototype for the rational, self-interested and autonomous being whose rationality increasingly denoted a choosing behaviour (Maas 1999; Morgan 2006). Emphasising this asocial version of the individual, the marginalist revolution succeeded in excising the social and the historical from economics limiting it to the science of the market (Fine and Milonakis 2009: 12). Eliminating the strong class distinctions of classical political economy, marginalism also had the effect of creating a “Representative Economic Agent” as a scale model of the whole society representing without distinction a worker, a capitalist, or a landowner: he can represent an individual, a household, a firm and even a nation, and so forth (Foley 2004: 84). Defining economics as the science which studies human behaviour as a relationship between [given] ends and scarce means which have alternative uses Robbins (1935: 16) further confined the economic man in a condition of scarcity: the “mechanical Robbinsian maximizers and economizers” with “given means and ends” inhabiting a “world of perfect knowledge” defined the canonical version of ‘homo economicus’ (Kirzner 1973: 35–9). The rational maximisers found their ideal account in the ‘representative agent’ of New Classical Economics, a supra-individual abstract construct that became the building block of macroeconomic models after the early 1970s (Davis 2003: 33; Hoover 2008). As Maas (1999: 617) observes, Jevons’s mechanistic vision is once more becoming popular, representing economic man as a robot or simulating his behaviour with a computer. The prospect of the rational economic man evolving into a “welter of cyborg machines” as an algorithmic processor of information (Mirowski 2002: 555) invites disquieting reflections as to the future of economic analysis. Ultimately, Mandeville’s methodological legacy propelled economics onto paths alien to Mandeville and the Enlightenment. In particular, considering the impact of economics imperialism (Fine and Milonakis 2009; Fine 1997), the exportation of the ‘homo economicus’ and its underpinning axiomatic assumptions part and parcel across interdisciplinary boundaries amplifies the impact of Mandeville’s mutated legacy in economics.

As regards methodological individualism, Mandeville's weak version may contribute in dispelling the fiction that "economic phenomena can be analyzed in terms of individuals alone" showing that "economies in general and the moral ties that bind people together cannot be understood without an appreciation of the nature of individuals and of social relations" (Hodgson 2013: 30). As Hodgson (2013: 40-1) argues, strong versions of methodological individualism holding that social phenomena should be explained entirely in terms of individuals alone have never been achieved in practice as many advocates of the doctrine simply fail to apply such narrow terms. The problem with the weak versions holding that social phenomena are explained in terms of individuals plus relations between individuals including social structures is that it renders the term methodological individualism unwarranted since the only viable explanatory strategy is to start from structures and individuals. Considering Hodgson's labeling paradox, Mandeville's methodological individualism can equally well be described as 'methodological structuralism' or 'methodological institutionalism' and so on. Mandeville surely could not have anticipated such sophistication in methodological debates. He was, however, well aware that man exists in social contexts, engages in social relationships and that history and culture are essential to his formation. The idea that individuals operate within institutional structures and are influenced, knowingly or not, by social rules and norms—even in their self-serving rational actions—was decisively articulated in the writings of Adam Smith and John Stuart Mill (Zouboulakis 2005: 60).

Alien to Mandeville and his contemporaries, the notion that individuals inhabit a social and historical vacuum devoid of all social relations remains essentially absurd in modern times. Ultimately, Mandeville's work suggests that "it is and has been possible to incorporate a social and historical element in economic theory" (Milonakis and Fine 2009: 11). In this sense, there is no paradox in Mandeville. The paradox resides in the excision of social and historical specificity from economic analysis, the attendant detachment of economics from reality, and the exportation of an analytically impoverished method across the entire social science field.

6. EPILOGUE

Three centuries after the first publication of *The Fable of the Bees* in 1714, Mandeville deserves a well-earned place in the history of economic thought. In many ways, Mandeville's thought remains relevant to our post-industrial global age that like Mandeville's is an age of transformation and uncertainty. Taken out of context some of

Mandeville's views today may seem harsh. Yet, Mandeville understood that to build a vision of a better society required to consider "seriously the social and economic setting of the existing one—including its abuses" (Gunn 1983: 117). To recall Mandeville's assessment by Marx and Engels:

If man is social by nature, he will develop his true nature only in society, and the power of his nature must be measured not by the power of the separate individual but by the power of society [...] The apologia of vices by Mandeville, one of Locke's early English followers, is typical of the socialist tendencies of materialism. He proves that in modern society vice is indispensable and useful. This was by no means an apologia for modern society (Marx and Engels 1845:131)

Mandeville sought to expose and explain the workings and the tensions of his time. He spoke in "the Language of the World, the Age and the Time" he lived in. As our inquiry suggests, one-sided readings of Mandeville that seek to legitimise historically modern day excesses of neoliberal laissez-fairism are both inaccurate and anachronistic. The advice of Viner (1953) should therefore be heeded: it would be misleading to apply modern ideas to eighteenth century writers by applying dividing lines between "interventionists" and exponents of "liberalism" or of "laissez faire". The attempt to rationalise modern day social and economic abuses by evoking eighteenth century texts out of context can only cloud analysis. It is precisely in this manner, however, that Mandeville, the relentless social critic, the progressive radical who valued freedom of thought, liberty, toleration and equality for all including women, was obscured and the laissez-faire theorist prevailed.

Lessons are rarely drawn from the history of economic thought. The current financial and economic crises in many ways evoke the financial disasters of 1720 that sparked Mandeville's thoughtful reflections on governance, politicians and good laws in *Free Thoughts*. Europe's monetary and financial architecture that was launched in Mandeville's times retains to this day its "main alternative structures" to provide governments with credit (Neal 2000: 117–140). John Law died disgraced and penniless in Venice, but his ideas survive and they are praised as a "vision of a monetary and financial system that was more of the twenty-first rather than the eighteenth century" (Murphy 1997). Mandeville's located the questions and tried to provide answers. How did economists respond to the recent financial and economic crisis? The ball is in our court. Whither twenty-first century economics?

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ESSAY II

A tale of rigidities: labour market deregulation and the case of Greece

ABSTRACT

The purpose of this paper is to contribute to an understanding of labour market deregulation. To do so, it undertakes a theoretical and empirical demonstration that encompasses a critique of the theoretical underpinnings, the policy practice and the ideological coordinates of labour market deregulation. To explicate the nature, the pervasiveness and the durability of labour market deregulation, first, its theoretical and methodological premises are examined in historical perspective focusing on the concept of labour market rigidities that provides the primary analytical justification to deregulate labour markets. This research takes stock of the influence of economics imperialism in shaping an ahistorical, asocial, deductive labour market theory which, discarding any analysis of class, power and conflict, 'scientifically' legitimises the case for labour market deregulation. Second, the policy practice and the discourse of labour market deregulation as legitimised by a specific research agenda are scrutinised within the broader dynamics of neoliberalism focusing on the pathways and the modalities of its imposition at the global and European level. The motivation for this research is provided by the recent far-reaching labour market deregulation in Greece which is presented in mainstream accounts as an integral part of exceptional 'anti-crisis' measures required to save the country from bankruptcy. Claiming that labour market deregulation is beneficial for employment and the economy, these accounts obscure the rationale, the implications and the class character of labour market deregulation precluding alternative solutions. This research challenges the mainstream case for labour market deregulation and the exceptionality of the Greek case. The case study of Greece particularises the phenomenon in a national context defined by an IMF style bail-out programme of economic adjustment.

Keywords: rigidities; neoclassical labour market theory; labour market; deregulation; economics imperialism; neoliberalism.

INTRODUCTION, OVERVIEW AND STRUCTURE OF THE RESEARCH

Despite the impetus brought by the recent economic and financial crisis to accelerate and institutionalise radical labour market restructuring across the EU, academic and public debates mostly focus on debt and the financial aspects of the crisis. In Greece, workers have been routinely blamed as responsible for the public deficits and the accumulated public debt owing to allegedly overgenerous wages and social benefits (Maniatis 2014). Proposed as a cure, the recent aggressive restructuring of the labour market in Greece, resulted in a severe social crisis and an “unprecedented deterioration” of labour market conditions affecting large parts of the population, youth in particular (OECD 2014) with massive unemployment and widespread precariousness alongside deteriorating labour standards and working conditions. Despite this devastation, a third memorandum concluded in August 2015 between Greece’s creditors and the Greek coalition government, whose backbone is leftwing, made new demands to deregulate a labour market where not much is left to deregulate. These developments heighten the need for a more comprehensive understanding of labour market deregulation that was coercively imposed as an “exceptional and unique solution” to save Greece from bankruptcy (Council of the European Union 2011).

The notion that labour market deregulation is beneficial for employment and the economy prevails in mainstream academic and policy debates precluding alternative approaches. Referring exclusively to the supply side, labour market deregulation seeks to flexibilise labour markets by removing ‘rigidities’ identified in labour market institutions and in protective regulation. Rigidities such as labour market institutions or regulation are considered to harm job creation, generate higher unemployment (Blanchard and Wolfers 2000; Salvanes 1997) and adversely affect economic growth (Forteza and Rama 2006). Hence, the deregulation of the labour market hinging on the elimination of supply-side rigidities is advanced to encourage labour reallocation, improve competitiveness and enhance growth.

Gaining particular momentum after the 1994 OECD Jobs Study (1994a, 1994b), the pro-deregulation case has been forcefully advanced by numerous official publications and mainstream academic research (Blanchard and Wolfers 2000; Boeri, Nicoletti, and Scarpetta 2000; Elmeskov, Martin, and Scarpetta 1998; Forteza and Rama 2006; Nickell, Nunziata, and Ochel 2005; Nickell 1997; Siebert 1997 among others). This research has widely informed policy debates despite criticism directed against its empirical weakness,

shaky evidence or its normative charge (Aleksynska 2014; Avdagic and Salardi 2013; Baker et al. 2005; Gregg and Manning 1997; Howell et al. 2007; Paterson 2005; Pissarides 2001). In the case of Greece, the removal of structural rigidities from the labour market was explicitly imposed by the country's creditor institutions (CEC 2010, 2012). At the same time, mainstream literature urged radical reforms to address Greece's "exceptionally rigid and over-regulated" labour market and its "asphyxiating" rigidities (Azariadis, Ioannides, and Pissarides 2010; Diamandouros 2013: 227; Meghir, Vayanos, and Vettas 2010; Mitsopoulos and Pelagidis 2011: 142).

In all, before and after the crisis, labour market deregulation is advanced by a technocratic and depoliticised discourse as a beneficial, inevitable and universal corrective that is also value-free. This discourse manifests persistence comparable to the neoclassical theoretical and methodological precepts that 'scientifically' legitimate labour market deregulation. It is buttressed by analyses deploying the concept of labour market rigidity that always concerns the supply-side of labour markets. Yet, this concept is "never defined very precisely or directly" except by itemising "tell-tale symptoms" lacking even a "roughly quantifiable measure" (Solow 1998). Pivoting on this elusive, ahistorical and asocial construct, the mainstream case for labour market deregulation ignores social relations of production. It obscures the rationale, the implications and the class character of labour market deregulation and precludes alternative solutions.

To tackle these drawbacks, the present research questions the key mainstream arguments for labour market deregulation and the exceptionality of the Greek case. It argues that, rather than exceptional, beneficial and value-free, labour market deregulation is a theory-driven class project that serves to reconfigure labour market dynamics at the expense of the working class. The central research question addressed by this study is "What explains labour market deregulation?" Concomitantly, a set of sub-questions guide the analysis and main arguments:

- Why and how does labour market deregulation prevail in theory and policy?
- What is the nature of labour market deregulation? What are the changes/'reforms' it advances?
- Why and how are these changes effected? Which are the drivers and actors involved in these processes?

To provide an answer, this research undertakes a theoretical and empirical demonstration that encompasses a critique of the theoretical underpinnings, the policy practice and the ideological coordinates of labour market deregulation. First, it examines

critically in historical perspective the conceptual and methodological premises of the phenomenon. It focuses, in particular, on the concept of labour market rigidities to demonstrate its endurance across mainstream labour market theories providing the primary 'scientific' justification for labour market deregulation. This examination is essential to understand the nature of labour market deregulation in the context of the dominant ahistorical, asocial and deductive body of theory which grounds labour market deregulation discarding issues of class, power and conflict. The economics imperialism framework developed by Fine and Milonakis (Fine 1997, 1999, 2000, 2007; Fine and Milonakis 2009) provides a theoretical anchor to explain the primacy of the mainstream labour market paradigm and its sustaining academic environment that is 'modern' labour economics. Second, the policy practice and the ideological drivers of labour market deregulation as legitimised by a specific research agenda are scrutinised within the broader debates on neoliberalism with a view to understand its durability in policy as a hegemonic concept across diverse spatio-temporal contexts. Taking stock of its adverse consequences for workers, labour market deregulation is examined as a class project of neoliberal restructuring with particular emphasis on its institutionalisation at EU level. The policy practice of the EU contextualises the empirical account of the Greek case to question 'exceptionalist' accounts' and determine whether labour market deregulation is exceptional or a déjà vu instance of neoliberal labour market restructuring. To explore an alternative framework, this research draws on Marx's account of the real world of work to demonstrate the disjuncture between the neoclassical conception of the labour market and the capitalist social relations of production.

Structure of the study

Next to this introduction, the first chapter sets out in section 1 to describe and analyse the neoclassical labour market paradigm, its origins and the evolution of its theoretical and methodological premises focusing on the legacy of marginalism and Lionel Robbins. Section 2 unpacks the concept of economics imperialism and its pathways to elucidate the neoclassical colonisation of labour studies focusing on the institutional approach, its marginalisation by 'modern' labour economics and the influence of the Chicago school. Section 3 identifies and challenges fundamental propositions emanating from the neoclassical premises of labour market theory which underscore its class character. Alluding to an alternative framework, this section draws on Marx's account of the real world of work to demonstrate the disjuncture between the neoclassical conception of the labour market and the capitalist social relations of production. Section 4

substantively engages with the concept of labour market rigidities to examine its persistence across successive theories and schools from the neoclassical synthesis to new Keynesian theories. Section 5 particularises labour market rigidities in relation to informational imperfections associated with the ‘new’ type of economics imperialism. It analyses the implications of job search theory that broadened ad infinitum the scope of application of the rigidities concept. Section 6 critically reviews the construction of the dominant mainstream research agenda that deploys labour market rigidities to explain unemployment and advance policies of labour market deregulation.

Chapter II is structured as follows. Section 1 engages with the debates around neoliberalism as a useful starting point to decode the policy practice of labour market deregulation and its class character. It discusses labour market deregulation as a key neoliberal class venture of labour market restructuring taking into account the impact of financialisation. Section 2 extends the inquiry into the disciplinary policy practice of labour market deregulation, its evolution and outcomes for the working class across varying spatio-temporal contexts. Section 3, then, attempts to explain why and how a class-biased policy blueprint is legitimised and imposed as a hegemonic concept through consent and coercion. Section 4 examines the neoliberal institutionalisation of labour market deregulation across the EU as a policy pillar of European integration and the EU enlargement process. The case of Greece is discussed in section 5 scrutinising the modalities and the outcome of labour market deregulation to provide the empirical demonstration that challenges the exceptionality of the Greek case. Summary and findings are presented in section 6. Concluding reflections are presented in section 7.

Bringing a political economy problematic, this study can make a timely contribution to knowledge of the shifting dynamics between capital and labour in the face of crisis. It will hopefully update the platform for a fresh investigation of the foundations, the justifying arguments and standard practices of labour market deregulation enhancing our understanding of its durability and its implications for workers. Overall, a broader understanding of the re-positioning of workers in the system as a result of labour market deregulation can better inform our perspective for understanding capitalist labour market restructuring in a context of crisis and help to consider the prospects for alternative frameworks.

CHAPTER I

LABOUR MARKET DEREGULATION: THEORETICAL AND METHODOLOGICAL

UNDERPINNINGS

1. THE NEOCLASSICAL LABOUR MARKET THEORY: ORIGINS AND EVOLUTION

To address our central research question “What explains labour market deregulation?” our inquiry into the theoretical underpinnings of labour market deregulation begins with a critique of neoclassical labour market theory—the wellspring of all subsequent mainstream labour theories. The unrealistic assumptions and abstractions of the neoclassical labour market paradigm lead to strong conclusions about the benefits of deregulation and labour market flexibility. Therefore, the critical examination of the foundational premises of the neoclassical labour market paradigm can shed light on its explanatory limitations and the intimate linkage between its neoclassical premises and class implications. In other words, why and how this paradigm disregards issues of class, power and conflict and obscures the social relations of production?

After a brief presentation of the standard labour market paradigm, this section examines its genealogy and decodes its conceptual and methodological premises focusing on the legacy of marginalism and the Robbinsian canon. The aim is to explicate how a restrictive framework delimited by methodological individualism, equilibrium and rationality linked to constrained optimisation came to yield an ahistorical and asocial theory that prevails in labour economics.

1.1 The basic paradigm: a universal labour market theory?

Neoclassical labour market theory, which provides the primary analytical justification for the project of labour market deregulation, conceptualises the labour market as any other market characterised by perfect competition. Labour is bought and sold by competitive bidding mediated by the fictional Walrasian auctioneer. It is assumed to have an equilibrium price at which it will clear through the forces of supply and demand like any other commodity. The neoclassical supply and demand representation of a labour market in perfect competition denotes efficient outcomes and self-regulating labour markets. The idea that regulation can exist in labour markets diametrically opposes the self-regulation proposition. Deviations from the standard model are conceived only as market imperfections, which as a rule are associated with rigidities that concern the supply-side of the labour market e.g. minimum wage, the role of trade unions, wage bargaining and so forth. Therefore, the elimination of rigidities ensures the conditions under which supply and demand for labour may equilibrate in labour markets.

The neoclassical precepts of methodological individualism, equilibrium and rationality linked to constrained optimisation form the theoretical and methodological matrix of the neoclassical labour market paradigm. Providing resilient microfoundations, methodological individualism is at the core of the neoclassical canon: “all social interactions are after all interactions among individuals” and a market is the “obvious illustration of a social situation as an interaction among individuals” (Arrow 1994: 3). Equally defining is the rationality sequence: All rational action is economic, all economic activity is rational action, and all rational action is primarily individual action (Mises 1951: 113). Labour market processes are addressed in terms of equilibrium outcomes based on the assumption that the forces which operate within labour markets “interact more or less harmoniously and efficiently to grind out equilibrium levels of employment and associated working conditions” (Fine 1998: 251).

As described in mainstream textbooks (Borjas 2000: 103), the demand for labour (determined by the marginal product of labour)⁹⁶ is a ‘derived’ demand: according to their needs, consumers are taken to influence a firm’s hiring policy and its production/sales goals assuming that firms/employers seek to maximise profits. In the neoclassical model, demand for labour derives from an aggregate production function with only one product/commodity, produced by labour and capital, leading to the seemingly strong conclusion that lower real wages are required to increase employment (Weeks 2012: 118). Labour supply is addressed by a trade-off model between income and leisure where a worker/consumer determines his/her labour supply with a view to maximise his/her utility (Devine and Kiefer 1991: 3–4). Technically, supply and demand can be “derived from the marginal productivity of labour and from the marginal utility of leisure (or disutility of work) conjointly with optimising on other decisions e.g. how much to save (Fine 1998: 253). In other words, the mainstream conceptualisation of labour supply denotes that a worker is free to choose between consuming more goods and consuming more leisure. The claim is that workers decide to work because they want to acquire income to buy utility-yielding goods and services but they also want to have time for leisure: depending

⁹⁶ Defined as the “change in output resulting from hiring an additional worker, holding constant the quantities of all other inputs” (Borjas 2000:103).

on existing wage offers, a worker will rationally choose the number of work hours needed to maximise his/her utility (Sawyer and Spencer 2010: 265).

The standard neoclassical paradigm neatly conforms to the ideals of scientific rigour, theoretical uniformity and expediency required by the ‘imperial science’ (Stigler 1984) admired by proponents of economics imperialism. Under the legacy of deductive apriorism,⁹⁷ the neoclassical approach seeks to explain complex labour market phenomena by the hypothetico-deductive (H-D) model, known also as ‘covering law’ model of explanation.⁹⁸ Ignoring historical and social specificity, neoclassical labour market theory claims universal application and ‘covering law’ status. Accordingly, the scope of application of this universal theory is one single and implicitly uniform labour market. Yet, as Fine (1998: 5, 2003:89) emphasises, there is no single labour market and therefore no single generally applicable labour market theory: there are different labour markets connected to one another, which vary as regards how they are structured and reproduced including the specific conditions that prevail in each one them.

To conclude, the standard mainstream labour market paradigm has come to dominate research, scholarship and education in what is called ‘modern’ labour economics. As long as its main abstract representations are consistent within themselves, the paradigm is taken to truthfully represent social relations of production no matter how/why labour markets deviate from its assumptions. As such, it has been consistently applied to explain a wide range of labour market phenomena providing explanations that inform policy prescriptions for labour market deregulation. How, then, did this ‘universal’ theory come into being? Whence do its fundamental methodological and theoretical drawbacks come? How and why does this framework disregard issues of class, social relations, power and conflict? Drawing on insights from the history of economic thought, our inquiry now moves to consider these questions.

⁹⁷ A priorism is described as the methodological approach which considers economic theories as “being grounded in a few intuitively obvious axioms or principles that do not need to be independently established” (Blaug 1992:429).

⁹⁸ The view that all “scientific explanations take the form of deducing a statement about an event from at least one universal law combined with a set of initial or boundary conditions” (Blaug 1992:250).

1.2. Tracing the origins of the neoclassical premises

The supposed conflict of labour with capital is a delusion. The real conflict is between producers and consumers.
(Jevons 1894:98)

This research builds on the notion that labour market deregulation is underscored by a theory that consistently ignores the fundamental social relations of production and veils issues of class, power and conflict. The prerequisite for this masking operation is the excision of historical specificity and social relations and structures from economic theorising and the tailoring of the theory to fit the ideal of value-free scientific rigour. The fundamental neoclassical precepts of methodological individualism, general equilibrium and rationality critically enable this masking operation. These processes are closely interwoven with the history of economics as a discipline, particularly with the establishment of neoclassical orthodoxy as the prevailing school of thought within economics. In other words, neoclassical labour market theory did not evolve in a vacuum. It bears a relation to the whole corpus of neoclassical economics and its development where processes of economics imperialism have exerted an important influence. Hence, an examination of neoclassical economics, the bedrock of the standard neoclassical labour market theory, is in order.

Following the marginalist ‘revolution’, neoclassical economics—known also as orthodox or mainstream economics⁹⁹—acquired a dominant position in contemporary economics, particularly post–World War II economics (Milonakis 2012: 246). Marginalism refers to the introduction of the concept of marginal utility into economics independently by William Stanley Jevons in England, Léon Walras in France and Carl Menger in Austria,¹⁰⁰ in the 1870s as the building block of a new static microeconomics

⁹⁹ As Milonakis (2012:246) observes, the meanings of these three terms are not identical and vary over time.

¹⁰⁰ Jevons’s *The Theory of Political Economy* and Menger’s *Principles of Economics* were published in 1871. Walras’s *Elements of Pure Economics* followed in 1874. The three marginalist pioneers came from different backgrounds and their analytical focus differed: emphasising mechanical analogies, Jevons advocated the use of the same methods in physical and social sciences (Maas 2014). Both Jevons and Walras endorsed mathematical argument but their approach differed: Jevons, in contrast to Walras, pioneered the use of statistics while Menger, and the Austrian school in general, opposed the use of mathematics in economic analysis (Blaug 1992; Tieben 2009).

(Blaug 1962:294). Initiating broad revisions in economic theorising, marginalism marked the separation of economics from political economy and successfully introduced mathematical formalism into economic theory emulating the physics of the period to shape a rigid core paradigm which was maintained throughout the twentieth century (Mirowski 1992; Morgan 2001).¹⁰¹ The marginalist revolution substantially narrowed the application scope of economics by embracing a distinct methodology and detaching economics from other social sciences (Fine 1997: 144–45). Yet, as the scope of application narrowed to address the economy merely in terms of market relations, the fundamental premises of equilibrium, rationality, scarcity and choice increasingly acquired universality in terms of content and application: this tension between the universality of the conceptual apparatus and the reduced application scope underscores the historical logic of economics imperialism and the drive to extend the boundaries of the discipline (Fine and Milonakis 2009:8).

Breaking away from the classical emphasis on labour as the source of value, the marginalist revolution replaced the value theory of labour with the marginalist subjective theory of value. Neoclassical economists attempted to explain value in subjective terms and rejected the labour theory of value as an “inadequate theory of equilibrium price” that ignores the conditions of demand and relies upon a restricted set of production conditions for it to be valid (Fine 1998: 261). In other words, marginalist subjectivism focused on the feelings of the individual as the source of value explaining the value of a commodity in terms of its value to the individual consumer rather than considering the production process.¹⁰² The marginalist explanation of value came in contrast to the central methodological principle of classical economics that any attempt to understand market phenomena should start by delving below appearances to study the socio-economic relations between men “in their capacity as producers”, which ultimately determine their market relations (Meek 1977).

¹⁰¹ A comprehensive discussion of marginalism and its implications for economics is provided by Milonakis and Fine (2009, chapters 6 and 7).

¹⁰² As Screpanti and Zamagni (2005:167) note, the underlying argument is that all values are individual and subjective: they are always taken as the ends of particular individuals and they are assumed to arise from a process of choice. Hence, an object has value if it is desired by at least somebody.

The notion of economics as a pure value-free science gained particular momentum with the marginalist school. As Menger (1883: 237 quoted in Screpanti and Zamagni 2005:191) asserted, ‘pure science’ is always value-free (wertfrei) and economics can be a science only if it rejects value judgments. The (re)shaping of economics into a pure value-free science hinged on eliminating its social, historical, philosophical and political content and reducing its scope of inquiry to the economic behaviour of utility-maximising, asocial individuals in market processes: the abstract deductive method taken over from Ricardo, Nassau Senior, and Mill was essential to this project (Milonakis and Fine 2009). In sum, marginalism sealed the “historical process of abstraction from the socio-economic relations between men as producers” placing the psychological relations between men and finished goods at the heart of economics (Meek 1977). Accordingly, the marginalist focus moved from the domain of production to that of exchange. Brushing aside social or non-economic factors, the labour market came to be addressed uniformly as an automatic mechanism of supply and demand and the worker as a maximising consumer engaged in making rational choices.

Marginalism established the lasting hold of methodological individualism, rational choice and general equilibrium delimiting the explanatory framework of neoclassical labour market theory. This restrictive reductionist method and technical apparatus enables asocial and ahistorical analysis with the use of abstractions and universal categories without reference to time, place or context. Walrasian general equilibrium, set exchange, supply, demand and the market as ‘ideal-type’ concepts abstracted from ‘real-type concepts’: the ideal-type market was a perfectly competitive frictionless market working exactly like a perfectly frictionless machine (Tieben 2009:235–36).¹⁰³ The equilibrium representation of the economy precludes social and historical analytical elements. It confines the economy within a “system of simultaneous equations representing the demand for goods by consumers, the supply of goods by producers, and the equilibrium condition that supply equal demand on every market” where all agents aim to maximise

¹⁰³ The founding fathers of the Austrian School, Menger, Böhm-Bawerk and Wieser rejected static equilibrium as contrary to the notion of human action and prioritised subjectivism over marginal calculation; diverging viewpoints persisted among latter day Austrians, e.g. as regards the degree to which markets can be assumed to reach equilibrium (Tieben 2009).

their utility (Arrow and Debreu 1954:265).

Purified of social relations and structures, the ‘ideal-type’ static equilibrium universe is taken to represent the entire society and labour markets as populated by socially isolated utility-maximising individuals. The mechanically rational, ‘calculating man’ of Jevons and (to a lesser extent) Menger’s subjectively choosing individual set the model of the rationally choosing ‘homo economicus’ (Morgan 2006). Rational choice provided the basis to explain the fundamental social relationships of capitalist society in abstract of their social and historical context: property, exchange, money, the division of labour and the separation of the worker from the means of production came to be addressed not as historically specific forms of social relations but as technical tools that enable “the most perfect realisation of individual rationality” (Clarke 1991:194–95).

The marginalist revolution left a defining mark on economics but its victory came only after an “uphill struggle” (Blaug 1962:307–8). In this process, Alfred Marshall softened extremes and played a key role in establishing neoclassical economics as an academic discipline built around the marginalist paradigm (Fine and Milonakis 2009:3). Seeking to reconcile marginal utility economics with classical economics, Marshall via a distinct personal course engaged with a wider theoretical perspective that accommodated some social concerns and endorsed partial rather than Walrasian general equilibrium (Screpanti and Zamagni 2005). Attempting to invest economic analysis with a sense of the historical and bringing reality into theory, Marshall favoured a blend of deductive and inductive methods (Milonakis and Fine 2009:125).¹⁰⁴

After marginalism, the neoclassical paradigm traversed a long and complex route before becoming the canon of the discipline. Marginalism was contested by diverse intellectual traditions, mainly Marxist and historicist in Europe and institutionalist in

¹⁰⁴ As Fine and Milonakis (2012:90) observe, Marshall was concerned with perfecting and consolidating the technical apparatus that prevailed in economics which he viewed as a part of economics, in contrast to the mainstream view that saw it as the only worthwhile element in economics. Ideologically, Marshall defended capitalism drawing on evolutionary social Darwinism to argue that hereditary factors influence social organisation through a protracted process which defeats any attempt to change society rapidly: this process prolongs exploitative social structures ultimately proving that their benefits outweigh their defects (Hunt and Lautzenheiser 1979:297–8).

North America; these traditions came to be marginalised in the last quarter of the twentieth century against the gradual consolidation of what is termed the ‘mainstream’ in Western economics (Hands 2009; Morgan 2001:9). More importantly, as Milonakis (2012:246–47) notes, marginalist neoclassical economics came to epitomise the type of economics described as ‘vulgar’ by Marx. In contrast to classical economists who examined the real internal relations of production, Marx (1867:679) emphasised that vulgar economists “in their shallowness, make it a principle to worship appearances only.” Vulgar economists, Marx wrote:

[O]nly flounder around within the apparent framework of those relations, ceaselessly ruminate on the materials long since provided by scientific political economy, and seek there plausible explanations of the crudest phenomena for the domestic purposes of the bourgeoisie. Apart from this, the vulgar economists confine themselves to systematizing in a pedantic way, and proclaiming for everlasting truths, the banal and complacent notions held by the bourgeois agents of production about their own world, which is to them the best possible one. (Marx 1867:174–5, fn34)

The consolidation of an essentially vulgar and seemingly value-free economics emphasising appearances and generalisations came with Lionel Robbins. At the backdrop of the worst depression the capitalist world had ever witnessed, Robbins (1935:16) defined economics as “the science which studies human behaviour as a relationship between ends and scarce means”. Notwithstanding the belated victory of Robbins’s ideas in the 1960s (Backhouse and Medema 2009), the “Essay on the Nature and Significance of Economic Science” (Robbins 1935),¹⁰⁵ left its lasting imprint providing the key to understanding neoclassical economics and its method (Reuten 1996). Therefore, a critical examination of Robbins’s legacy is in order to elucidate the establishment and the limitations of the supposedly value-free, asocial and ahistorical neoclassical theory that underpins labour market deregulation.

Robbins’ method hinged on three key objectives: to define economics as choice under scarcity, improve the scientific premises of choice theory and remove interpersonal

¹⁰⁵ In this paper, the 1945 reprint of the second (1935) edition of the Essay is used. *An Essay on the Nature & Significance of Economic Science* was first published in 1932, followed by a second edition in 1935. Although the bulk of Robbins’s positions and argumentation were retained in the second edition, there were significant changes. See Hands (2009b) for a discussion of the changes regarding introspection and interpersonal utility comparisons.

utility comparisons from economic analysis to posit that economics is a value-free science (Hands 2009:389). This reductionist project was instrumental in expunging historical and social specificity from economics and adding a new veil over what Marx (1867:279–280) described as the “hidden abode of production”. Thus, economic theory can only be concerned with appearances, namely the appearance of scarcity or how it “shows itself in the world of reality” (Robbins 1935: 78). The proper scientific method prohibits subjective value judgments and addresses economic phenomena only in terms of their directly observable appearance:

Scientific method [...] demands that we should leave out of account anything which is incapable of direct observation. We may take account of demand as it shows itself in observable behaviour in the market. But beyond this we may not go. Valuation is a subjective process. We cannot observe valuation. It is therefore out of place in a scientific explanation. (Robbins 1935: 87)

Neoclassical theory, then, taking the appearances of capitalism for granted studies the relationship between appearances without seeking to elucidate “the relations specific to capitalism which makes these appearances peculiar to capitalism” (Fine 1980: 9). Analysed as mere appearances, the relations of production, distribution and exchange are detached from their social significance, as categories of capitalism so that production is addressed merely as representing the connection “between a set of inputs (including labour) and a set of outputs” rather than as “embodying relations between classes” (ibid). In contrast, Marxism, unlike bourgeois economics, goes beyond “concepts of appearances” and is not bound by the axiomatic method of deduction: it investigates the relationship between categories of analysis as social and historical variables rather than as economic variables (Fine 1980: 15).

Robbins’s definition, first, confined further the scope of economics to problems that arise when an individual cannot satisfy all his needs with the scarce means available; securing “given ends with least means” is all that matters (Robbins 1935: 145). Declared by Robbins to be “neutral as between ends” (p.147), economics became the science of choice excluding from its subject matter “ends as such” as well as “the technical and social environment” (Robbins 1935: 147, 38). In other words, the neoclassical notion of scarcity (as it appears) prevailed over the social relations of production which are explained as the apparent outcome of individual rational choices resulting from given relationships between means and ends. Second, the “Essay” firmly entrenched methodological individualism, rational choice and a “pure theory of equilibrium” (1935: 143). “Mechanical Robbinsian maximizers and economizers” (Kirzner 1973: 39)

displaced collectivities, not least classes, in an economy conceptualised as the aggregation of its individual components. Third, Robbins systematically undertook to strip economics of normative content, social considerations as well as historical specificity (Hodgson 2001). His deductive a priorism prohibited interpersonal utility comparisons claiming that the ordering of individual preferences is based on normative evaluations and cannot be scientifically observed (Maas 2014: 35). Thus, issues such as income equality were effectively banned as “entirely unwarranted by any doctrine of scientific economics” and “entirely illegitimate” (Robbins 1935: 121, 125). In sum, Robbins’s method expunged the social as non-economic and incommensurable with ‘true’ economic objectives; his value-free economics, for example, privileged the status quo income distribution that has historically been one of substantial inequality (Persky 2004: 934–6).

Finally, Robbins’s definition of economics and his methodology legitimised neoclassical imperialist ventures in the social science field (Backhouse and Medema 2009:805; Fine and Milonakis 2009; Hands 2009). It provided a foundation for economics imperialism allowing the extension of the subject matter of economics to encompass any kind of human behaviour “imposed by the influence of scarcity” (Robbins 1935:17). Foreshadowing¹⁰⁶ Gary Becker, Robbins’s argumentation effectively smoothed the way to the generalised application of the ‘economic approach’:

It follows from this, therefore, that in so far as it presents this aspect, any kind of human behaviour falls within the scope of economic generalisations. [...] in so far as either kind of activity involves the relinquishment of other desired alternatives, it has its economic aspect. There are no limitations on the subject-matter of Economic Science save this. (Robbins 1935:17)

To conclude, at the backdrop of unprecedented levels of unemployment and the Great Depression, an essentially vulgar type of economics at odds with social reality was

¹⁰⁶ Dedicated to keep sociology separate from economics, Talcott Parsons, the leading functionalist sociologist, argued that rather than a subject matter, Robbins was defining a method that was distinct from that of sociology examining social issues independent of the individual: mainstream economics would live on in detachment from the other social sciences “to the extent that its analytical roots are recognized and quite apart from its intimidating technical virtuosity and statistical methods” (Milonakis and Fine 2009: 218, Fine 2002: 2065)

launched to prevail as the canon of the discipline (Milonakis and Fine 2009: 218). With the exception of the interwar Keynesian interlude (or revolution according to another viewpoint), neoclassical conceptual and methodological premises reigned in economics, its subfields and then the entire social science field. An essentially asocial and ahistorical body of theory that studies the appearance of scarcity prevailed also in labour economics. On the one the hand, labour economics was deprived of key analytical tools needed to address complex labour market phenomena. On the other hand, it was critically confined within a conceptual and methodological apparatus that bypassed the social relations of production and the contradictions of the capitalist system.

2. ECONOMICS IMPERIALISM AND THE COLONISATION OF LABOUR ECONOMICS

Indeed, I have come to the position that the economic approach is a comprehensive one that is applicable to all human behavior.
(Becker 1976:8)

Looking over mainstream labour economics textbooks, it is difficult to believe that labour economics could have been different and that a non-neoclassical labour market theory could be possible. Why is this case? How did neoclassical orthodoxy come to enduringly dominate labour studies? In which intellectual environment did the standard labour market paradigm flourish and prevail? The concept of economics imperialism provides a useful theoretical anchor for addressing these questions. It can provide insights to explain the monolithic pervasiveness of the case for labour market deregulation and the mainstream fixation on eliminating labour market rigidities. For, labour economics did not evolve in a vacuum. The neoclassical thrust for the hegemony “has been no more prominent than in labour market theory” (Fine 1998: 4).

This section, first, discusses the general principles, the stages and the implications of economics imperialism. Subsequently, it examines the gradual colonisation of labour economics focusing on early institutionalism and its displacement by the neoclassical ‘economic approach’ associated mainly with leading exponents of the Chicago School of economics. Reflecting the broader debate described as the “struggle for the soul of economics” in the interwar period (Yonay 1998), these developments allow us to trace the influence of economics imperialism in the evolution of labour economics.

Denoting broadly the colonising thrust of mainstream economics to invade and dominate other social science fields, economics imperialism is discussed in detail by Fine and Milonakis (Fine and Milonakis 2009; Fine 1997, 1999, 2000, 2008b) who

convincingly analyse its defining characteristics, evolution and implications. Tracing the phenomenon as a gradual process from classical political economy to neoclassical economics through the marginalist revolution, Milonakis and Fine (2009) developed a critical framework that elucidates the domination of the neoclassical theoretical and methodological apparatus and the attendant desocialisation and dehistoricisation of economics. They demonstrate how economics has become an “increasingly formalistic, axiomatic and deductive” science intolerant of alternative approaches and devoid of historical and social analytical perspective (Fine and Milonakis 2009:5; Milonakis and Fine 2009). Consolidated by economics imperialism, the hold of neoclassical economics extends from the analytical/theoretical framework and methodological toolkit to the practice, research, teaching and the professional stratification of economics.

The ascendance of the neoclassical approach can be traced back to the late 1950s to Gary Becker’s (1957) “The Economics of Discrimination”, a work that addressed discrimination in labour markets by introducing a “taste for discrimination” into the utility function of employers, workers and customers without any consideration of the social or historical drivers of discrimination. This work marks Becker’s first attempt to universalise the application of the “economic approach”, namely the application of neoclassical micro-economic rational utility maximisation to virtually everything that could count as social. As Becker (1976: 5–6) famously posited, the “combined three assumptions, of maximizing behaviour, equilibrium and stable preferences, used relentlessly and unflinchingly, form the heart of the economic approach” that extends beyond material goods, needs and even the market sector. By the early 1980s leading exponents of the economics orthodoxy exulted in the “imperial science” that could address key problems in a substantial number of social fields “without any invitations” (Stigler 1984: 311). These tenets were ardently applied to every imaginable aspect of human and social activity

extending even to animal behaviour and biological phenomena and epistemology.¹⁰⁷

The evolution of economics imperialism in two phases deserves attention. The first phase treated all social phenomena ‘as if’ they were equivalent or reducible to the economic: all economic and social phenomena could be reduced to optimising individuals “as if in the presence of a perfectly working market” (Fine 2004:111, 2006: 151–52). Thus, the notion of “perfectly working markets extended to the non-market” implied that the social was addressed only as an extension of perfectly functioning markets (Fine and Milonakis 2009:126). Closely associated with human capital theory (Becker 1964), public choice theory (Buchanan and Tullock 1962) and cliometrics (Fogel 1966; North 1981), old economics imperialism enjoyed success but its strict reductionist and “alien” method limited the scope for further achievements (Fine 2000:10). The second ‘new’ phase of economics imperialism is associated with the advent of the information-theoretic approach emphasising market imperfections, particularly informational imperfections. Recognising the importance of institutions, customs, social norms and history, the new economics imperialism addresses the world as an imperfect market rather than ‘as if’ it were a perfect market (Fine and Milonakis 2009:58, 110). It addresses social entities as the result of market imperfections and conceptualises the social as a response to imperfectly operating markets rather than as the extension of optimally working ones (Fine and Milonakis 2009:9). Hence, the social could become endogenous, the explanatory power of rationality extended while the social and the historical could be restored back in economic analysis despite retaining methodological individualism within imperfect market situations (Fine and Milonakis 2009:53).¹⁰⁸

¹⁰⁷ A selection includes Janet T. Landa. 1986. “The Political Economy of Swarming in Honeybees: Voting-with-the-Wings, Decision-Making Costs, and the Unanimity Rule,” *Public Choice* 51(1):25–38; John H. Kagel, Raymond C. Battalio, and Leonard Green. 1955. *Economic Choice Theory: An Experimental Analysis of Animal Behavior*, Cambridge University Press; Raymond C. Battalio, John H. Kagel, and Owen R. Phillips. 1986. “Optimal Prices and Animal Consumers in Congested Markets,” *Economic Inquiry* 24 (2): 181–93. Radnitzky (1987) used cost-benefit analysis (CBA) to explain theory choice taking Popperian methodology as the application of the CBA to epistemology.

¹⁰⁸ According to the reasoning of the information-theoretic approach, if “1) market failures explain economic structures, 2) response to these explains non-market structures and 3) therefore history, institutions, culture and social norms matter and can be endogenised (Milonakis and Fine 2009:307).

The (reductionist) inclusion of economic and social relations and structures as market imperfections into economic analysis enhanced the appeal and the effectiveness of ‘new’ economics imperialism. It strengthened claims regarding the universal applicability of the economic approach that was both scientific and versatile with a wider analytic scope despite its constrictive conceptual apparatus.¹⁰⁹ In particular, the new information-theoretic micro-foundations through a “pincer movement” of intolerance and internal colonisation purported to address radical political economy concerns in terms of market imperfections displacing class, power and conflict: the segmented labour market theory that was considered as incoherent by the mainstream, for example, was renovated after the mid-1980s along neoclassical lines (Fine and Milonakis 2009:122; Fine 1998).

Finally, Mäki distinguishes three types of economics imperialism (Mäki and Marchionni 2011; Mäki 2009). First, imperialism of scope denotes the expansionist drive for explanatory unification: one and the same theory is used to explain an increasing number of diverse phenomena. Imperialism of scope can be either intra-disciplinary or inter-disciplinary. Second, imperialism of style concerns techniques and conceptions of research and standards of inquiry and communication. Third, imperialism of standing refers to attempts of displacing the academic and political standing as well as the acknowledged societal relevance of the colonised field: the coloniser grows in standing at the expense of the colonised. Another distinction is made between internally and externally driven imperialism depending on whether the agents of imperialist action are located within a discipline or outside its boundaries (Mäki and Marchionni 2011:660). In economics, internally-driven economics imperialism or a process of internal colonisation can be perceived in areas of the discipline previously considered as the privileged fields of non-mainstream traditions such as development economics, segmented labour market theory and so on (Milonakis 2003:21).

¹⁰⁹ Another effect was the reactivation of colonised old fields such as cliometrics, known also as new economic history that exemplified the Becker-type old economic imperialism (Fine 2004:129). At the same time, formerly inaccessible subject matter in several new fields within and around economics became accessible e.g. new institutional economics, new political economy, the new growth theory, new economic geography, new financial economics and new development economics (Milonakis and Fine 2009:66). New fields/subfields proliferated also in labour studies including New Labour Economics, New Personnel Economics, New Economics of Labour Migration and so forth.

Building on these insights, the next section critically investigates the evolution of labour economics into what has come to be termed as ‘modern’ labour economics.

2.1 The rise and the marginalisation of the institutional approach to labour economics

The development of labour economics into a distinct area of study is closely interwoven with the history of American or old institutionalism (OIE)¹¹⁰ that consciously opposed neoclassical economics and keenly advocated social reform (McNulty 1980:153). Influenced by the German historical school, the work of Beatrice and Sidney Webb¹¹¹ and the American Social Gospel movement, the institutional approach of Richard Ely, John Commons, Thorstein Veblen, Wesley Mitchell and their peers from its birth in the late nineteenth century through to the 1930s until its decline after World War II greatly influenced labour economics (Kaufman 2001:17–8). Ely and his successor Commons established at the Universities of Wisconsin and Johns Hopkins a distinct tradition in labour studies, including industrial relations, which bore the hallmarks of institutionalist scholarship (McNulty 1980: 130–33).¹¹² These involved an emphasis on the economy as a set of evolving social institutions, interdisciplinarity and empirical methods even with considerable analytical and methodological differences in the work of leading institutionalists (Blaug 1962: 708–9; Rutherford 1996). Old institutionalists considered economics as a “historically specific science that studies economic relationships in their historical context” (Milonakis and Fine 2009:160).¹¹³

Old institutionalists opposed (without wholly discarding) the neoclassical assumption of rational maximisation and formalism (Rutherford 1996: 55, 9, 38). Their

¹¹⁰ The term ‘old’ is not used pejoratively but to distinguish the early institutionalists from the New Institutional Economics which has important differences from old institutionalism.

¹¹¹ Members of the Fabian Society and co-founders of the London School of Economics, the Webbs supported inductivist methods and sided with the historicists (Hodgson 2001).

¹¹² During the interwar years, American institutionalism was the leading current of thought in the economics departments at several leading American universities, most clearly at Columbia and Wisconsin; the University of Chicago, too, accommodated institutionalist views in its pre-war period (Rutherford 2001).

¹¹³ Milonakis and Fine (2009, ch.9-11) provide a detailed account of the intellectual roots, the golden age and demise, the shared conceptual elements and the work of the major exponents of the old American institutional school.

shared critical stance towards neoclassical theory influenced their approach to labour and labour markets. Veblen questioned the assumption of the marginal disutility of labour and the notion of work as disutility while Commons contested the neoclassical treatment of labour as a commodity identical with other factor inputs (Spencer 2008). Overall, institutionalist labour economists rejected the competitive demand and supply model as narrow, simplistic and unfit to fully explain employment relationships and wage determination, particularly as regards the impact of frictions, imperfections, and human behaviour in labour markets (Kaufman 2008:287). They opposed orthodox neoclassical models as overly formal, abstract, and narrow while their emphasis on empirical work was not confined to quantitative and statistical methods but emphasised case studies, documentation, e.g. trade union documents, court transcripts (Rutherford 1996, 2001:177).

Institutionalist labour economists had a direct knowledge of labour market problems and close ties to organised labour. Motivated by a spirit of activism and a keen concern with social problems and reform, they opposed laissez-faire policies and unfettered competition which they saw as sources of inefficiency that dehumanised the labour market and disempowered workers (Boyer and Smith 2001:200–1; McNulty 1980). The ideas advanced by Commons and his peers underpinned New Deal labour policies in the 1930's and helped to implement a series of reforms on minimum wages, pensions and the right to collective bargaining in the United States (Kaufman 200: 24). Yet, despite the focus on labour and labour problems, the notion underlying institutionalism hinged on reforms “to save capitalism by making it good” (Commons 1934:143 quoted in Kaufman 2010:76).

A transitional phase lasting from 1945 to 1960 saw the gradual decline of the institutional approach in Britain and the US and the ascendance of neoclassicism. In this transitional phase the labour field was dominated by prominent ‘neoclassical revisionist’ (or neo-institutionalist) labour economists including John Dunlop, Clark Kerr, Richard Lester, and Lloyd Reynolds who attempted to blend institutional thought with neoclassical principles by improving the application of standard price theory to the labour market

(Boyer and Smith 2001:205; Kaufman 2010a:137).¹¹⁴ These scholars shared the view that labour markets among all markets structurally and behaviourally did not conform to the competitive model (Kaufman 2010a:133). The challenge mounted by Richard Lester (1946) to the flaws of marginalist labour market analysis and later to Stigler's minimum wage analysis exemplifies the tensions of this period.¹¹⁵ Criticising neoclassical theory for ignoring non-wage factors and institutions in labour market analysis, the neo-institutionalists hoped that 'realistic' labour market evidence would eventually prompt the neoclassical camp to amend their approach (Boyer and Smith 2001: 2006-7). These hopes did not materialise. Reflecting developments within the economics discipline, after the 1960s the neoclassical approach was set on the imperialist trajectory that ultimately displaced 'old' institutionalism from labour economics.¹¹⁶

The demise of institutionalist labour economics has been attributed to its failure to develop a consistent theory, the limitations of its fact-gathering descriptive method as well as to the unwillingness of institutionalists to break decisively with neoclassicism (Boyer and Smith 2001; Spencer 2008:110). Yet, the role of economics imperialism and its trademark intolerance towards alternative approaches should not be underestimated. The demise of institutionalism in labour economics coincides with the post-war rise of economics imperialism. Conversely, the period that witnessed the rise of the institutional approach between the marginalist revolution and the World War II accommodated theoretical and methodological pluralism, interdisciplinarity and geographical diversity with open lines of communication between different currents of thought (Milonakis 2012:250; Morgan 2001). Diverse schools of thought—none of which was dominant—

¹¹⁴ Delayed by the Great Depression, a neoclassical conception of the labour market which relied on constrained maximisation, marginal analysis, rational behaviour and methodological individualism was already underway in the 1930s with the publication of two books, both titled "The Theory of Wages" by John Hicks in 1932 and by Paul Douglas in 1934 (Boyer and Smith 1998; Kaufman 2001:30).

¹¹⁵ In the episode known as the Lester, Machlup and Stigler controversy, Lester (1946) demonstrated empirically the discrepancy between the treatment of the labour market in price theory and in macroeconomics particularly as regards the determination of labour demand and wages. Sparking forceful responses by Machlup and Stigler, the controversy was ultimately ironed out by Friedman's 1953 essay on methodology (Yonay 1998:198–9).

¹¹⁶ Neo-institutional labour economists in 1947 left the American Economic Association (AEA) to form the Industrial Relations Research Association (IRRA) (Kaufman 2010:137).

shared a concern with institutions opposing marginalism and the mathematisation of economics (Milonakis and Fine 2009; Yonay 1998).¹¹⁷ Institutional and Keynesian approaches could coexist providing a more realistic macro analysis needed for the survival of microeconomics (Fine and Milonakis 2009:61,134). The pre-war Chicago School hosted a diversity of views including the institutional approach while in Germany the German Historical School still retained its influence (Rutherford 2003).

By the late fifties, however, the intellectual and social climate had changed. At the backdrop of the cold war, the emergence and domination of rational choice theory underscored by the attempt to develop an anti-socialist intellectual apparatus funded by powerful private and government think tanks such as the RAND Corporation (Amadae 2003). Social concerns that had motivated institutionalist scholars were receding while new trends in psychology and sociology absorbed subject matter previously studied by institutionalists (McNulty 1980). The mathematisation of economics and new modelling techniques progressively cast out interdisciplinary institutionalist tradition while econometrics invested mainstream economics with empirical content (Morgan 2001; Rutherford 2001; Theocarakis 2010:23). By the end of the fifties, Gary Becker, the champion of ‘old’ type economics imperialism, Jacob Mincer, Milton Friedman, George Stigler, H. Gregg Lewis and others were setting labour economics on the “thoroughly neoclassical and unabashedly imperialistic” path associated with the Chicago school (Kaufman 2010a:133).

2.2 The establishment of ‘modern’ labour economics and Chicago School imperialism

The most aggressive economic imperialists aim to explain all social behavior by using the tools of economics. Areas traditionally deemed to be outside the realm of economics because they do not use explicit markets or prices are analyzed by the economic imperialist. (Lazear 2000:103–4)

This subsection describes and analyses the consolidation of the neoclassical labour market paradigm in labour economics focusing on the role of the Chicago School of

¹¹⁷ See, in particular. Chapters 5, 9 and 10 in Milonakis and Fine (2009).

economics. For, labour market research has been central to scholarship at the University of Chicago that exerted the greatest influence over labour studies during the twentieth century together with the University of Wisconsin, home of the institutionalist tradition (Kaufman 2010a). As Reder (1982:33) observes, labour economics is the only applied field where the Chicago tradition has been carried on without “major hiatus’. At the same time, labour market research undertaken at Chicago greatly influenced policy as the Chicago School perceived economics mainly as a science of applied policy (Emmett 2010). The dynamics of economics imperialism and the influence of the ‘economic approach’ over labour studies can be effectively observed in the case of the Chicago school, not least because it was home to major exponents of economics imperialism including the recent champion of the ‘freakonomics’ genre Steven Levitt.¹¹⁸ What were, then, the key elements of this particular tradition and how did the “Chicago View” (Reder 1982) influence labour studies?

Seeking to reshape labour scholarship along neoclassical lines, the Chicago approach extended the hold of methodological individualism, rational choice and the supply/demand equilibrium framework over labour economics allowing ‘anomalies’ of the labour market to be “explained away from within the paradigm” (Theocarakis 2010:23). In the rise to prominence of the post-war Chicago-style labour economics, we can identify an intra-disciplinary, internally driven imperialism of scope, style and standing (Mäki and Marchionni 2011; Mäki 2009).

First, the ‘disciplinary’ imperialism of scope that refers to the expansionist drive for explanatory unification by using one theory to explain numerous diverse phenomena, hinged on two central beliefs shared by Chicago scholars: (a) that neoclassical price theory can explain observed economic behaviour and (b) that competitive markets efficiently allocate resources and distribute income minimising the role of the state in economic activity (Reder 2008; Schliesser 2010: 234). From early on, Chicago scholars keenly sought to apply the ‘unifying’ neoclassical price theory and the competitive market paradigm to labour market analysis gradually expunging institutional insights and any

¹¹⁸ See Fine and Milonakis (2009, 2012) for an assessment of the freakonomics ‘genre’.

other approach. The work of Gary Becker, Jacob Mincer, Milton Friedman and George Stigler and H. Gregg Lewis, the father of ‘modern’ labour economics, exemplifies how Chicago scholars addressed diverse labour market phenomena by the fundamental price theory tenet that the forces of demand and supply bring all markets into market-clearing equilibrium (Boyer and Smith 2001:210; Kaufman 2008: 288–9). The application of neoclassical price theory to labour market issues, particularly labour supply behaviour, marked the work of Jacob Mincer whose theoretical and methodological contribution, including his human capital analysis, reshaped labour research (Teixeira 2011). As early as 1942, Stigler devoted the last chapter of his price theory textbook “The Theory of Competitive Price” to the demand and supply of labour. In the “The Economics of Minimum Wage Legislation” (1946), he set out a neoclassical labour market model to advocate “competitive wage determination” opposing minimum wage legislation and the “manipulation of individual prices” as a direct cause of unemployment. Analysing the rationality of worker behaviour, Simon Rottenberg (1956) deployed Friedman’s (1953) methodological attack on realism in economic theory and Stigler’s (1946) minimum wage analysis to defend the competitive labour market model including its “long-term and definitional” predictions against critics.¹¹⁹

Amongst all Chicago economists, Gary Becker, the patriarch of economics imperialism, is credited with exerting the greatest influence on labour economics (Kaufman 2010a:140). Becker expanded the application scope of the ‘economic approach’ to labour market issues which hitherto were considered as non-economic. His elaboration of human capital theory exemplifies imperialism of scope aiming explicitly at a “unified and comprehensive theory” applicable to “any kind of human capital” such as education, training, family environment or migration (Becker 1964:245). Based on the neoclassical supply and demand framework, human capital theory assumes that all markets are perfectly competitive, that all persons are rational, perfectly informed and that all human capital is homogeneous: all units of production are substitutable adding the same amount to earnings (Becker 1964: 119, 136, 111). Thanks to the homogeneity assumption, Becker

¹¹⁹ Rottenberg was responding to the Lester, Machlup and Stigler controversy sparked by the Lester’s challenge in 1946 against marginalist analysis in labour research.

(1964: 136), could brush aside “qualitative details” claiming to emphasise fundamental labour market relationships. Yet, the major achievement of human capital theory was precisely to obscure the fundamental social relations of capitalist production. Carrying the neoclassical treatment of labour as a commodity to new heights, human capital theory effaced labour as an explanatory category. As Fine (1998: 58) observes, human capital theory achieves a double reification.¹²⁰ First, discarding issues of class, power and conflict, it addresses labour as a physical asset, a fixed factor of production, and not as a social relation of production. Second, it superimposes capital as a physical asset on a human activity which generally falls outside the “orbit of capital” (ibid). By this double reification, human capital theory blurs the crucial fact that labour is employed by capital distorting the essence of social relations that lie at the heart of capitalist production:

The means of production, the material conditions of labour, are not subject to the worker, but he to them. Capital employs labour. This in itself exhibits the relationship in its simple form and entails the personification of things and the reification [Versachlichung] of persons (Marx 1867:1054 Appendix)

Despite its substantial empirical shortcomings (Blaug 1992) and its objectionable normative charge, human capital theory became a standard component of labour market analysis with an increasingly wide range of application. As such it served as a perfect conveyor of economics imperialism. The superficial incorporation of social institutions such as family and education previously discarded by neoclassical theory amplified its appeal strengthening its colonising in the new era of imperfect markets (Fine and Milonakis 2009:68; Fine 1997:413).

Along with imperialism of scope, the neoclassical colonisation of labour economics involved elements of imperialism of style and standing. These two more objectionable imperialisms affect the ‘identity-constituting’ values, traditions, research strategies, and practices as well as the social standing of the colonised field and its practitioners (Mäki and Marchionni 2011: 648). A combination of the three imperialisms is potentially more dangerous for the colonised field as it indicates the attempt to reshape orientation, theoretical convictions and styles of inquiry (p.553). Formalism and

¹²⁰ Described by Marx as the “personification of things and reification of persons” (Marx 1867:209 fn)

mathematisation, for example, increasingly characterised the practice of labour economics: statistical and computerised modelling methods became the norm for research displacing realism and discarding dialogue with other areas of labour research (Boyer and Smith 1998: 107; Spencer 2008: 111). At Chicago, H. Gregg Lewis, the father of modern labour economics, through his teaching and research style exerted great influence transforming the field into a major area of applied quantitative research emphasising statistical and econometric methods (Reder 1982: 3). At the same time, Friedman's (1953) methodological arguments helped to sustain intellectually the neoclassical approach to labour market analysis and reinforced the trend for mathematisation (Boyer and Smith 2001: 207). Labour market theory was not immune to Friedman's (1953: 7) assertion that a theory should "serve as a filing system for organizing empirical material" where predictive capacity must prevail over explanatory adequacy and the realism of assumptions. Thus, emphasis shifted away from explaining labour market problems to mathematical convenience.

Central to the Chicago style or "Chicago View" (Reder 1982) was the integration of research and teaching operations; numerous workshops, seminars and discussion groups, the arduous Chicago PhD training, rigorous price and monetary theory courses and so forth created a distinct epistemic community within a specific "sub-culture". In Kuhnian terms, the paradigm defines and binds together the community so that "a scientific community consists of men who share a paradigm" (Kuhn 1962: 174). The Chicago culture did not tolerate well views falling outside of the paradigm. It penalised answers seen to "violate any maintained hypothesis of the paradigm" as evidence of failure to absorb the school's rigorous standards; instead of confronting theory with evidence, empirical research was evaluated by standards that required findings to be "consistent with the implications of standard price theory" (Reder 1982: 13, 19). Membership of the elite Chicago scientific community depended on adherence to the paradigm. As Stigler observed:

It is indeed true that a believer in the labor theory of value could not get a professorship at a major American university, although the reason would be that the professors could not bring themselves to believe that he was both honest and intelligent. (Stigler 1959:527)

A distinct feature of style in Chicago labour scholarship is a strong normative commitment to *laissez-faire*, individualism and free markets (Emmett 2010; Kaufman 2010a; Reder 1982). In fact, labour scholarship at Chicago challenges Friedman's (1953: 4) assertion that positive economics is "independent of any particular ethical position or

normative judgments”. The work of leading Chicago scholars is laden with normative class overtones, value judgments and propositions against organised labour and distributive social justice that is considered ethically unsound and economically counterproductive. As Friedman (1962: 161–62) paraphrasing Marx wrote, the only principle that can ethically justify income distribution in capitalism is “to each according to what he and the instruments he owns produces”.

The intensity and the scope of the anti-labour Chicago discourse lays bare the class overtones of an undertaking designed to disarm and discredit workers. Organised labour was seen as a source of monopoly that threatens competition, capital and free markets conforming to a central idea of the neoliberal Mont–Pelèrin Society (MPS) and its guiding light Friedrich Hayek (1944).¹²¹ Organised labour was demonised as a source of vast coercive power while the power of organised capital was not considered at all. Illustrating this distorted vision of capitalist labour markets, Hayek (1959: 292, 281) argued that unions are so powerful that they can “appropriate” major firms and gradually take over capital across industries. Using a vocabulary of class warfare, Simons (1944: 21, 8, 1) described organised labour as a violent occupational army led by militants that aim to “exterminate the industry” by high labour costs. At the same time, legislation to suppress labour power was advocated across the board targeting all forms of collective action (Friedman 1962: 122–23, 116, 132; Simons 1944). H. Gregg Lewis proposed draconian ‘reforms’ to suppress the US institutional framework,¹²² limit the operation of trade unions and outlaw industrial relations by prohibiting “all large-scale concerted action among employers and employees” (Steiner 2009: 193–4).

As noted above, the imperialistic successes of a discipline are associated with its academic and political standing and occur at the expense of colonised fields. Imperialism

¹²¹ The ties between the Chicago school, Hayek and the ultra-conservative MPS that counted many prominent Chicago figures among its members have been well studied in recent literature (Caldwell 2011; Van Horn and Mirowski 2009; Peck 2008). Harnessing organised labour was the third most important item on the MPS agenda engaging more than twenty MPS members with numerous publications on this topic (Steiner 2009: 182). For Hayek’s uneasy relationship with the Chicago School and some of its key figures see Caldwell (2011) and Peck (2011; 2008).

¹²² These include minimum wage laws, the National Labor Relations Act, the Norris-LaGuardia Act, the National Labor Relations Board (Steiner 2009: 193).

of standing can be discerned in the vast power Chicago acquired within the profession in terms of academic status and policy influence. This influence is amplified by the fact that Chicago school methodology, theory and policy advice are interconnected; economics is considered mainly as a science of applied policy (Emmett 2010).¹²³ High ranking government positions, numerous Nobel prizes, generous funding and the active involvement of prominent Chicago figures in powerful think tanks and policy platforms (Mirowski and Plehwe 2009) greatly enhanced the School's reach and its standing. The remarkable combination of political power and academic influence found a prime field of application in labour market policy.

In conclusion, the foregoing discussion suggests that over the course of the post-war period, the Chicago School as the epicentre of economics imperialism played a central role in the development of 'modern' labour economics and the suppression of alternative approaches. The Chicago approach shaped decisively the evolution of the field. It provided an apt intellectual environment for the consolidation of the standard labour market paradigm tying it tighter to its neoclassical conceptual underpinnings. Embraced by prominent Chicago scholars, economics imperialism greatly contributed to the colonisation of labour economics in terms of scope, style and standing. It helped marginalise other approaches and disseminate the neoclassical labour market paradigm including its anti-labour ideational content.

To briefly recapitulate, this study has so far described and analysed in historical perspective the methodological and theoretical underpinnings of the neoclassical labour market theory, the formation of modern labour economics and the consolidation of the standard labour market paradigm taking into account the influence of economics imperialism. The attempt was made to trace the origins of the asocial and ahistorical nature of the neoclassical labour market theory considering the claim to value-free scientific rigour. The next section moves to explore further this claim and questions the broader class implications of the standard labour market paradigm.

¹²³ The role played by Friedman and the other 'Chicago boys' Arnold Harberger, H. Gregg Lewis and Larry Sjaastad in applying shock therapy as economic advisers to Chilean dictator Pinochet is a well documented episode of Chicago style policy advocacy (Chossudovsky 1997; Taylor 2006)

3. THE IMPLICATIONS: 'VALUE-FREE' THEORY OR AN INVERTED WORLD OF WORK?

*That in their appearance things are often presented in an inverted way is something fairly familiar in every science except Political Economy.
(Marx 1867:677)*

This section challenges mainstream claims of value-free scientificity and considers the class implications that arise from the conceptual foundations of neoclassical labour market theory. It examines whether theory is “always for someone and for some purpose” (Cox 1981:128). The aim is to demonstrate that the dominant labour market theory by virtue of its neoclassical theoretical and methodological underpinnings is inscribed with elements of class bias that invert the “inner core” of social relations of production in capitalist labour markets. In other words, it seeks to explicate how the neoclassical framework projects a distorted—or inverted—appearance of labour market processes veiling the social relations at the core of capitalist production which are essentially relations of dominance and exploitation? To do so, our inquiry starts with general critical observations and then moves to describe and analyse particular questionable propositions that emanate from the conceptual and methodological neoclassical premises of labour market theory. To lay bare the disjuncture between the neoclassical labour market theory and the capitalist relations of production, it engages with Marx's account of the real world of work and introduces the basic premises of a critical theoretical framework that can help make sense of labour market deregulation.

The following well-known passage from by Marx from the “Preface to a Contribution to a Critique of Political Economy” (1859) outlining the essential points of historical materialism sets the terrain for our discussion. It cogently captures the historical significance of the ‘inner core’ that is hidden/distorted by a theory that purports to address labour market phenomena that have a significant societal import:

In the social production of their existence, men inevitably enter into definite relations, which are independent of their will, namely relations of production appropriate to a given stage in the development of their material forces of production. The totality of these relations of production constitutes the economic structure of society, the real foundation, on which arises a legal and political superstructure and to which correspond definite forms of social consciousness. The mode of production of material life conditions the general process of social, political and intellectual life. It is not the consciousness of men that determines their existence, but their social existence that determines their consciousness. At a certain stage of development, the material productive forces of society come into conflict with the existing relations of production or—this merely expresses the same thing in legal terms—with the property relations within the framework of which they have operated hitherto. From forms of development of the

productive forces these relations turn into their fetters. Then begins an era of social revolution. (Marx 1859:263)

As discussed in the previous section, the reductionist framework of methodological individualism, general equilibrium and rationality constrained by maximisation yields a body of theory detached from social and historical specificity precluding any consideration of the social relations of production that prevail in capitalism. The analytical primacy of methodological individualism denotes that individual rational action within an ideal state of equilibrium, excludes from neoclassical labour market analysis collectivities such as class, collective action and unequal power relations. The isolated individual, which is the entry point of neoclassical theory, stands in stark contrast to Marx's point of departure which is "individuals producing in society—hence socially determined individual production" meaning "always production at a definite stage of social development—production by social individuals" (Marx 1993:83, 85).

Under the colonising impact of methodological individualism, neoclassical labour market theory is confined in a distortive path: a) it treats social entities as if they were optimising individuals, or optimising individuals as the foundation of social structures b) relies upon familiar hypotheses and descriptive analysis—be it in the form of statistical or narrative analysis and, c) constructs abstract categories which are limited in terms of "their clarity of theoretical definition, their scope of application" and their analytical relevance to address transformations of modern capitalism (Fine 1998b:7–8). Furthermore, as Fine explains (1980:27–28), neoclassical theory that is concerned primarily with appearances inevitably analyses the economy in terms of the aggregate behaviour of individual economic agents: it discards the social content of the capitalist economy by rejecting that wages, profits and prices as categories exist "in any sense other than as a relationship between individuals" and reorders these capitalist categories by aggregating over classes to construct 'representative' agents out of a capitalist, a firm, a worker. On the one hand, the construction of abstract categories conveniently presents general categories such as wages and profits as individual rewards analogous to the input of each capitalist and worker and, on the other hand, overrides class relations conceptualising them as a

relationship between ‘representative’ agents (Fine 1980).¹²⁴ The notion that a worker and an employer receive the remuneration that corresponds to her/his input in the production process also depicts the essentially unequal exchange between workers and capitalist employers as fair and socially harmonious (Theocarakis 2005:79). Yet, as Marx (1847:159) emphasised, social relations of production are based on class antagonism and the antagonism of classes defines individual exchange:

Individual exchange corresponds also to a definite mode of production which itself corresponds to class antagonism [...] So long as one is a bourgeois, one cannot but see in this relation of antagonism a relation of harmony and eternal justice, which allows no one to gain at the expense of another. (Marx 1847:144)

It is clear from the above that the ‘upside-down’ neoclassical perspective insulates labour market theory against Marx’s historical contribution that the “contradictory unity between productive forces and relations of production” drives social change which is not random but results from the force of class conflict (Milonakis and Fine 2009:43) and that “the history of all hitherto existing society is the history of class struggles” (Marx and Engels 1848:33). In this sense, the neoclassical framework precludes any meaningful analysis of class and class relations with relevance to labour market dynamics. Particularly, it disregards that economic, political and ideological actions shape socially and historically classes and class interests which are influenced (if not strictly determined) by the accumulation of capital and the modes of social reproduction including employment structures, conditions of work, trade union and other types of professional or domestic activity (Fine and Saad-Filho 2010).

The notion that labour market rigidities prevent the efficient operation of labour markets, which is central to this study, is not the only questionable proposition that derives from the neoclassical constitution of the standard labour market paradigm. The preceding general observations set the context in which to examine specific value-laden propositions which emanate from the conceptual and methodological premises of neoclassical labour

¹²⁴ Fine (1980:28) emphasises that neo-Ricardian or Sraffian theories, too, analyse the capitalist economy in terms of a distributional struggle between capital and labour addressing the capitalist class relations in terms of a derived inverse relationship between wages and profits that in “strict analogy with the neo-classical theory of the marginal productivities of aggregate factor inputs” treats capital and labour as if they were two individuals.

market theory. Leading to strong conclusions, notions such as the non-existence of involuntary unemployment, the disutility of work or the treatment of labour as a commodity demonstrate how neoclassical labour market theory overrides the alienating and exploitative character of work under capitalism obscuring the social relations of production that prevail in capitalist labour markets.

As intimated previously, a core proposition of the neoclassical labour market paradigm is that labour is a commodity devoid of any specificity, which can be bought and sold conforming to the laws of supply and demand. This proposition provides the main premise to treat the labour market just like any other market and allows the elimination of other analytical considerations as normative or value-laden. Hence, mainstream analysis brushes aside key characteristics that distinguish labour from other commodities and a labour market from other commodity markets. Which are, then, the essential qualities that define the specificity of labour and differentiate a labour market from a simple commodity market?

The fact that labour differs from other commodities was not entirely lost on neoclassical economists. Carrying subjective and human attributes, labour cannot be bought and sold like other commodities; it is mobile, unstorable, perishable and inseparable from its provider. Marshall (1890), for example, discussed five “peculiarities” that influence the supply of labour and disadvantage the bargaining position of workers.¹²⁵ Described by Blaug (1962:416) as arguably “the most penetrating contribution to labour economics since the *Wealth of Nations*”, Marshall’s analysis still fails to elucidate the quintessential property that distinguishes labour from other commodities. As Fine (1998:257) emphasises, to find this property we have to revisit the work of Marx that distinguishes the labour market from the market for labour where, according to orthodox economics, labour per se is bought and sold. Drawing a crucial distinction between labour

¹²⁵ Unlike Jevons, Marshall did not confine work to painful exertions. He defined labour as “any exertion of mind or body undergone partly or wholly with a view to some good other than the pleasure derived directly from the work” specifying that a “worker sells his work, but he himself remains his own property” (Marshall 1920: 65,560).

and labour–power (a person’s capacity to work),¹²⁶ Marx (1867:557) specified that the “worker’s sale of his labour-power as a commodity” forms the basis for “the whole system of capitalist production”.

Obliterated from neoclassical economics, labour-power is the cornerstone of Marx’s concept of exploitation of working classes by capital through the appropriation of surplus labour. The worker sells his labour–power that ceases to belong to him the moment he begins his labour, which is “the substance, and the immanent measure of value, but it has no value itself” (Marx 1867:677).¹²⁷ The price of labour-power is the wage. The capitalist buyer controls the means of production and decides how that labour-power should be deployed as labour to produce particular commodities: labour power as a commodity has a use value, which is the creation of other use values (Fine and Saad-Filho 2010):

[I]n capitalist societies use values are produced for sale and, as such, embody abstract labour time or value. In these societies, the commodity labour power also has the specific use value that it is the source of value when exercised as labour. In this, labour power is unique. (Fine and Saad-Filho 2010:23)

During one part of the labour process, which creates value a worker “produces only the value of his labour-power, i.e. the value of his means of subsistence” (Marx 1867:324). Under capitalism, however, a worker continues to work for the remaining part of the labour process (the surplus labour-time), expending surplus labour which “creates no value for himself” but “surplus-value, which has all the charms of something created out of nothing” for the capitalist (Marx 1867:325). The ‘charm’ lies precisely in extracting

¹²⁶ Marx (1988:93) describes labour as “the expression of the worker’s own life, the operation (Bethätigung), of his own personal skill and capacity—an operation which depends on his will and is simultaneously an expression of his will” and labour-power as the “aggregate of those mental and physical capabilities existing in the physical form, the living personality, of a human being, capabilities which he sets in motion whenever he produces a use-value of any kind” (Marx 1867:270).

¹²⁷ Continuing his train of thought, Marx (1867:667), observes that the expression ‘value of labour’ not only obliterates the concept of value but also inverts it “so that it becomes its contrary” and as “imaginary as the value of the earth. These imaginary expressions arise, nevertheless, from the relations of production themselves. They are categories for the forms of appearance of essential relations. That in their appearance things are often presented in an inverted way is something fairly familiar in every science except Political Economy.”

as much surplus value as possible, which is the ultimate source of profit and the systematic basis of capitalist accumulation through “the employment of surplus-value as capital, or its reconversion into capital” (Marx 1867:725). The aim of the capitalist in buying labour-power is “the valorization of his capital, the production of commodities which contain more labour than he paid for [...] The production of surplus-value, or the making of profits, is the absolute law” of the capitalist mode of production (Marx 1867:769).

The driving motive and determining purpose of capitalist production is the self-valorization of capital to the greatest possible extent i.e. the greatest possible production of surplus-value, hence the greatest possible exploitation of labour-power by the capitalist. (Marx 1876:449)

As Engels wrote in his “Introduction” to Marx’s “Wage Labour and Capital”, it is the working class alone that produces all values, which defines the economic constitution of capitalist society:

With each new scientific discovery, with each new technical invention, there also rises the surplus of its daily production over its daily cost, while as a consequence there diminishes that part of the working day in which the labourer produces the equivalent of his day's wages, and, on the other hand, lengthens that part of the working day in which he must present labour gratis to the capitalist. *And this is the economic constitution of our entire modern society: the working class alone produces all values.* For value is only another expression for labour, that expression, namely, by which is designated, in our capitalist society of today, the amount of socially necessary labour embodied in a particular commodity. But, these values produced by the workers do not belong to the workers. They belong to the owners of the raw materials, machines, tools, and money, which enable them to buy the labour-power of the working class. (Engels 1933:12)[Emphasis added]

The relations between the capitalist “owner of money” and the worker who is the “owner of labour-power” are not apparent: they occur “outside the market or the sphere of circulation” in the “hidden abode of production” which reveals “not only how capital produces, but how capital is itself produced” and exposes the “secret of profit-making” (Marx 1867:279–280). Yet, contempt is expressed for the abode of production by neoclassical economists:

We have all felt, with Professor Schumpeter, a sense of almost shame at the incredible banalities of much of the so-called theory of production—the tedious discussions of various forms of peasant proprietorship, factory, organization, industrial psychology, technical education. (Robbins 1935:65)

Instead, the appearances taken as the basis of analysis are relations of production, distribution and exchange are cleansed of any social relevance, as categories of capitalism:

Production is not seen as embodying relations between classes but is characterized in

terms of technical relations alone that specify the connection between a set of inputs (including labour) and a set of outputs. Exchange relations are predominantly analysed in terms of the relationship between the prices of inputs and the prices of outputs and the quantities of each good that are supplied and demanded. No attempt is made to explain why products take the form of commodities and what constitutes the social significance of production for the market. (Fine 1980:9)

In brief, neoclassical labour market theory, avoiding the crucial distinction between labour and labour power, relies on a ‘neutral’ terminology of factor inputs and outputs which equates labour and capital in the production process: it reduces workers to physical inputs (as is ‘capital’ itself) and veils the historically specific class relations involved in the production process (Fine and Saad-Filho 2010). It denies the fact that capitalism, unlike any previous mode of production, transforms men’s productive power itself into a commodity and creates conditions in which the majority of people cannot survive without selling their labour power, to a capitalist for a wage.

The notion of disutility provides another example of how neoclassical labour market theory inverts reality, marks work and workers with negative connotations and keeps the abode of production hidden (Spencer 2008, 2011:573–2).¹²⁸ Framed as a matter of rational choice between two sources of individual utility, namely leisure and the income needed for consumption, work becomes a disutility or an inherent ‘bad’ suggesting that workers must be enticed to work by some type of bribe e.g. income and consumption (Spencer 2008:121). This “most irremediably metaphysical” neoclassical concept (Robinson 1962:87) implies that workers generally resist work preferring leisure and consumption over painful work or that they are naturally inclined to laziness. The mainstream disutility notion, then, ignores complexities associated with workers’ motivation, their position in the labour market or the extent of workers’ control over the production process. In other words, it obscures the fact that during the labour process by which the capitalist consumes labour-power “the worker works under the control of the

¹²⁸ Tracing the evolution of disutility, Spencer (2003, 2008) notes that as developed by Jevons and Marshall, the concept of disutility originally recognised diversity as regards work motivation, the effects of the quantity and the quality of work on labour supply. He emphasises that economists (notably Robbins, and later Gary Becker) subsequently prioritised the opportunity cost of work time over the content of work, which defines the prevailing mainstream notion of disutility and consigns the work process to a black box.

capitalist to whom his labour belongs” (Marx 1867:291). The idea that workers have a real choice between leisure and utility stands in stark contrast to the reality stemming from exploitative capitalist social relations of production, particularly the life time workers have to give up to capital. As Marx (1867: 375–6) emphasised discussing the class struggles over the working day, “the worker is nothing other than labour-power for the duration of his whole life” ceding all his “disposable time to the self-valorization of capital” with no time for education, intellectual development or social activities because capital “usurps the time for growth, development and healthy maintenance of the body. It steals the time required for the consumption of fresh air and sunlight”. In sum, the harsh and alienating character of work under capitalism is taken by neoclassical theorising to represent all work denying any idea that work could be a source of fulfillment under different conditions (Fine 2003:83).

Emanating from the neoclassical premises of labour market theory, the notion that unemployment is voluntary crucially inverts labour market dynamics with no consideration to the social and historical determinants of unemployment as well as the personal and social cost it inflicts (Spencer 2004:445). The New Classical approach, for example, considers that “involuntary unemployment is not a factor a phenomenon which it is the task of theorists to explain” but a Keynesian “theoretical construct” (Lucas 1978:354). The proposition that employment levels change as a result of the work–leisure preferences of workers conveys a powerful ideological message that puts the blame on the workforce: unemployment results from worker behaviour and not from any systemic malfunctions of the market system of production, distribution and circulation (Weeks 2012:36). The neoclassical proposition of factor substitutability precludes unemployment by positing that each factor receives its marginal product as its price: if labour is unemployed, then its price, namely wages are too high calling for the market mechanism to combat unemployment (Fine 1980:35). Accordingly, any consideration to remedy unemployment is removed from policy on the pretext that little can be done to combat it apart from improving the operation of the labour market and controlling inflation (Fine and Harris 1987:369).

Yet, as Marx explained, unemployment is a historically specific category closely linked to the nature and dynamics of employment under capitalism, as both a condition for, and a consequence of, capital accumulation: employment and unemployment are greatly affected by the extent and character of capital accumulation (Fine 2003:88). Capitalist accumulation, Marx (1876: 782, 798) wrote, continuously produces a “relatively

redundant working population, i.e. a population which is superfluous to capital's average requirements for its own valorisation, and is therefore a surplus population.” More specifically, in “Capital 1”, chapter 25 on ‘The General Law of Capitalist Accumulation’, Marx (1867) discusses how the accumulation of capital prompts a rise in the organic composition of capital (the ratio of constant to variable capital)¹²⁹ and leads to the centralisation and concentration of capital. The rise in the organic composition of capital through the introduction of new machinery or technology raises the productivity of labour causing the displacement of labour and the reproduction of the industrial reserve army depending on the cyclical oscillations of industry:

The path characteristically described by modern industry, which takes the form of a decennial cycle (interrupted by smaller oscillations) of periods of average activity, production at high pressure, crisis, and stagnation, depends on the constant formation, the greater or less absorption, and the re-formation of the industrial reserve army or surplus population. In their turn, the varying phases of the industrial cycle recruit the surplus population, and become one of the most energetic agencies for its reproduction. (Marx 1867:785)

The industrial reserve army serves to keep wages down and workers submissive to exploitation ensuring that the law of supply and demand operates within “limits absolutely convenient to capital’s drive to exploit and dominate the workers” (Marx 1876:792). The mechanism of capitalist production ensures that a rise in the general demand for labour will not follow from the absolute increase of capital:

The demand for labour is not identical with increase of capital, nor is supply of labour identical with increase of the working class. It is not a case of two independent forces working on each other. Les dés sont pipés.¹³⁰ Capital acts on both sides at once. If its accumulation on the one hand increases the demand for labour, it increases on the other the supply of workers by ‘setting them free’, while at the same time the pressure of the unemployed compels those who are employed to furnish more labour, and therefore makes the supply of labour to a certain extent in dependent of the supply of workers. The movement of the law of supply and demand of labour on this basis completes the despotism of capital. (Marx 1867:793)

Existing in diverse forms, the relative surplus population is not confined to the

¹²⁹ For a discussion on the differences of technical, organic and value composition of capital see (Fine and Saad-Filho 2010).

¹³⁰ Translated as “the dice are loaded”.

unemployed but includes the “wholly unemployed” and those who are “partially employed” that Marx (1867:794–97) categorised in three main groups: the floating, latent and stagnant surplus populations. The floating population comprises industrial workers who are temporarily unemployed owing to technological change, business fluctuations or age factors.¹³¹ The latent population is mainly located in agriculture, where the capitalist mode of production caused an absolute fall in the demand for labour prompting a “constant movement” of labour towards the towns. The stagnant population “forms a part of the active labour army, but with extremely irregular employment” that is “characterized by a maximum of working time and a minimum of wages”. With living conditions “below the average normal level of the working class”, the stagnant population provides capital with “a broad foundation for special branches of capitalist exploitation” and an “inexhaustible reservoir of disposable labour-power” that grows in proportion with “the growth in the extent and energy of accumulation”. Finally, Marx identified at the lowest end of social stratification another category that “dwells in the sphere of pauperism”. This impoverished population merges criminal elements and the lumpen proletariat with the destitute who are able to work, children, orphans and widows as well as “those unable to work” owing to aging, demoralisation, sickness or work injuries. Pauperism, Marx (1867:797) wrote, is the “hospital of the active labour army and the dead weight of the industrial reserve army”. He argued that capitalism requires, and generates, a relative surplus population, that in turn requires and generates pauperism, the production of which is “included in that of the relative surplus population”; along with the surplus population, pauperism “forms a condition of capitalist production, and of the capitalist development of wealth” (ibid.). These circumstances delineate the context of what Marx termed “the absolute general law of capitalist accumulation”:

The greater the social wealth, the functioning capital, the extent and energy of its growth, and therefore also the greater the absolute mass of the proletariat and the productivity of its labour, the greater is the industrial reserve army [...] But the greater this reserve army in proportion to the active labour-army, the greater is the mass of a consolidated surplus population, whose misery is in inverse ratio to the amount of torture it has to undergo in the form of labour. The more extensive, finally, the pauperized sections of the working

¹³¹ Capital constantly “demands more youthful” and cheaper labour, Marx (1876: 795) emphasised, owing to the rapid consumption of labour-power by capital that shortens the life expectancy of workers particularly among workers in large-scale industry.

class and the industrial reserve army, the greater is official pauperism. *This is the absolute general law of capitalist accumulation.* (Marx 1867:798)[Emphasis added]¹³²

The existence and the reproduction of the reserve army are key determinants of wages and affect the bargaining power of employed workers corresponding to the oscillations of the industrial cycle:

The general movement of wages is exclusively regulated by the expansion and contraction of the industrial reserve army, and this in turn corresponds to the periodic alternations of the industrial cycle. They are not therefore determined by the variations of the absolute numbers of the working population, but by the varying proportions in which the working class is divided into an active army and a reserve army, by the increase or diminution in the relative amount of the surplus population, by the extent to which it is alternately absorbed and set free. (Marx 1867: 790)

As Rosa Luxemburg (2013:256) observed, the “entire reserve army of unemployed, from the occasionally unemployed skilled workers down to the deepest poverty and official pauperism, is a necessary factor in determining the wage relationships”, a fact neglected by writers in the pay of the bourgeoisie who analyse capitalist wage relationships by relying solely on the actual remuneration of industrial workers who are employed.¹³³

To summarise, Marx demonstrated in detail the dialectic of capital and labour that is intrinsic to accumulation at the level of capital as a whole: he exposed specifically how the “drive for exploitation works itself out systematically in centralization and concentration of capital and, notably, the generation of the reserve army of labour” (Campbell and Reuten 2002:52). Taking account of historical and social specificities, Marx’s complex analysis of the reserve army and its categories revealed the close connection between employment and unemployment providing a framework that can

¹³² Marx qualifies this statement by adding that “like all other laws, it is modified in its working by many circumstances, the analysis of which does not concern us here.” Fine (2007a) observes that this law is general and heavily conditioned and cautions against using it to map contemporary manifestations of poverty, particularly for the unemployed in the developing world.

¹³³ The living conditions of the lowest strata of the proletariat thus follow the same laws of capitalist production, pulled up and down, and the proletariat, along with the broad stratum of rural workers, the army of unemployed, and all strata from the very top to the very bottom, forms an organic whole, a social class, whose varying gradations of need and oppression can only be correctly grasped by the capitalist law of wages as a whole. (Luxemburg 2013:256)

adequately explain labour market dynamics, employment patterns and wage structures. Contrary to the neoclassical denial of involuntary unemployment, Marx showed that unemployment is both inevitable and functional to capitalism. Notwithstanding the historical distance between the world of labour observed and analysed by Marx and contemporary circumstances, his analysis remains crucially relevant in any attempt to make sense of the deregulated 21st century labour markets.

In sharp contrast to Marx's forceful analysis, neoclassical theory presents a "formally elegant model of full employment" but it has no theory of employment or unemployment notwithstanding its authoritative policy prescriptions (Weeks 2012:127). It disregards the fact that "employment and unemployment are heavily influenced by the scale and nature of capital accumulation, with workers gaining and losing work according to the accumulation and restructuring of capital" (Fine 2003:88). Considering involuntary or coerced unemployment to be incompatible with equilibrium, neoclassical orthodoxy explains unemployment by a host of market imperfections and rigidities that obstruct the adjustment of wages to market clearing equilibrium. Yet, the notion that the elimination of rigidities and flexibility ensure an optimal rate of employment is fallacious as it locates the primary cause of unemployment in the labour market regardless of the fact that the labour market as an institution is itself structured within the wider trajectory of capital accumulation (Taylor 2006:155–6).

The next section moves to describe and analyse the concept of labour market rigidities that provides the primary analytical justification for the project of labour market deregulation.

4. LABOUR MARKET RIGIDITIES: THE ENDURING RATIONALE OF DEREGULATION

This section critically investigates the manifestations and the implications of labour market rigidities across successive variants of the neoclassical paradigm. This accounts starts from the neoclassical synthesis that adopted a number of Keynesian innovations (such as the rejection of Say's Law, the significance of money, and the multiplier and effective demand) but rejected or distorted key Keynesian insights. It extends to new Keynesian theories that incorporate informational and other imperfections. The endurance of the concept of labour market rigidities can demonstrate the immutable nature and the tenacity of both the neoclassical labour market paradigm and the pro-deregulation case. In other words, the concept of rigidities can be conceptualised as an

indicator of economics imperialism that demonstrates the primacy and the continuity of the case for labour market deregulation.

Providing the primary ‘scientific’ rationale for the deregulation of labour markets, the concept of labour market rigidity is firmly premised in general equilibrium theory. The neoclassical logic considers the removal of rigidities/imperfections from the labour market sufficient to achieve Pareto optimal outcomes, foster competition and efficiently reallocate resources. Referring to the supply side of the labour market, labour market rigidity is not a value-free concept but an abstract, asocial and ahistorical construct. As a universally applicable concept, it populates all mainstream labour market theories. Denoting the drive for explanatory unification, the construct of rigidities exemplifies the scope of economics imperialism. In particular, it has provided the analytical backbone for a ‘Unified Theory’ (Blank 1997; Blau and Kahn 2002) that explains higher unemployment in Europe by higher wage and institutional rigidity compared to flexible US labour markets. Attempting to account for both rising unemployment in Europe and rising wage inequality in the United States, the rigidity based ‘Unified Theory’ conveniently presents inequality as the flip side of unemployment: it suggests that a choice between employment and earnings inequality is inevitable particularly to protect unskilled workers from falling demand that results from various ‘shocks’ due to globalisation, technological change and the like (Howell and Huebler 2005).

The idea that inflexible wages and other labour market rigidities distort the labour market, cause unemployment and harm economic growth pervades orthodox labour market research (Blanchard and Wolfers 2000; Forteza and Rama 2006; Salvanes 1997; Siebert 1997 among others). As Solow (1998) remarks, while labour market rigidity is hardly ever defined precisely lacking even a “roughly quantifiable measure”, it triggers a “knee-jerk” reflex based on “tell-tale symptoms”:

Thus a labour market is inflexible if the level of unemployment- insurance benefits is too high or their duration is too long, or if there are too many restrictions on the freedom of employers to fire and to hire, or if the permissible hours of work are too tightly regulated, or if excessively generous compensation for overtime work is mandated, or if trade unions have too much power to protect incumbent workers against competition and to control the flow of work at the site of production, or perhaps if statutory health and safety regulations are too stringent. (Solow 1998)

Academic and policy debates about rigidity have vastly grown in scope and sophistication since Stigler (1946) forcefully opposed any idea to raise minimum wage levels claiming that they directly cause unemployment. Starting from rigid wages, the rigidity literature

progressively broadened to locate Solow's "tell-tale" symptoms in employment protection legislation, welfare benefits, minimum wage arrangements, unemployment benefits, strong trade unions, collective bargaining and any other labour market arrangements considered to obstruct market efficiency.

4.1 The Neoclassical Synthesis: rigidities and 'sticky' wages

Emerging during the 1950s and '60s, the neoclassical synthesis,¹³⁴ allowed mainstream economists to dilute Keynes's thought beyond recognition retaining only elements that could be modelled (Milonakis and Fine 2011:14). The attempt to reconcile Keynesian economics with a general equilibrium system of equations originated in the late 1930s with Hicks and intensified in the U.S. over the 1940s and '50s through the work of Hansen, Modigliani, Patinkin and others making the IS-LM (Investment-Saving/Liquidity preference–Money supply) framework the orthodox reading of Keynes's General Theory (Milios, Lapatsioras, and Oikonomakis 1997:300; Screpanti and Zamagni 2005).

The marriage between pre-Keynesian ideas about the mechanisms of the aggregate economy and Keynesian insights focused, in particular, on explaining persistent unemployment (Fine 1998:28). The neoclassical synthesis rules out the possibility of involuntary unemployment assuming that the labour market will automatically reach an equilibrium which by definition involves full employment: thus joblessness is considered be a matter of choosing leisure over work (Weeks 2012:160, 36). The main Keynesian insight retained by the neoclassical synthesis is the assumption of downward wage rigidity or 'stickiness'.¹³⁵ Nominal wage rigidities were assumed but not explained (Stiglitz 1991:19). This assumption allowed the neoclassical synthesis to continue explaining unemployment in terms of wage rigidity that obstructs labour market equilibrium

¹³⁴ The term is credited to Paul Samuelson (1955). Neoclassical synthesis has also variously been called 'bastard Keynesianism' by Joan Robinson, or 'hydraulic Keynesianism' by Allan Coddington (Fine and Milonakis 2011).

¹³⁵ Keynes assumed that nominal wages are 'sticky' downwards and argued that workers might accept cuts in their real wages resulting from general price increases but would resist direct wage cuts: market forces may reduce the real value of labour but wages will tend to stick at previous levels in the short run due to institutional factors such as contractual commitments, trade unions or behavioural reasons (Haley 1990:115).

(Backhouse 2002:21–22). Disregarding Keynes’s arguments about the significance of negative effects on aggregate demand by (nominal) wage reductions¹³⁶ the neoclassical synthesis presented the considerable Keynes’s “*General Theory*” as a special case of neoclassical theory, where downward wage rigidity prevents adjustment to full employment: henceforth, Keynesian economics was to be considered as the economics of wage and price rigidities (Guerrazzi and Meccheri 2012:190; Snowden and Vane 2005:71).¹³⁷

4.2. The monetarist offensive: Friedman, rigidities and unemployment

By the late 1960s, the neoclassical synthesis had to confront its own inability to explain the co-existence of rising inflation and unemployment rates (stagflation). The time was ripe for a shift in macroeconomic theory towards monetarism. Closely associated with the work of Milton Friedman (1956, 1968), monetarism provided a theory of money and inflation which contends that the quantity of money decisively influences economic activity and price levels. Only monetary policy, Friedman (1968:13) asserted, can provide a “stable background for the economy—keep the machine well oiled”. The neoclassical notion that markets, if left alone, operate optimally is key to monetarism: underlying this idea is aversion to Keynesian macroeconomic activism that aimed at monetary or fiscal stabilisation policy emphasising wage and price controls (Laidler 1981:2).

As regards the labour market, the monetarist commitment to laissez-faire is embodied in the belief that the market mechanism will ensure full employment far more effectively than any macroeconomic policy intervention (Fine and Harris 1987:370).

¹³⁶ Keynes suggested that an economy under perfect competition does not tend automatically toward full employment. Inflexible wages and prices, the (low interest) elasticity of investment demand, and the liquidity trap could prevent an economy from reaching a state of full employment equilibrium. The situation known as the liquidity trap denotes a horizontal LM curve where “the rate of interest is rigid downward and cannot move to its equilibrium level”: identified by Keynes as a special not general case, the liquidity trap has important practical implications for policy and realism (Fine 1980:44).

¹³⁷ As Fine (1998:29) remarks, Keynes’s claim regarding a more general theory is not valid despite his discovery of a monetary mechanism for generating unemployment: Keynes did provide a special and potentially important case of market rigidity within the money market emphasising that the rate of interest will not fall complementing those “already outlined for the product market (prices will not fall), the labour market (wages will not fall) and the capital market (investment is interest-inelastic)”.

Unemployment as a rule is voluntary or results from institutional rigidities. Hence, the monetarist solution for curbing unemployment relies on supply-side policies to remove labour market rigidities. Monetarist advocacy for labour market deregulation is sustained by the notion that unemployment in a flexible competitive labour market settles at its ‘natural level’. More specifically, Friedman (1968) defined the natural rate of unemployment (NRU)¹³⁸ as follows:

The level that would be ground out by the Walrasian system of general equilibrium equations, provided there is embedded in them the actual structural characteristics of the labor and commodity markets. (Friedman 1968:8)

Determined hypothetically by supply and demand in labour markets, the NRU cannot be observed (Sawyer 2004). The level of the NRU is determined by “man-made and policy-made” characteristics pointing to the usual suspects of rigidity: minimum wage laws, taxation, labour legislation and strong trade unions that prevent labour market clearing and push unemployment above its natural level (Friedman 1968:13, 9).¹³⁹ Therefore, policies to push the unemployment rate below the NRU will result in higher inflation as Friedman claimed attempting explain the stagflation observed in the 1970s (Blaug 1992:200–1). Hence, Friedman (1968, 1975) concluded, only microeconomic policies to remove structural rigidities from labour markets can be effective against unemployment. Furthermore, Friedman builds on the NRU concept to formulate strong statements suggesting that unemployment is not necessarily a bad thing:

A low level of unemployment may be a sign of a forced-draft economy that is using its resources inefficiently and is inducing workers to sacrifice leisure for goods that they value less highly than the leisure under the mistaken belief that their real wages will be higher than they prove to be. *Or a low natural rate of unemployment may reflect institutional arrangements that inhibit change.* A highly static rigid economy may have a

¹³⁸ The monetarist NRU analysis involves two key hypotheses: a) the ‘adaptive’ expectations hypothesis that assumes agents/workers adapt their future inflation expectations considering past inflation rates and accordingly inflate their money wage claims to preserve their real level of wages, and b) the acceleration hypothesis, which implies that any policy attempt to keep unemployment below its natural rate will only produce accelerating inflation (Fine and Harris 1987:370; Snowden and Vane 2005). See also Fine (1998, Chapt.2, Sect. 7).

¹³⁹ Stockhammer (2008:484) observes that Friedman’s famous 1968 paper does not offer a rigorous analysis and that his definition of the natural rate as well as his analysis of the forces that will drive unemployment towards its natural level are “cryptic”.

fixed place for everyone whereas a dynamic, highly progressive economy, which offers ever- changing opportunities and fosters flexibility, may have a high natural rate of unemployment. (Friedman 1977:459) [Emphasis added]

Challenged by the new classical and the new Keynesian schools, monetarism eventually lost its supremacy. Monetarism and the NRU, however, left a lasting mark on economic theory and shifted policy focus away from full employment to price stability (Stockhammer 2008:487). Even after monetarist theorists had receded from the academic scene, the monetarist outlook survived to sustain policies which promoted market-friendliness, aversion to state intervention, and the state-led offensive against organised labour aligning the state with the interests of capital: by the early 1980s, a crude monetarism was embraced and practised in a number of countries, including, among others, the United States, the United Kingdom, Germany, Israel, and Chile (Fine and Harris 1987:365; Heilbroner and Milberg 1995:73).

4.3. The New Classical variant

In the wake of persisting stagflation of the 1970s, the new classical school, a more radical version of neoclassical thought, extended monetarism with the work of Robert Lucas (1972, 1977), Thomas Sargent and Neil Wallace (1975, 1976). The new classical approach situates labour market problems within a typically ahistorical and asocial neoclassical framework that denies sociality in all economic agents disregarding social aspects of behaviour relating to “power, commitment and values” (Heilbroner and Milberg 1995:76-77). Drawing on rational behaviour and Walrasian general equilibrium, Lucas’s labour market is cast in the classic Chicago mould: an intertemporal, market-clearing model accounts for fluctuations in employment without resorting to the notion of involuntary unemployment (Hoover 2003:422; Kaufman 2010a:146). Unemployment is always voluntary: involuntary unemployment is not possible in a free market economy of rational workers-consumers and firms. Lucas (1978: 354-56), for example, argues against making the Keynesian voluntary–involuntary distinction when referring to “explanations for normal and cyclical unemployment”. In his view, this terminology is not needed because it merely suggests that workers perceive two different types of unemployment:

The recognition that one needs to distinguish among sources of unemployment does not in any way imply that one needs to distinguish among types. Nor is there any evident reason why one would want to draw this distinction. (Lucas 1978:354)

Therefore, Lucas urges to move “beyond full-employment policy” and dispense “with that entire meaningless vocabulary associated with full employment” (Lucas 1978:356).

Fully premised on microfoundations and methodological individualism, the new classical approach contends that one utility maximising representative agent can represent the choices of many real world agents in the economy (Davis 2010: 25; Milonakis and Fine 2009: 291–92). Representative agents adjust their behaviour on the basis of forward-looking ‘rational expectations’;¹⁴⁰ they possess perfect systemic knowledge of the workings of the economy which cannot be matched by any non-market actor, e.g. the government (Heilbroner and Milberg 1995; Stockhammer 2008). This logic underpins the new classical policy ineffectiveness proposition that any systematic fiscal and monetary macroeconomic policy cannot change the level of output and the unemployment rate in capitalist economies (Drobný 2004:4). Hence, the only option to combat unemployment once more is located in addressing supply-side rigidities in the labour market.

The new classical emphasis on the supply-side found its ideal representation in the concept of NAIRU (non-accelerating inflation rate of unemployment), the new classical version of the natural rate of unemployment (NRU).¹⁴¹ NAIRU is intimately linked to the rigidities argument. It denotes the level of unemployment determined solely by the supply side of the economy which holds inflation steady: deviations of unemployment below the NAIRU are assumed to lead to accelerating inflation (Sawyer 2004:33–4). NAIRU is at the heart of the “mainstream story” of inflexible labour markets where unemployment above the level permitted by NAIRU is caused by supply-side imperfections or rigidities such as collective bargaining, high wages, employment protection legislation, union density or welfare benefits (Stockhammer 2007:392–3, 2008). Used widely to estimate structural unemployment rates, NAIRU has been criticised for suggesting the inevitability of high unemployment, for advocating low wages and for its theoretical and empirical flaws (Baker et al. 2005; Howell et al. 2007). Nonetheless, NAIRU based labour market

¹⁴⁰ The notion of rational expectations is attributed to John F. Muth who argued that economic agents form expectations based on the same information with economists; hence their expectations essentially match the predictions of economic theory (Udehn 2001:240).

¹⁴¹ While often used interchangeably and have similar policy implications, the two concepts differ as to their microfoundations: *the* NRU is a market-clearing concept based on a Walrasian analysis of competitive markets whereas NAIRU represents an empirical rather than an equilibrium value determined by bargaining power in a labour market with microfoundations of imperfect competition (Stockhammer 2008)

analysis has informed research and policy prescriptions by the IMF, the OECD and other international bodies to promote labour market deregulation as the only way to curb unemployment (Sawyer 2004:33). These recommendations tend to be detrimental for workers: for those who are employed they prescribe curbing their bargaining power and wage demands to bring down the NAIRU while for the unemployed they target the level and duration of unemployment benefit (Fine 1998:44).

To conclude, the new classical approach and rational expectations left a defining mark on the evolution of macroeconomics consolidating methodological individualism and the use of increasingly sophisticated mathematical and statistical techniques; the impact of new classical perspectives averted the consideration of radical alternatives in macroeconomics (Fine 1998:28). Whilst new classical economics attempted to fit macrotheory to microtheory, its successor, the new Keynesian school adapted micro to macrotheory to explain unemployment and other phenomena focusing on imperfect markets and incomplete information (Greenwald and Stiglitz 1987:120).

4.4. New Keynesian rigidities

If wage rigidity is as central to the explanation of unemployment as many modern renditions of Keynes seem to suggest, surely we need to explain this wage rigidity. (Stiglitz 1984:55)

Counting prominent names¹⁴² among its ranks, the new Keynesian approach aspired to remedy the shortcomings of the neoclassical synthesis by reinstating authentic Keynesian insights into economic theorising. The new Keynesian approach, as its predecessors, holds on to neoclassical conceptual premises, particularly the utilisation of productive factors in relation to their remuneration, and consistently assumes employment to be determined by the marginal productivity of labour taken as equivalent to the real wage (Screpanti and Zamagni 2005:365). Involuntary unemployment may occur owing to coordination failures and market imperfections rather than failure in aggregate demand.

¹⁴² Snowdon and Vane (2005: 362) remark that *New Keynesian* economists do not form a homogeneous group. Noting that some would object to this designation, they include in NK grouping the following economists: Gregory Mankiw, Lawrence Summers, Olivier Blanchard, Stanley Fischer; Bruce Greenwald, Edmund Phelps, Joseph Stiglitz; Ben Bernanke, Laurence Ball, George Akerlof, Janet Yellen, David Romer, Robert Hall, John Taylor; Dennis Snower and Assar Lindbeck.

Alongside microfoundations and monetarist insights, new Keynesians imported systemic equilibrium and rationality (representative agent and rational expectations) from new classical economics (Screpanti and Zamagni 2005; Snowdon and Vane 2005).

Wage and price rigidities are a central aspect of the new Keynesian approach. Once more, the analytical emphasis is on supply-side rigidities. How does it differ, then, from the neoclassical synthesis that retained Keynesian sticky wages? The difference resides in the manner of explanation, namely the marriage of “correct microeconomic principles” with “doses of imperfect information, imperfect competition, and adjustment costs” (Stiglitz 1992:1–2).¹⁴³ As Stiglitz (1991:19) observed, “many older models simply assumed wage and price rigidities. Now we seek to explain them.” Rejecting the complete information assumption, new Keynesians directly link rigidities to plausible and rigorous microfoundations in a framework of maximising behaviour and rational expectations (Gordon 1990: 1137). Real rigidities, cause persisting unemployment and affect labour supply as they prevent workers from allocating resources between leisure and work (Tieben 2009:361). The preoccupation with the efficiency of resource allocation, largely constrains the policy concerns of new Keynesian theorists: the idea that market failures have a rational, supply-sided aspect, restricts the role of policy far more than the traditional Keynesian approach (Heilbroner and Milberg 1995:90–91).

4.4.1 Labour market rigidities in new Keynesian theories

The new Keynesian preoccupation with rigidities as causes of labour market distortion and unemployment is intimately linked with the emphasis placed on market behaviour and imperfections. New Keynesian scholarship addressed these concerns by several theories such as efficiency wage theories, insider–outsider theories and implicit

¹⁴³ New Keynesian theorists attempt to construct a consistent aggregate supply theory that could rationalise wage/price rigidities considering also the failure of prices to change quickly enough to clear markets as well as the demand and supply shocks that affect output and employment outcomes (Snowdon and Vane 2005: 361–2).

contract theories. A quick survey of these theories reveals the analytical primacy of labour market rigidities and their coexistence with informational and behavioural imperfections.

More specifically, implicit contract theories seek to explain wage rigidity by attributing risk averse behaviour to workers who (unlike employers) have little access to capital markets and seek to ensure their income; employers can guarantee wages and employment as part of an implicit agreement in exchange for lower wage demands (Azariadis 1975). Insider–outsider theories attempt to explain persisting wage rigidity in the face of involuntary unemployment by dividing workers into unemployed outsiders and insiders with jobs who can influence wages, bargaining as well as costs of turnover, production, hiring and firing, compensation and litigation (Lindbeck and Snower 1988). The adverse selection model (Weiss 1980) explains wage rigidities as a trade-off between pay and the quality of the work: efficiency wages will ostensibly attract more workers, widen the firm’s choices to select the best replacing incumbent unproductive workers. In Weiss’s (1980:529) model productivity differences between workers fall under two categories: those which can be observed with no cost to the employer (e.g. years of education) and those the measurement of which requires some cost (such as manual dexterity).¹⁴⁴

Described as wage rigidity theories (Stiglitz 1984), efficiency wage theories link the net productivity of workers to wages and conditions of work to explain involuntary unemployment and other “stylized labor market facts” including real wage rigidity/sticky wages, the dual labour market, discrimination among distinct groups, wage differentials for identical worker groups and different wage adjustment policies by firms (Stiglitz 1984; Yellen 1984:200). Efficiency wage models emphasise behavioural imperfections in labour markets. Several efficiency wage models were elaborated corresponding to different microeconomic behavioural foundations. For example, the shirking model (Shapiro and Stiglitz 1984:433), called also ‘cheat-threat’ model, conceptualises equilibrium unemployment as a worker discipline device. It assumes that imperfect monitoring of workers by employers combined with full employment prompts workers to

¹⁴⁴ The average productivity of randomly selected (unknown) productivities is not increasing.

shirk and proposes that higher than equilibrium wages will discipline workers deterring them from shirking. The notion that workers innately tend to 'shirk' and generally dislike work projects yet another distorted image of the realities prevailing at the workplace. Sociological models of efficiency wage (Akerlof and Yellen 1986; Yellen 1984) seek more plausible explanations for wage rigidity in sociological and psychological microfoundations arguing that social conventions and behavioural norms "are not entirely individualistic" (Yellen 1984:204). Akerlof's (1984) gift exchange model, for example, explains wage rigidity as a result of reciprocal behaviour among labour market actors. Behavioural and sociological insights emphasised in this literature include fairness, reputation, status, loyalty, trust and equity, which underpin norms and can affect labour market outcomes i.e. deter firms from offering too low wages or improve worker effort.

To conclude, retaining the notion that unemployment primarily results from rigidities, the new Keynesian approach, like its predecessors, justifies the case for deregulation and the elimination of rigidities from labour markets. First, it reinforces the argument that only full flexibility can lower the real wage and allow markets to combat unemployment: the choice is either to make wages more flexible, or, in less conservative approaches, to alleviate suffering caused by unemployment through policy (Wray 2011). Second, the new Keynesian labour market theories discussed above retain methodological individualism, microfoundations, rationality and general equilibrium despite the introduction of behavioural and sociological imperfections. Third, new Keynesian theories conceptually perpetuate neoclassical narratives that distort the social relations of capitalist production. The attempt to enlarge the explanatory base of new Keynesian theorising with 'convincing' supply-side microfoundations is laden with propositions that scrutinise exhaustively worker behaviour and the work environment including demeaning assumptions such as the inclination of workers to 'shirk' or form queues so that they can be more productively and profitably exploited (Polachek and Siebert 1993:264).

Having examined the persistence of rigidities in all the variants of neoclassical labour market theory, the next section focuses on how the concept of rigidities evolved with the incorporation of informational imperfections in labour market analysis. It questions, in particular, the impact of the job search theory that amplified the scope of labour market rigidities that should be eliminated.

5. INFORMATION AND LABOUR: JOB SEARCH THEORY, RIGIDITIES AND 'NEW' ECONOMICS IMPERIALISM

This section seeks to unravel how informational imperfections that are closely linked to ‘new’ type of economics imperialism helped extend the scope of rigidities beyond nominal or real wage rigidities to include every imaginable labour market regulation and institutional arrangement. In particular, it scrutinises how job search theory reinvigorated the rigidities narrative adding a new twist to the mainstream obsession with labour market deregulation, which is comparable to the virulent effect of the ‘new’ type of economics imperialism following the incorporation of informational imperfections in economic analysis.

As demonstrated by Fine and Milonakis (2009:58), the new phase of economics imperialism asserts that “institutions, customs, habits and history matter” and claims not to address the “non-economic as if it were a market”. Incorporating market imperfections, particularly informational imperfections, the second phase of economics imperialism abandoned the fundamental Walrasian postulates of perfect information and market-clearance opening the way to address economic structures—hitherto dismissed as exogenous constraints—as rational responses to asymmetric information by individual agents (Fine and Milonakis 2009:64–66). Thus, the explanatory power of rationality was expanded, methodological individualism and microfoundations were retained, the social and the historical were reinstated via reductionism reinvigorating economics imperialism with new possibilities to appropriate previously inaccessible concepts and insights (Fine and Milonakis 2009; Fine 2004).

Analogous developments can be traced in labour studies with the advent of informational imperfections. As discussed previously, prior to the incorporation of informational imperfections, labour market research principally focused on wage rigidities or stickiness. Theories of wage rigidity relying on fixed price (temporary equilibrium) models had merely assumed that wages are rigid rather than seeking to explain rigidities, which was undertaken by new Keynesian theories (Stiglitz 1984). With information imperfections emphasis gradually shifted from wage rigidity to multiple institutional rigidities. These were introduced as explanatory categories of universal applicability enlarging the application scope of labour market deregulation in a manner similar to how new economics imperialism expanded and updated “the scope of the analysis more or less indefinitely” by including market imperfections—informational asymmetries in particular (Fine and Milonakis 2009:58).

These developments are exemplified by the job-search theory and its treatment of

information imperfections that broadened ad infinitum the range of labour market rigidities reinvigorating the case for labour market deregulation. George Stigler (1961:224), a leading economics imperialism exponent, provided the initial insights regarding the “vast role of the search for information” in labour markets. In his 1962 paper on “Information in the Labor Market”, Stigler introduced information imperfections into labour market theory as a transaction cost related to job search:

A worker will search for wage offers (and an employer will search for wage demands) until the expected marginal return equals the marginal cost of search. Under what conditions will this search eliminate all dispersion of wage rates for homogeneous labor? (Stigler 1962:96)

Job search theory gained new impetus following research by Phelps (1970) who linked job search to the natural rate of unemployment (NRU) and the inflation/unemployment trade-off which at that time were central macroeconomic research questions. It embraced uncertainty and imperfect labour market information, a costly scarce commodity, to explain rational individual behaviour during unemployment. Drawing on human capital insights such as the idea that unemployment has investment aspects, the search theory combined Walrasian rigour (utility maximisation by individual agents subject to constraints) with information-theoretic imperfections to replace the complete information assumption with rational expectations (Devine and Kiefer 1991:4–5).¹⁴⁵

New insights to job-search came with research by Mortensen (1982, 1986) and Diamond (1982a; 1982b). Mortensen and Pissarides (Mortensen and Pissarides 1994; Pissarides 1994, 2000) refined further the standard neoclassical labour–leisure choice model that omitted imperfect information replacing it with a transactional job search/matching model. The resulting Diamond–Mortensen–Pissarides (D-M-P) model became increasingly influential providing the standard for equilibrium unemployment. It

¹⁴⁵ Merz (2002) provides a comprehensive and up-to-date survey of search theory and its place in macroeconomics.

also rewarded the three economists with a Nobel Prize.¹⁴⁶ More specifically, the matching function between a job searching unemployed worker and a firm with a vacancy enabled the examination of an extended selection of informational frictions. By removing “intractable complexities”, D-M-P models captured the effects of these frictions on “equilibrium outcomes [...] omitting *“explicit reference to the source of the friction”*” (Petrongolo and Pissarides 2001) [Emphasis added]. Without explicit reference to the sources of friction, any friction could be identified as obstructing market clearing or the matching function; thus D-M-P marked a turning point in unemployment research allowing unemployment to be explained by a set of labour market rigidities much broader than nominal or real wage rigidities (Guerrazzi and Meccheri 2012:193).

Thanks to D-M-P, mainstream labour market analysis could claim improved predictive accuracy. Empirically sophisticated job search models claimed to address various “real-world features” that explained differences across workers and jobs as well as “differences in the institutional structure of labor markets” (Pissarides 2011:1093). Incorporating behavioural and social analytical elements into an information-theoretic framework, job search theory reinvigorated mainstream labour market research extending its explanatory range that was frozen within Walrasian rigidities. As such, the job search theory can be seen to typify the second phase of economics imperialism in labour studies. In fact, the word ‘virulent’ used by Fine and Milonakis (2009:57) to describe the new type of economics imperialism could not find in labour economics a better example than the job search theory. Besides its objectionable social connotations and the attempt to embellish the stark realities prevailing in capitalist labour markets, the search/match framework reinforced the deregulation case: a host of new formal or informal institutional rigidities/frictions were added to wage associated rigidities. Thus, every practice, norm and regulation that could be construed to obstruct the operation of competitive labour markets came under scrutiny as a rigidity factor. Under the generic ‘institutions’ label, any

¹⁴⁶ “The Laureates' models help us understand the ways in which unemployment, job vacancies, and wages are affected by regulation and economic policy. This may refer to benefit levels in unemployment insurance or rules in regard to hiring and firing. One conclusion is that more generous unemployment benefits give rise to higher unemployment and longer search times”. (See Nobel prize website at http://www.nobelprize.org/nobel_prizes/economic-sciences/laureates/2010/press.html)

regulation or arrangement that could make life and work more decent for workers was targeted for elimination. Conditions that could make labour “not only a means of life but life's prime want” (Marx 1875:87) were completely cast aside. Taken to its logical conclusion, the amplified scope of labour market rigidities can next include the ban on child labour or forced labour as a counterproductive rigidity that infringes on labour market freedom and efficiency.

Summarising, the successful update of the orthodox rigidity argument by the information-theoretic approach, job search framework in particular, broadened the range of rigidities extending the scope of labour market deregulation. The discourse of all encompassing flexibility reinforced in turn mainstream claims to universal applicability. Thus, with updated theoretical foundations, labour market deregulation could now include every conceivable institutional arrangement, regulation, standard and practice in labour markets. These developments fostered a mainstream research agenda based on labour market rigidities that informed policies of labour market deregulation applied worldwide.

6. THEORISING LABOUR MARKET DEREGULATION: THE ‘RIGIDITIES’ RESEARCH AGENDA

As Fine (1980:141) observes, economics provides “the science by which economic policy can be formulated thereby resolving conflicts both within and between classes without threatening the social order of capitalism”. In the context of the present study, this role was undertaken by a voluminous literature that examines labour market rigidities and unemployment providing an enduring ‘scientific’ basis to deregulatory policy and an ostensibly rigorous methodology. In the words of Edward Lazear, a leading neoclassical economist who specialises in labour economics:

“Economics is scientific; it follows the scientific method of stating a formal refutable theory, testing the theory, and revising the theory based on the evidence. Economics succeeds where other social sciences fail because economists are willing to abstract. (Lazear 2000:102).¹⁴⁷

The implication is neoclassical method is not merely more scientific than other methods: it is the only appropriate scientific method. It has “nothing to do” with the Marxist approach,

¹⁴⁷ For a comprehensive critique of Lazear’s views see Fine (2002).

a “pseudo-scientific doctrine” (Radnitzky 1987:160).

As discussed in the prevailing mainstream literature, labour market deregulation involves one or more of the following factors of rigidity: collective bargaining and its decentralisation towards to the firm level, strengthening employer prerogatives, minimising employment protection, curtailing the autonomy and the collective representation capacity of class actors, reduction of unemployment benefits, making benefit payment contingent on job search and readiness to accept any job (Baccaro and Howell 2011). While these studies may differ as to which rigidities have a greater impact, they generally converge on the view that labour market deregulation is needed to restructure labour market institutions by eliminating any mechanism interfering with the free operation of demand and supply. This body of scholarship retains the key neoclassical conceptual and methodological premises. It hinges on the neoclassical view that markets as the best mechanism for the efficient allocation of resources should remain free of rigidities and regulation (Belot and Van Ours 2001; Bertola et al. 2013; Blanchard and Summers 1986; Blanchard and Wolfers 2000; Boeri et al. 2000; Elmeskov et al. 1998; Forteza and Rama 2006; Heckman 2003; Layard, Nickell, and Jackman 1994; Lindbeck and Snower 1986; Nickell and Layard 1999; Nickell et al. 2005; Saint-Paul, Bean, and Bertola 1996; Saint-Paul 1997; Scarpetta 1996; Siebert 1997 among others).

Siebert (1997), for example, explicitly incriminates a host of institutional rigidities for obstructing the clearing function of labour markets in three fundamental interrelated ways:

- (i) They can weaken the demand for labor, making it less attractive to hire a worker by explicitly pushing up the wage costs or by introducing a negative shadow price for labor,
- (ii) They can distort the labor supply, (iii) They can impair the equilibrating function of the market mechanism, for instance, by influencing bargaining behavior. (Siebert 1997: 4)

Siebert (1997:5–7) includes a detailed table with a chronological inventory of institutional rigidities for selected European countries. He describes these as “the most important aspect of the European unemployment puzzle” that emerged over the late 1960s and 1970s when “equity considerations gained prominence”. Rigidities cover a wide range from legal norms to income policies, public insurance schemes, pensions and so forth. Saint-Paul (2004:5,12) examines unemployment divergence among European countries, identifying factors that strengthen the bargaining power of ‘insiders’ and harm competition owing to “powerful political influences” exerted by people who already have jobs. He maintains

that powerful ‘insiders’ can determine minimum wages, work rules or employment protection amplifying their fallback options, namely unemployment benefits and other welfare payments.¹⁴⁸ ‘Insiders’ are protected, inter alia, by labour turnover costs while their political influence as voters is assumed to impede active labour market policies (Calmfors and Forslund 2002; Saint-Paul et al. 1996). Examining several policy settings, Elmeskov et al. (1998) evaluate institutional labour market features that are associated with high structural unemployment and find a large significant positive relationship between employment protection and unemployment urging for comprehensive reforms.

Thanks to search theory research by Pissarides, Diamond and Mortensen unemployment benefits and employment protection, in particular, became the touchstone of the mainstream wage and unemployment theory (Holmlund 1998: 115, Scarpetta 1996; Elmeskov, Martin, and Scarpetta 1998; Layard, Nickell, and Jackman 1991). The orthodox reasoning is as follows: higher unemployment benefits reduce the cost of unemployment for workers deterring them from diligent job-search. Unemployment benefits are also accused for increasing the bargaining power of both the existing workforce and new entrants upsetting the competitive order and raising unemployment. Ljungqvist and Sargent (1998: 517, 547) scrutinised the European welfare state to find that two “well known problems”, namely high taxes and generous welfare payments, distort “workers’ labor supply decisions”; they conclude that in solid welfare states “generous unemployment compensation” in times of turbulence causes high unemployment. High taxes, however, quickly fade out of Ljungqvist and Sargent’s focus and welfare versus high unemployment take center stage (Paterson 2005:36). Belot and Van Ours (2001) discovered significant direct and indirect interaction effects between unemployment and various institutional arrangements such as tax rate, replacement rate, employment protection, union density, bargaining levels.

Yet, findings linking rigid labour market institutions to unemployment have been contested on empirical grounds challenging precisely the claim of mainstream economics

¹⁴⁸ Howell (2001:1) remarks on how Saint-Paul (2004: 53) argues that “evidence supports the traditional view that rigidities that reduce competition in labor markets are typically responsible for high unemployment” without citing any peer-reviewed research.

to rigorous and ‘scientific’ scholarship. While the ‘rigidity’ literature is commonly considered to establish a strong case for labour market deregulation, the evidence it provides has been found to be very weak, scant and unpersuasive (Baker et al. 2005; Gregg and Manning 1997; Howell et al. 2007; Pissarides 2001). The drive for wide-ranging labour market deregulation in Europe has been shown to lack “empirical justification in terms of large and predictable effects on employment and thus a more egalitarian distribution of welfare” (Glyn 2003). Paterson’s (2005) study on statistics manipulation and the “eurosclerosis’ hypothesis deconstructs the so-called ‘European unemployment dilemma’ and the premises of Ljungqvist and Sargent (1998). Similarly, in a recent paper based on new data, Adagio and Saladin (2013) find no compelling evidence that warrants further deregulation both in advanced economies and CEE countries,¹⁴⁹ in which the link between institutions and unemployment appears particularly weak. Aleksynska (2014) reports serious flaws in terms of data and methodology in a series of IMF papers published in 2012. These papers found strong evidence that flexible labour markets are negatively associated with unemployment advocating large-scale reforms of labour market institutions to eliminate rigidities. Capaldo and Izurieta (2013) conclude that both in wage-led and export-led regimes, labour market deregulation combined with austerity will fail to increase employment via export-led growth since fiscal austerity prevents government spending from boosting demand at the domestic and global levels. Notably, recent research by IMF (IMF 2015b) studying the impact of structural reforms on sectoral total factor productivity found no evidence that reforms to deregulate labour markets have any positive impact on increasing the economy’s growth potential:

Lower product market regulation and more intense use of high-skilled labor and ICT capital inputs, as well as higher spending on R&D activities, contribute positively and with statistical significance to total factor productivity [...] In contrast, *labor market regulation is not found to have statistically significant effects on total factor productivity.* (IMF 2015:104-5)[Emphasis added]

Nonetheless, the same publication urges for labour market deregulation as a cure for structural unemployment across the globe, particularly to address the impact of crisis and

¹⁴⁹ Central and Eastern European countries include Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia.

recession:

Severe financial crises, which tend to be followed by long and deep recession, may lead to a permanent decline in the level of potential output by increasing structural unemployment [...] This is particularly the case for economies with rigid labour market institutions.(IMF 2015:77)

The insistence on an empirically flawed and ostensibly value-free analysis raises questions that relate to the central research question guiding this study “What explains labour market deregulation?”

To recapitulate, critically examining the theoretical and methodological premises of labour market deregulation, the first part of our inquiry attempted to provide a theoretical explanation for the domination of the mainstream labour market paradigm focusing on the endurance of concept of rigidities in theoretical debates. Accounting for the formation of ‘modern’ labour economics, the concept of economics imperialism has provided a useful anchor to elucidate the dominance of the neoclassical narrative in labour market theory in general and the enduring presence of the rigidities argument in particular. Our discussion strongly suggests that the dominant paradigm by virtue of its neoclassical premises far from being value-free inverts the real conditions prevailing in capitalist labour markets and masks the ‘inner core’ of social relations of production. In particular, drawing on Marx's account of the real world of work, our analysis exposed the disjuncture between the prevailing paradigm that frames labour market deregulation and the capitalist social relations of production alluding to basic premises of a theoretical framework that can help make sense of labour market deregulation from the workers’ point of view. Yet, the imperialist intolerance that characterises mainstream economics precludes alternative solutions. To recall Robbins, both theory and policy should remain free of value judgments and normative content that favours some groups in society over others: hence, even if we demonstrate that certain policies increase “social utility”, we still cannot legitimately infer that “these policies ought to be carried out” (Robbins 1939:42).

Armed with these insights, our study in its second chapter moves to examine the ideological content and policy practice of labour market deregulation.

CHAPTER II

LABOUR MARKET DEREGULATION IN THE NEOLIBERAL AGE

*The crisis consists precisely in the fact that the old is dying and the new cannot
be born; in this interregnum a great variety
of morbid symptoms appear.*

(Gramsci, Selections from Prison Notebooks 1971: 294)

The preoccupation with labour market rigidities has not been confined to scholarly analysis and theoretical debate. What kind of policy, then, results from the theoretical framework examined so far? Is labour market deregulation a technocratic (yet promising) corrective arising out of objective necessity? Part II of our inquiry pursues further our central research question “What explains labour market deregulation?” attempting to decode the ideological determinants and the policy practice of labour market deregulation. Concomitantly, it engages with the sub-questions which relate the domination of labour market deregulation prevail in policy, the nature of the changes/‘reforms’ it advances and the drivers /actors involved in these processes.

1. THE NEOLIBERAL ORDER, FINANCIALISATION AND LABOUR MARKET DEREGULATION

This section considers labour market deregulation within the broader dynamics of neoliberalism. Taking stock of the influence exerted by financialisation,¹⁵⁰ it argues that labour market deregulation forms a prerequisite for the establishment of the neoliberal social order in which capitalist classes sought to restore their power and wealth (Duménil and Lévy 2014:27).

The concept of neoliberalism provides a useful reference point in decoding the policy practice of labour market deregulation and its class character. Yet, despite its prominence in political and academic debates, neoliberalism is an “oft-evoked” but

¹⁵⁰ Financialisation broadly refers to the marked expansion of financial markets and institutions in terms of size and significance. Epstein (2005:3) describes financialisation as “the increasing role of financial motives, financial markets, financial actors and financial institutions in the operation of the domestic and international economies.” Dore (2002:116–17) refers to “the increasing dominance of the finance industry in the sum total of economic activity, of financial controllers in the management of corporations, of financial assets among total assets [...] of the stock market as a market for corporate control.” Stockhammer (2004:720) emphasises the expansion of activity by “non-financial businesses on financial markets”.

elusive concept that resists easy categorisation (Mudge 2008:703). It engages with a wide array of social, political and economic phenomena at diverse levels of complexity, which share common aspects: these aspects, however, lack distinct invariant features and do not define neoliberalism as a mode of production (Saad-Filho and Johnston 2005:1–2). Addressing the contradictory and heterogeneous nature of neoliberalism, Fine (2008a, 2009b, 2010b) emphasises three key aspects: i) its evolution in two phases and ii) its close connection to financialisation, and iii) the complex, diverse and shifting amalgam of rhetoric (ideology), scholarship and policy practice that characterises neoliberalism.

The structural crises of the 1970s and 1980s and the rise of conservative political powers in the UK, the USA and elsewhere set the scene for the rise of neoliberalism in a context of deteriorating major capitalist economies defined by booms and recessions, a decline in the rate of profit and accumulation, lower growth rates, a slowdown in labour productivity, rising unemployment and inflation (Duménil and Lévy 2004, 2011; Saad-Filho and Johnston 2005).¹⁵¹ Fine (2008a, 2009b) distinguishes two phases in the evolution of neoliberalism. Beginning in the 1970s, the first classic phase relates to the Washington Consensus¹⁵² and the shock therapy applied to developing countries and the post-Soviet ‘transition’ economies: the emphasis was on fully liberalising markets—financial markets, in particular—to promote every form of private capital accumulation and privatisation across a wide range of activities. Associated with the post-Washington Consensus,¹⁵³ the second phase of neoliberalism, sought to remedy the dissatisfaction arising from the outcomes of the previous phase and to sustain financialisation channeling massive state funds to the financial system during the recent financial crisis (Fine 2008a, 2010b). In practice, neoliberal policy in both phases of neoliberalism contradicts the state

¹⁵¹ The rise of neoliberalism was also accelerated by the collapse of the Bretton Woods system in 1971 with the elimination of the gold standard and the deregulation of the global financial system (Fine, Lapavistas, and Milonakis 1999). The abolition of the gold standard refers to the termination by the USA of the convertibility of dollars to gold.

¹⁵² Coined in 1989 by John Williamson (1990), the term ‘Washington Consensus’ denotes the following ten policy recommendations: fiscal discipline, reordering public expenditure, tax reform, financial liberalization, appropriate exchange rate policy, trade liberalization, abolishment of barriers to foreign direct investment, privatization, deregulation, and property rights.

¹⁵³ The Post-Washington Consensus shares the weaknesses and the conceptual premises of its predecessor. Fine (2001) and Saad-Filho (2005) offer a comprehensive critique.

withdrawal rhetoric and consistently deploys state power to make markets work in favour of private capital prioritising the expansion of finance (Fine 2008a, 2009a:893).¹⁵⁴ As Fine (2010a:108) emphasises, it is important to understand the “direct and integral” relationship of neoliberalism and financialisation with the “latter underpinning the persistence of the former (and not vice-versa)” so that financialisation becomes a “shorthand for neoliberalism, and not merely one of its consequences.” Financialisation itself accounts for the low levels of real accumulation undermining conditions of economic and social reproduction conducive to such accumulation: the increasing role of finance in the restructuring of capital has reduced levels of accumulation with a detrimental impact on the social, political and ideological conditions under which accumulation has progressed (Fine and Milonakis 2011:5; Fine 2010a:109).

Finance in general and financialisation in particular, have exerted a defining influence over all phases of neoliberalism. At the same time, financialisation is essential in understanding the class dynamics associated with labour market deregulation and the shifting of power from labour to capital subjecting workers to continuous restructuring and employment insecurity (Callinicos 2010:67; Rossman and Greenfield 2007:1). Starting in the early 2000s, the deregulation of the financial sector has progressed in tandem with the drive to deregulate labour markets (Treeck 2008:23). The outcomes of these twin processes have been markedly asymmetrical weakening labour and reinforcing capital. Furthermore, it has been convincingly argued that financialisation most likely amplifies conflicts between industry, finance and labour affecting adversely the employment performance and in turn the social cohesion of economies (Argitis and Michopoulou 2011:140).

Defining neoliberalism as a class phenomenon, Duménil and Lévy (2004:15, 2011:7, 43) describe it as the “latest of three social orders, which jointly constitute modern capitalism” that was introduced by the crisis of the 1970s. The neoliberal order has a

¹⁵⁴ As regards scholarship, neoliberalism strengthened the conventional “unworldliness and technicism” of economics, sparked an alternative analytical agenda and helped undercut alternative approaches such as radical political economy (Fine and Milonakis 2009: 62). Smoothing the path for the information-theoretic approach to flourish within economics, neoliberalism also marked the departure point of the second type of economics imperialism that has critically reinvigorated the phenomenon (Fine 2009:886).

particular material foundation: it brings together a strategy of accumulation, a specific form of social and economic reproduction as well as a “mode of exploitation and social domination based on the systematic use of state power to impose, under the ideological veil of non-intervention, a hegemonic project of recomposition of the rule of capital in all areas of social life” (Saad-Filho 2009:34). Historically, the neoliberal order displaced the so-called ‘golden age’ of capitalism (Marglin 1988) of the 1950s and 1960s when Keynesianism reigned as the main structure of socio-political domination and the central system of accumulation (Saad-Filho 2007:90–91). Policies of full employment and welfare during this period relied on the purchasing power of a protected labour force, on its increasing productivity and on technological innovation (Hobsbawm 1994:270, 281–2). Thus, this crisis of the 70s which marked the end of the “golden age” was wrongly attributed to high wages and the better social protection of labour in terms of a high and growing social wage (Maniatis 2012:14). Was, then, this period really ‘golden’ for the working class? A closer look suggests a different picture. To restrain social dissent, particularly in the Western European core, social democratic compacts institutionalised the downward rigidity of the nominal wage allowing workers some share of the productivity gains; the extraction of surplus value, however, was taken for granted and never contested (ibid). So, implicit or explicit compromises between governments, employers, and trade unions ensured that workers’ demands were contained and did not pose risks to existing and future profit levels, to investments and to labour productivity; businesses accepted union activities and labour rights while unions agreed to wages linked to productivity (Heilbroner and Milberg 1998; Silver 2003).

This compromise was replaced by the neoliberal social order. The change hinged on reasserting the power and the interests of finance “in relation to workers, company managers, those responsible for economic and social policies in governments, and public and semi-public institutions, both national and international” (Duménil and Lévy 2004:11). A “fragile and unwieldy” financial architecture helped generate “income for the upper income brackets” taking investment away from production; it greatly increased the

share of income and wealth of upper classes¹⁵⁵ while financial corporations amassed huge gains in profits and stock values (Duménil and Lévy 2011:125, 22). At the same time, non-financial corporations were reaping increasing profits from financial activity (Fine 2010b:14). Such dramatic shifts and the gains accrued by the ruling classes could not have been sustained without policies that deregulated labour markets. To reassert its hegemony in the new social order, finance developed new strategies that aimed to constrain social forces that could obstruct its expansion; the imposition of a new discipline on labour in each country and internationally and the reduction the power of labour were integral to neoliberal strategies (Duménil and Lévy 2001:596, 2011:52–4; Saad-Filho and Johnston 2005:3). Lowering labour costs and ‘efficient’ labour markets, after all, were two of the twelve pillars of international competitiveness set out by the World Economic Forum (Schwab et al. 2009). A disciplined workforce subjected to a flexible labour regime ensured control over labour costs to offset the declining profitability of capital after the structural crisis of the 1970s and 80s: the “unambiguous reassertion of the maximization of the profit rate in every dimension of activity” became imperative to address the declining return on capital invested in machines and technology (Duménil and Lévy 2004, 2009:52).¹⁵⁶

The establishment of a new social order is not a linear process that merely replaces existing policies with new ones. The discipline exerted on labour by deregulated labour markets was accompanied by processes of financialisation that weakened workers. The unprecedented expansion of the financial system brought into every aspect of life activities of money lending, financial intermediation and speculation attracting investment and providing points of accumulation (Silver 2003:132–3). Financialisation introduced “transformations through which relations between capitals and between capital and wage-

¹⁵⁵ Duménil and Lévy (2011, 2004) deploy a tripolar class configuration where “upper classes” refer jointly to capitalists (owners) and managers (upper income earners) who benefited from neoliberalism from different positions building an alliance (the neoliberal compromise). Popular classes denote lower wage earners.

¹⁵⁶ The first phase of the structural crisis of the 1970s witnessed falling profits, low dividend distribution and low interest rates, which combined with steep inflation rates, had considerably reduced the income of the ruling classes: the portion of the total wealth in the USA, held by the richest 1% among households, declined to 22% in 1976 from 30% and 35% during the first decades after World War II. Neoliberalism reversed this trend (Duménil and Lévy 2009:54).

labour have been increasingly financialised—that is, increasingly embedded in interest-paying financial transactions” enabling finance to appropriate “ever larger shares of surplus-value” (McNally 2009: 56). The relationship between capital and labour became increasingly tied to the neoliberal financialised framework leading to the “financialisation of the reproduction of the working class” (Fine and Saad-Filho 2010:257). The growing involvement of banks and financial circuits in dispensing pay, investing pensions in stock markets and diffusing risky financial products and services within the working class provided an efficient infrastructure for the growth of personal and household debt that amplified capitalist profit-making possibilities and served to discipline workers (Lapatsioras, Sotiropoulos, and Milios 2010:4–5; Panitch and Konings 2009:74). Furthermore, recent empirical research (Darcillon 2015), has found strong evidence that financialisation has steadily contributed to eroding/decentralising workers’ bargaining power and reduced employment protection suggesting that the rise of financial markets is associated with greater labour market flexibility.

The next section moves to consider the policy implementation of labour market deregulation focusing on the role of international financial and policy institutions and its consequences for workers.

2. LABOUR MARKET DEREGULATION IN PRACTICE

The elimination of labour market rigidities to achieve economic growth and employment goals as a policy focus can be traced back to the 1960s emphasising broadly active labour market policies,¹⁵⁷ labour costs, work practices and patterns, worker mobility, education and training (Brodsky 1994). After the 1970s, deregulation to promote flexibility in labour markets emerged as a strategic priority of neoliberal regulatory experiments spread out to “conjuncturally specific sites” including Chile under Pinochet, Thatcherite Britain, US under Reagan, post-communist transition countries and crisis-stricken countries in Asia or Latin America (Brenner, Peck, and Theodore 2010). The manner of implementation differed ranging from shock therapy and IMF’s structural

¹⁵⁷ Training programmes, mobility schemes, job-finding assistance and subsidies to employers to hire unemployed or disabled workers or special youth programs and others.

adjustment programs to lighter versions of austerity recently applied in the Western EU countries. The elevation of labour market deregulation into an overarching global policy objective has been associated with the 1994 OECD Jobs Study (1994a, 1994b). The Jobs Study advocated labour market deregulation as a key response to the challenges posed by globalisation to allow labour markets to “accommodate structural changes smoothly and rapidly” (OECD 1994:12–15). Four out of its ten recommendations explicitly called for deregulatory structural reforms in terms of flexible working time, market-friendly flexible wages, reduced labour costs, weak employment protection and curtailed unemployment and other benefits. Grounded in neoclassical economic theory and NAIRU-based analysis, the Jobs Study concluded that any level of unemployment above the natural rate is largely structural rather than cyclical owing to market imperfections, alias labour market rigidities, that prevent the market from clearing (McBride, McNutt, and Williams 2007:81). Hence, the OECD contended, unemployment cannot be addressed by macroeconomic policy promoting deregulation as the only solution (OECD 1994b: 66–69).

Similarly, the IMF (2003:129–150) urged a policy of broad structural reforms on countries with high unemployment to reduce labour market rigidities including unemployment benefits, employment protection, high firing costs; high minimum wages, and “non-competitive” wage-setting mechanisms. In particular, over the 1990s, the deregulation of the labour market became a key component of the “augmented” Washington Consensus (Rodrik 2006) which added new items to Williamson’s (1990) original ten policy recommendations. Under the new extended lending “micro-conditionality”¹⁵⁸ of the IMF (Vreeland 2006:24–25), labour market deregulation became a steady prerequisite for loans dispensed under the IMF Economic Adjustment Programmes (EAPs) implemented in Greece and elsewhere. As the World Bank emphasised “the most important reforms involve lifting constraints on labor mobility and wage flexibility, as well as breaking the ties between social services and labor contracts” (World Bank 1995:109).

¹⁵⁸ Conditionality refers to the practice of giving financial assistance contingent on the implementation of specific policies that increasingly became important in IMF aid programmes (Dreher 2009).

Successive waves of labour market deregulation were imposed as the backdrop of developments that increasingly disempowered and disciplined labour compounding the adverse effects of financialisation. Under neoliberal hegemony in policy, politics and ideology, specific conditions that greatly favoured capital accumulation weakened labour and progressive movements: these conditions include the restructuring and internationalising of production, technological innovation that favoured productivity increases, the rise in structural unemployment and casual employment, deteriorating wages and work conditions, availability of cheap labour (e.g. Chinese and female workers as a reserve army of labour), technological innovation, the end of the Cold War and the global expansion of capitalism (Fine and Milonakis 2011:5; Saad-Filho 2010:257). The weakening of labour in terms of organisation and activism was compounded by anti-inflationary monetarist policies that fuelled unemployment while the state intervening on behalf of capital enforced deregulation in labour markets by legislation and, wherever required, by authoritarian and repressive methods (Fine 2009b; Milios and Sotiropoulos 2009).

Shifting power from labour to capital, consecutive waves of labour market deregulation helped consolidate the neoliberal order and manifestly worsened the position of labour in relation to capital. The outcomes are consistent with the interests of the upper classes restoring the hegemony of these classes and consolidating hegemony of finance (Duménil and Lévy 2011:118) contesting the notion of a gentler, more reasonable neoliberalism and corroborating the critique directed against the Post-Washington Consensus (Fine 2001; Saad-Filho 2005). Notably, the policy practice of labour market deregulation at the global level has failed on its professed objective to fight unemployment.

More specifically, available global data indicate a context of increasing unemployment, growing casualisation and informalisation of work, rising income inequality and poverty against the growing concentration of wealth in fewer hands (Bieler, Lindberg, and Pillay 2008). Under the impact of the current financial and economic crisis, prospects for the working class are dismal: by 2019, more than 212 million people will be out of work, up from the current 201 million while income inequality will continue to widen with the richest 10 percent earning 30 to 40 percent of total income and the poorest 10 percent earning between 2 and 7 percent of total income (ILO 2015). Over the last three decades, the labour share of income represented by wages, salaries and benefits has persistently declined in nearly all OECD countries challenging the mainstream practice of

treating the shares of income flowing to labour and capital as fixed (OECD 2012). Moreover, within the share going to labour, wage incomes have become more unequal indicating falling unit labour costs, and increasing profitability contrary to views informed by neoclassical economics that expect the decline in the wage share to be associated with stronger growth and employment (Goda, Onaran, and Stockhammer 2014:8). Furthermore, the relationship between wages and productivity has progressively fractured. Productivity continues to grow but wages do not stay at the same level with profits and productivity: the breakdown of the “wages-productivity-profit nexus” has weakened the bargaining power of workers (Rossman and Greenfield 2007:1). As our inquiry will subsequently seek to demonstrate, the labour market and social situation in many member states of EU27, particularly the indebted countries of the EU periphery, is especially stark.

These outcomes challenge the wisdom of insisting on implementing a policy template that fails on its own objectives. They also raise questions regarding the imposition and the legitimatisation of a failed policy. To address this puzzle, the next section examines the conditions under which this was made possible.

3. LABOUR MARKET DEREGULATION: DISCOURSE, CONSENT AND COERCION

This section considers how patent class strategy in terms of content and discourse becomes dominant and was legitimised as being in the wider public interest. While neoliberal ideas were not the driving force of neoliberalism, neoliberal ideology, as the expression of the class objectives of neoliberalism, played a crucial role in consolidating neoliberalism and its policy regime (Cahill 2014; Duménil and Lévy 2011:118). As Fine (1980:14) emphasises “bourgeois economics has the function of contributing to the ideology of the ruling class, thereby supporting and promoting the material relations of exploitation”. Our inquiry has identified the fallacious ideas emanating from neoclassical labour market theory (and its variants) concerning the world of work. These ideas follow as logical conclusions from a host of value-laden assumptions and form the building blocks of a belief system. They underscore an asocial, ahistorical theory that provides the primary theoretical justification for labour market deregulation. Far from being ‘neutral’ or classless, this conceptual apparatus crucially distorts labour market dynamics and obscures the social relations and the power dynamics that are at the heart of the production process. As Marx and Engels wrote in “The German Ideology”:

The ideas of the ruling class are in every epoch the ruling ideas: i.e., the class which is the ruling material force of society is at the same time its ruling intellectual force. The class which has the means of material production at its disposal, consequently also controls the

means of mental production, so that the ideas of those who lack the means of mental production are on the whole subject to it. The ruling ideas are nothing more than the ideal expression of the dominant material relations, the dominant material relations grasped as ideas; hence of the relations which make the one class the ruling one, therefore, the ideas of its dominance. (Marx and Engels 1846:59)

The ruling class imposes its ideas in the “form of universality”, as the “only rational, universally valid” ideas that represent the “common interest of all the members of society” (Marx and Engels 1846:60). The idea that deregulation sets labour markets right can be seen to acquire universality (and acceptability) as ‘common sense’ in the Gramscian sense. Described by Gramsci as the partly uncritical “disjointed, incoherent, and inconsequential conception of the world that matches the character of the multitudes”, common sense is “not a single conception identical in time and place”; it takes many forms and produces norms of conduct through the “imperative character” of beliefs (Gramsci 1971:321–2, 424, 2007:333). Despite its positive connotation in English, Gramscian common sense does not reflect the real needs and interests of the masses of ordinary people who hold it (Adamson 1983:150). Common sense provides both the locus on which the dominant ideology is constructed and the site of resistance against this ideology (Simon 1982:72, 29). It is intimately linked to the Gramscian concept of hegemony denoting the form of class rule that effectively enlists the consent of dominated ‘subaltern’ groups by the ruling class. Hegemony is articulated at two levels: civil society, which is the “ensemble of organisms commonly called “private” and that of “political society or the State” (Gramsci 1971:12).

These two levels correspond on the one hand to the functions of 'hegemony' which the dominant group exercises throughout society and on the other hand to that of 'direct domination' or command exercised through the state and 'juridical' government. (ibid)

The dominant class, according to Gramsci (1971:310), exerts its rule by force or coercion “ingeniously combined with persuasion and consent”. In this configuration, common sense underscores the “consent given by the great masses of the population to the general direction imposed on social life by the dominant fundamental group” that can enlist consent because of its dominant “position and function in the world of production” (Gramsci 1971:12). How, then is consent manufactured around the idea of labour market deregulation presented as “common sense”?

First, a technocratic and depoliticised discourse familiarises society with a class strategy presenting it as the indispensable response to exogenous pressures (Amoore 2002). In this discourse, labour market deregulation as a rational and universal corrective

becomes at once benign and disciplinary: states and societies cannot but enforce the ‘right’ cure which also carries promises for the economy. At the same time, neoliberalism captures the “language of progress” investing terms related to worker rights with negative connotations: welfare, for example, came to suggest from failure and ‘state dependency’ or disability benefits mutated into ‘allowances’ suggesting optional conditional payment (Standing 2014:386). Second, mainstream scholarship, as described and analysed in this paper, helps legitimise the discourse of labour market deregulation and familiarise civil society with its practice. Bourgeois economics contributes to the “ideology of the ruling class, thereby supporting and promoting the material relations of exploitation” (Fine 1980:141). The discursive frame of labour market deregulation is buttressed by a theory which claims to be ‘scientific’ value-free and universal. Drawing on the concept of labour market rigidities, a ‘one size fits all’ universal explanatory framework diffuses the policy template of labour market deregulation as universally applicable, expedient and acceptable. The neoclassical denial of involuntary unemployment and rigidity-based analysis incriminate workers, individually or collectively, for causing labour market rigidities and unemployment. An individualist discourse places responsibility of success or failure on isolated individuals and protects the neoliberal social order from social dissent denying the role of collective capacity and action (Saad-Filho and Ayers 2014). Neoliberalism, after all, holds the rational individual as fully responsible for the successes and failures that result from his or her choices (such as failing to find employment) and depoliticises social and economic processes (Brown 2005:42–43).

Third, a complex web of power and influence with links in the mainstream of the economics profession reproduces a policy blueprint based on the idea that labour market rigidities distort labour markets causing unemployment. Building “transnational circuits of ideational and policy transfer”, this web includes multilateral bodies and financial institutions, epistemic communities, policy think-tanks, well-endowed foundations, opinion-leaders and expert technocrats that contribute to the dissemination and imposition of regulatory arrangements promoting their “popular acceptance as necessary adjustments to ineluctable economic laws” (Brenner et al. 2010:214; Peck 2008). A glance to the membership list of Mont-Pelèrin Society reveals the ideological bonds between major US research institutes, universities, government agencies, foundations and media (Weller and Singleton 2006). Helping society internalise the common sense of labour market deregulation, these groups can be seen as Gramsci’s organic intellectuals who act as “the dominant group’s ‘deputies’” exercising “the subaltern functions of social hegemony and

political government” (Gramsci 1971:12, 5).

If the above constitute pathways of manufacturing consent around the ‘common sense’ of labour market deregulation at the level of civil society, how is coercion exerted and what is the role of the state? As noted previously, neoliberal scholarship is infused with the idea of the state retreating in the face of the market. Since the establishment of the Mont–Pelèrin Society in 1947, the supremacy of self-regulating markets, the minimal role of the state, individualist values and aversion to collectivism have been constant values in the shifting neoliberal blend of “prejudice, practice and principle” (Peck 2008:6). Nonetheless, the neoliberal dogma of non-intervention and efficient markets has been deployed together with substantial state intervention to advance “the interests of private capital in general and of finance (and financialisation) in particular” (Fine 2011:9). As Polanyi (1944:146) wrote, in his critique of laissez-faire liberalism, “the road to the free market was opened and kept open by an enormous increase in continuous, centrally organized and controlled interventionism.”

The case of labour market deregulation confirms the contradiction between rhetoric and policy practice. Implementing labour market deregulation as a disciplinary policy tool, states rely on regulatory processes and, where needed, on coercive intervention (Cahill 2014). The removal of rigidities from labour markets is consistently effected through re-regulation by the state or supranational authorities notwithstanding neoclassical notions of self-regulating labour markets, policy ineffectiveness and ‘natural’ unemployment rates. As Gramsci (1971:12) emphasised “the apparatus of state coercive power ‘legally’ enforces discipline on those groups who do not ‘consent’ either actively or passively” and is ready to be used for the entire society in crises “when spontaneous consent has failed.” In this sense, ranging from legislation to direct repression, the coercive character of labour market deregulation assumes different forms displaying notable continuity. Matching the anti-labour discourse of Chicago school economists, direct repression is used to curb the collective capacity of the working class to *organise* and mobilise. State coercion, however, never touches capital. The violent deregulation of the labour market in Chile under the Pinochet dictatorship is an extreme example of extreme state coercion. Guided by Chicago school theory and policy advice, the deregulation of the labour market massively expelled “labour into the reserve army” fundamentally reshaping the production and distributional relations between capital and labour and shifting power relations to the detriment of labour (Schliesser 2010; Taylor 2006, Chapter 7). While overt state coercion is mostly associated with the developed

world, states in advanced capitalist economies, too, often resort to various forms of direct repression including the use of police force against popular protests (Cahill 2014). As a mechanism of coercion, the conditionality of IMF structural adjustment programmes directly commits debtor states, such as Greece, to impose the class project of labour market deregulation by legislation.

Rather than constraining the state, then, neoliberalism seeks to redefine functions of the state with policies that involve a complex process of re-regulation, state coercion, and the “construction of new institutional mechanisms of control” (Konings 2009:110). For, neoliberalism does not simply reduce all facets of life to a “calculus of utility, benefit, or satisfaction against a microeconomic grid of scarcity, supply and demand” but also “develops institutional practices and rewards for enacting this vision” (Brown 2005:40). The upcoming section traces these processes in the institutionalisation of labour market deregulation in the European Union.

4. THE INSTITUTIONALISATION OF LABOUR MARKET DEREGULATION IN THE EUROPEAN UNION

This section describes and analyses the institutionalisation of neoliberal labour market restructuring in the EU from its early stages to its culmination in the stringent structural reforms undertaken as anti-crisis measures. Framed by a neoliberal discourse of competitiveness, labour market deregulation is a key EU policy objective hinging on labour market ‘reforms’ which required workers to adjust to the new conditions imposed by global capital (Van Apeldoorn 2003:114). The institutionalisation of labour market deregulation in the EU progressed through a mix of consent and coercion enlisting the cooperation of organised labour around the narrative of Social Europe and consultation (Hyman 2011), soft law structures and hard law (e.g. the recent governance package) as well as the coercive conditionality deployed in CEE transition countries and more recently in Greece and the other indebted countries of the EU periphery.

4.1. The pre-crisis context: from EMU to employability

The neoliberal orientation of EU policy in general is reflected in a firm belief in

efficient markets, aversion to state activity and an anti-labour bias (Stockhammer 2014:5). In particular, the deregulation/flexibilisation of European labour markets appeared on the EU policy agenda during the late 1980s when the so-called ‘Eurosclerosis’ debates (Blanchard and Summers 1989; Giersch 1985)¹⁵⁹ attributed unemployment and the competitiveness problem of the European economy to institutional rigidities ingrained in the post-war European model of capitalism. Based on the analysis carried out by the OECD and other institutions, the neoliberal restructuring of labour markets gained prominence in the early 1990s. In particular, the establishment of the European Monetary Union (EMU) and the Maastricht convergence criteria marked a decisive turn towards labour market deregulation. At the backdrop of recession and high unemployment, the 1992 Maastricht treaty and the 1996 Stability and Growth Pact along with fiscal discipline resolutely prioritised flexibilisation, wage discipline, labour mobility, and the reduction of labour unit costs. In purely neoclassical framework, the European Commission study “One Market, One Money” (Emerson et al. 1990:152) explicitly named labour market flexibility, and particularly wage flexibility, as “the single most important adjustment instrument in the absence of the nominal exchange rate instrument”. Thus, the ‘one money and one market’, framework initiated a process of internal devaluation setting workers across EU in competition against each other to prevent them from “becoming uncompetitive” (Emerson 1990:24). At the same time, the discourse around competitiveness in global markets placed workers within the EU in direct competition with workers in other regions of the world initiating a race to the bottom (Horn 2012:588). In sum, EMU provided to member states—and to capital—the institutional anchor to deregulate labour markets, weaken welfare regimes, intensify market discipline, and redistribute wealth from labour to capital (Bonfeld 2002). Using the rhetoric of ‘convergence’ and ‘European unification’, the ruling social and political forces succeeded in legitimising neoliberal policies and converting European integration into an “ideological and political weapon of the European capitalist classes, in their conflict with the labouring classes” (Milios 2005:213).

¹⁵⁹ The term ‘Eurosclerosis’ was coined by the German economist Herbert Giersch, who served as president of the Mont Pèlerin Society.

The European Commission's White Paper on Growth, Competitiveness, Employment (CEC 1993) constitutes a milestone of deregulatory policy. Why would that be the case? The White Paper as a policy document explicitly associated Europe's 'structural' unemployment with labour market rigidities, described as national "specific institutional, legal and contractual circumstances", recommending their removal in favour of a market-friendly macroeconomic framework and competitiveness (CEC 1993:16, 47). Drawing on insider–outsider arguments, the Commission presented labour market deregulation both as a rewarding employment-friendly policy and as an imperative to respond to exogenous technological and competitive pressures. It claimed that rather than the "deregulation of Europe's labor markets", a rational and simplified system of regulation and incentives was needed to:

[P]romote employment creation, without putting the burden of change on those already in a weak position in the labor market. (CEC 1993:123)

The White Paper replaced the concept of full employment with the notions of employability, entrepreneurship, adaptability, worker mobility and equal opportunities (Goetschy 1999:120). Conforming to the neoliberal discourse, unemployment was redefined and personalised as a defect of the unemployed who were charged with the responsibility to ensure that they qualify for employment and grab whatever opportunities exist in the labour market regardless of wage rates (Overbeek 2003:27).

The class dimension of the neoliberal restructuring of European labour markets is illustrated by the active role played by the European Round Table of Industrialists (ERT), the powerful elite platform representing the interests of transnationalised segments of European capital (Van Apeldoorn 2000).¹⁶⁰ A major promoter of the competitiveness discourse within the European context, ERT fervently campaigned for labour market deregulation as the key to boost competitiveness blaming institutional rigidities and excessive social protection for Europe's unemployment problem (Van Apeldoorn 2000:172–4). Compared to BusinessEurope which represents national employers'

¹⁶⁰ Founded in 1983 by the heads of firms like Volvo, Philips, Fiat, Siemens and Nestlé, the ERT brings together up to 50 chief executives and chairmen of major multinational companies of European parentage which control a large part of European transnational capital yielding vast political influence <http://www.ert.eu/about>

organisations, ERT has played a strategic and more aggressive role as the vanguard of the European capitalist class, mobilising European corporate capital around a consistent class strategy (Van Apeldoorn 2014:191). Ultimately, under intense capitalist lobbying, attempts to include a social dimension in neoliberalism—a central idea of the Delors social-democratic project—gradually receded leaving behind the rhetoric about “Social Europe”. To be preserved, the European Social Model and its key principles had to be updated leaving behind full employment.¹⁶¹ The pillars of flexibility, namely life-long employability, training, mobility, new skill acquisition were reiterated in the 2000 Lisbon strategy.¹⁶² To consolidate labour market deregulation institutionally, the Commission, in 2006, ‘modernized’ labour law¹⁶³ along neoliberal imperatives. The 2010 re-launch of the Lisbon Strategy as the ‘EU 2020’ initiative,¹⁶⁴ reiterated the primacy of labour market deregulation and competitiveness in EU policy over the rhetoric of reconciling social regulation with deregulation (Van Apeldoorn and Overbeek 2012:10; Hyman 2011).

4.1.1. Labour market deregulation as shock therapy

In the manner described above, EU employment policy progressively evolved into a pillar of supply-side neoliberal restructuring modifying the direction of the European integration and the EU enlargement project (Tidow 2003:78–79). In this process, an episode that deserves attention is the coercive deregulation of labour markets in CEE transition countries during the EU enlargement process under the stringent conditionality

¹⁶¹ Jacques Delors first popularized the term ‘European Social Model’ in the mid-1980s as an alternative to the American form of pure-market capitalism to denote that economic and social progress must coexist combining growth with social cohesion: yet, to this day the terms remains imprecise (Jepsen and Pascual Serrano 2005). Trade unions emphasise its social, distributive and rights based aspects (<http://www.etuc.org/a/2771>)

¹⁶² http://www.consilium.europa.eu/en/uedocs/cms_data/docs/pressdata/en/ec/00100-r1.en0.htm

¹⁶³ COM (2006) 708 final. “Green Paper - Modernising labour law to meet the challenges of the 21st century”

¹⁶⁴ COM (2010) 2020 final. “EUROPE 2020: a strategy for smart, sustainable and inclusive growth”

of the Copenhagen criteria.¹⁶⁵ Notwithstanding spatio-temporal differences, the shock therapy of the post-communist labour markets provides insights that presage the plight of Greece.

In contrast to the Commission's social rhetoric, the combination of power and conditionality allowed Brussels to impose on the CEE countries a coercive deregulation model much tougher than the Western European one: this process was supported by transnational capital that saw the enlargement as an opportunity to exploit the Eastern European production potential and a cheap and skilled labour force (Bohle 2002:21–22). The ground for the neoliberal enlargement of the EU had been already prepared by the shock therapy imposed to transform centrally managed socialist economies into capitalist market economies by implementing radical neoliberal reforms.¹⁶⁶ The shock therapy was invested with scientific legitimacy by Jeffrey Sachs's new orthodox theory, the "Economic Theory of the Transition", which articulates how the West should reshape the entire East European region through a massive neoliberal experiment of political, social and economic engineering (Gowan 1999:187–89).¹⁶⁷

Against soaring unemployment, the wholesale deregulation of CEE labour markets ensured labour market flexibility and diminished the capacity of labour to resist changes compelling workers to take any available job (Birch and Mykhnenko 2009:360–61). In this case too, the European Roundtable of Industrialists played a decisive role presenting

¹⁶⁵ Going through various stages, the Helsinki European Council (December 1999) endorsed accession negotiations with all the ten CEE applicants. Ultimately, the EU at the Gothenburg summit (June 2001) accepted that the most advanced candidates from Southern and Eastern Europe could complete negotiations by the end of 2002 aiming to take part in the 2004 European Parliament elections as member countries. For details on the history of the EU enlargement see the Commission's Enlargement website http://ec.europa.eu/enlargement/policy/from-6-to-28-members/index_en.htm

¹⁶⁶ The shock therapy or 'big-bang' transition was imposed to rapidly "build capitalism" in Poland and Yugoslavia (1989–90), and subsequently in Bulgaria, Czechoslovakia and Romania (1991), Russia, Albania Estonia (1992), and Latvia (1993) and was ardently supported by mainstream economic research (Aslund 2002; Sachs 1994).

¹⁶⁷ Sachs's theory sets out a specific neoliberal shock sequence: 1) the liberalising/stabilising shock 2) The international shock 3) privatisation and foreign direct investment 4) Trade-led growth 5) Political/institutional consolidation and growth (Gowan 1999:196–99). Ironically, Sachs launched his theory in an Economist article titled 'What is to be done?' invoking Lenin (p.187).

the neoliberal enlargement process as a ‘win–win’ option for both labour and capital: the only winners, however, were capitalist owners who secured access to a disciplined and well-trained labour force ready to work in the new deregulated CEE labour markets (Holman 2001:175–76). The harsh labour market deregulation in the transition countries was achieved without much ado as the neoliberal discourse presented the ‘reforms’ as a benign imperative to replace totalitarian structures and institutions. That it left working classes bereft of any rights and welfare to fend for themselves in capitalist markets was irrelevant to the free marketers of the era.

The shock therapy of EU enlargement resulted in double digit recession, massive unemployment, deindustrialisation (to get rid of ‘Stalinist’ heavy industrialization), social dislocation and the erosion of welfare and institutions (Gowan 1999; Williams and Reuten 1993). During the ensuing recession (1990-95), labour was literally crushed in the CEE transition countries:

Real wages dropped from two-thirds to half their level in 1989, firm-based social benefits disappeared, union density halved. The masses became unemployed, were forced into early retirement, or sent back to the household. Fast reemployment at comparable terms had hardly been an option since foreign capital had not been in hurry to overtake the giant steel mills, coal mines, fertilizer combines, and cement factories.(Bohle and Greskovits 2006:10)

The rapid and thorough neoliberal restructuring of the former socialist economies “contributed to the deterioration of the collective action capacities of its losers” mainly workers organised labour and leftist parties (Greskovits 1997:206). In sum, Sachs’s liberalizing stabilising shock (Gowan 1999) in the labour markets of the post-socialist order critically shifted power in labour markets crucially disempowering workers in the transition countries.

4.2. The post-crisis EU context: consolidating labour market deregulation

After 2010, the financial and economic crisis, ushered a new phase of neoliberal labour market restructuring in the EU with unprecedented stringent ‘reforms’ linked to austerity that otherwise would not have been feasible. Labour market deregulation was institutionalised and enforced under the new European economic governance process and

its surveillance mechanism.¹⁶⁸ Giving stronger control to the interests of finance capital in EU policy making, this body of legislation marks the end of the European welfare state opening the way to the institutional expropriation of worker rights and entitlements (Dräger 2011:27). In particular, the pillars of the Euro Plus Pact targeting the labour market include the deepening flexibilisation of the labour market to combat unemployment, wage deflation by dismantling collective bargaining, exhaustive monitoring /review of wage levels and settlements to bring them in line with productivity, lower taxes on labour, increased mobility of human capital, apprenticeship and training schemes as well as “restructuring” pensions, health care and social benefits (Vence, Turnes, and Alba 2013:56–60). Notably, the far-reaching grip on labour is not matched by effective controls and regulation of the financial system: rather than address the urgent need to reform the financial sector the new EU governance packages have so far introduced measures designed to protect the interests of the sector, particularly large banks and investment funds (ibid.).¹⁶⁹

In this new context, member states are required to enact ‘reforms’ to eliminate a host of rigidities (‘constraints’): thus wages and social policy explicitly became the main adjustment variable for managing the debt crisis (Schömann 2014). Technically, two mechanisms are involved: a) the annual non-binding country-specific recommendations (CSRs) for most Member States articulating policy measures to be implemented via National Reform Programmes and b) the binding memoranda of understanding (MoU) for indebted EU countries under an economic adjustment programme, namely Greece, Ireland, Portugal, Latvia, Romania, Hungary and Cyprus (ETUI 2014). While qualifying as ‘soft-law’, the country specific policy recommendations effectively impose neoliberal deregulatory policies on Member States including countries with strong welfare and trade

¹⁶⁸ The EU ‘anti-crisis’ governance reforms include the Euro Plus Pact (EPP), adopted by the European Council in March 2011, the ‘Six Pack’ adopted in the autumn of 2011, and the reforms proposed for the Eurozone in November 2011. The new ‘macroeconomic imbalance procedure’ established an intrusive disciplinary apparatus based on six legislative acts, known also as ‘Six Pack’, which aim to fortify the Stability and Growth Pact correcting macroeconomic imbalances within the EU and the Eurozone (Bieler and Erne 2014; Dräger 2011).

¹⁶⁹ Notably, no reference is made to the need for the ECB to add financial stability to its objectives at the same level as price stability (Vence, Turnes, and Alba 2013:61)

union traditions that belong to the core of the European economy e.g. Belgium, France, Italy and Denmark (Dräger 2011:23; Koukiadaki, Tavora, and Lucio 2015).

Since the 1980s, real wage increases for workers in the EU15 have been in continuous decline while changes in wage levels in EU27 are virtually zero attesting to a trajectory of wage restraint (Vence et al. 2013:58). Europe is still plagued by persisting double digit unemployment. Nevertheless, and despite the weak evidence and empirical flaws of the rigidity paradigm, the drive to deregulate European labour markets has continued accelerating in the crisis context to leave no stone unturned. Starting from collective bargaining that is at the core of the neoliberal attack, legislation encompassing dismissals, severance pay, working time, unemployment benefits, working time, information and consultation rights, health and safety and pension entitlements ultra-flexible precarious forms of work and social protection was promoted across the board (Koukiadaki et al. 2015; Schömann 2014). Fundamental collective and individual labour rights disregarding standards enshrined in international, European and national law were challenged and reversed. A study commissioned by the European Parliament (Tamamović 2015) found that starting with the right to work, economic and social rights were more affected than other rights, the right to education, healthcare, work and pensions being among the most affected.

In a context of austerity and high unemployment, these developments were accompanied by a sharp deterioration of social conditions and labour market outcomes. According to data provided by the EU (CEC 2015b:25): nine million more people are out of work compared to 2008, with youth unemployment causing particular concern.¹⁷⁰ Creating a strong risk for marginalisation, long-term unemployment (unemployed for 12 months or more) and very long-term unemployment (for 24 months or more) persist in most Member States doubling between 2008 and 2013 at the EU level. The deterioration in labour markets has had grave social consequences as the number of people at risk of

¹⁷⁰ As regards cross-country differences in unemployment, between 2008 and mid-2014 most of the jobs were destroyed in Spain (-3.4 million), Italy (-1.2 million), and Greece (-1.0 million), while the number of jobs increased by 1.8 million in Germany, and by 0.9 million in the United Kingdom during the same period (CEC 2015b:16).

poverty and social exclusion rose by more than 6 million since 2008, reaching some 123 million in 2013: in particular, among those of working age (18-64 years), poverty and social exclusion has increased significantly in two thirds of the Member States reflecting the rising levels of jobless and low work intensity households and in-work poverty (CEC 2015b:17). Any growth in employment is confined to temporary or part-time jobs confirming the trend towards the destruction of full-time in favour of precarious and insecure jobs (ETUI 2014).

These developments remove the last figleaf of EMU neoliberalism, the ‘unique’ European Social Model. They shatter illusions about an ideal-type political project that supposedly reconciled economic and societal dimensions by promoting social partnership, assigning a designated role to employers and trade unions and recognising judicially and constitutionally of the role of freedom of association and collective bargaining (Jepsen and Pascual Serrano 2005; Koukiadaki et al. 2015). As the Central Bank governor Mario Draghi declared, “The European Social Model has already gone”.¹⁷¹

To conclude, discussion in this section has traced and analysed the policy practice of labour market deregulation focusing on its institutionalisation and its outcomes at the EU level. Notwithstanding spatio-temporal diversities of implementation, the neoliberal project of labour market deregulation has been advanced with remarkable consistency and continuity at the European level. The crisis merely provided the opportunity for capital to accelerate and expand capitalist restructuring and shift further power dynamics between capital and labour in a manner that favours capital at the expense of labour (Bieler and Erne 2014:7). Would that be the case for Greece? How exceptional is the Greek case?

5. THE CASE OF GREECE: EXCEPTIONAL OR DÉJÀ VU?

Some of the medicine [...] is bitter and hard for many countries to swallow [...] It requires strong political will and leadership to convince electorates that it is necessary to swallow all the medicine.
(Elmeskov et al. 1998:242)

¹⁷¹ ‘Europe’s banker talks tough’, by Blackstone, B., Karnitschnig, M. and Thomson, R., interview with Mario Draghi, for The Wall Street Journal, 24 February 2012
(<http://online.wsj.com/article/SB10001424052970203960804577241221244896782.html>).

This section examines the nature, the manner of implementation and the outcome of the labour market ‘reforms’ effected in Greece that are commonly presented as an integral part of the exceptional measures required to save the country from insolvency. It seeks to demonstrate that, rather than exceptional, these ‘reforms’ by their design, content and manner of implementation conform to the neoliberal policy template and the imperatives of neoliberal restructuring. In particular, notwithstanding spatio-temporal differences, the extent, the speed and the thoroughness of labour market deregulation in Greece can be compared to the shock therapy implemented in the global South and in Central and Southeastern European countries during the EU enlargement process.

According to proponents of the shock therapy like Aslund (2002:450–53),¹⁷² in order to succeed shocks must be rapid and severe so that resistance is broken both in society and the individual. This quality of shock may well be the only dimension of exceptionality in the Greek case. For, under the conditionality of the IMF/EC/ECB economic adjustment programme (EAP), Greece has been subjected to the most extensive and stringent reforms among all the indebted countries of the European periphery (Tamamović 2015:65). For example, Greece is the only EU country where minimum wages were reduced by state intervention during the crisis pushing, in particular, reductions for young workers below poverty levels (ILO 2014).

5.1. Background

As the 2008 financial crisis spread over Europe, Greece was the first country in the Eurozone periphery to seek external assistance which took the form of successive bailout loans from the IMF, the EU and the ECB.¹⁷³ The case of Greece signifies the IMF involvement in the Eurozone. At the same time, the presence of the ECB denotes the absolute commitment of the troika rescue scheme to the interests of the financial sector focusing on price stability at the expense of growth, employment and the welfare of the population (Vence et al. 2013:69–70). To address a huge twin financing gap that resulted from its sovereign debt and high current account deficit, Greece under great speculative

¹⁷² The Swedish economist Aslund advised the Russian government and supervised the implementation of the shock therapy together with Jeffrey Sachs.

¹⁷³ Referred to hereafter as the ‘troika’, the term used to collectively denote Greece’s creditor group.

pressure by financial markets in May 2010 concluded with its creditors a loan agreement that included two memoranda (CEC 2010).¹⁷⁴ To ensure the release of the loan installments, the Greek government undertook to implement an economic adjustment programme (EAP). The conditionality of the programme committed Greece to consecutive rounds of austerity and structural reform, subject to strict deadline benchmarking and periodic revision. Against a deepening contraction of the economy and soaring unemployment, a major revision of the programme resulted in a Medium-Term Fiscal Strategy 2012-2015 (MTFS 2011) that introduced additional structural reforms to meet the conditions for a second bail-out package. A second Memorandum (CEC 2012) was concluded in December 2012 with fresh measures of austerity and extensive labour market deregulation. A third memorandum (MoU 2015) was concluded in August 2015 between Greece's creditors and the left-wing government that was elected in January 2015. This agreement updates and amplifies the prerequisites of the previous memoranda in exchange for a €86bn bailout. It replicates the recessionary formula of the previous ones notwithstanding that the IMF (2015a) admits that Greece's debt which is expected to peak at close to 200 percent of GDP in the next two years has become unsustainable and that its sustainability cannot be restored by Greece on its own requiring debt relief measures that go far beyond what Europe has been willing to consider so far. Notably, the third memorandum stipulates that its conditionality will be updated on a quarterly basis (MoU 2015:4) whereas such a clause is absent from the previous two. As regards the labour market, creditors recognise that "major changes have been made to Greek labour market institutions and wage bargaining systems to make the labour market more flexible" (p.21). Yet, new demands to deregulate the labour market are specified in section 4 of this document regarding collective bargaining, collective dismissals and industrial action (strikes and lockout).

There is nothing exceptional to the Greek adjustment programme as set out in the

¹⁷⁴ The Agreement between Greece and the EC, the ECB and the IMF includes a Letter of Intent, a Memorandum on Specific Economic Policy Conditionality (MoU), and a Technical Memorandum of Understanding (TMU). All texts concerning financial assistance to Greece including the Memoranda, the adjustment programme and review reports are available at the EC Economic and Financial Affairs website at http://ec.europa.eu/economy_finance/assistance_eu_ms/greek_loan_facility/

three memoranda. It is framed by neoliberal policy imperatives and infused with the coercive character of IMF Structural Adjustment Programmes (SAP)¹⁷⁵ applied previously to developing countries and to former communist ‘transition’ countries in both phases of neoliberalism. More specifically, from their inception in the late 1980s, the conditionality of the SAPs imposed new structural adjustment conditions atop the earlier IMF objectives of export-led growth, fiscal consolidation and inflation control, where exchange rate devaluation played a key role overall (Easterly 2005; Przeworski & Vreeland 2000). Labour market deregulation to eliminate alleged rigidities is central to this approach, particularly after the extended IMF micro-conditionality¹⁷⁶ and the “augmented” Washington Consensus (Rodrik 2006; Vreeland 2006:25,130). The Greek adjustment programme replicates in full the IMF blueprint. It emphasises competitiveness and export-led growth sustained by currency depreciation, which is not feasible in a eurozone country. Hence, a policy of massive ‘internal devaluation’/deflation is implemented to depreciate labour by pulling down wages and prices and reducing unit labour costs through direct wage cuts and other deregulatory measures (Armingeon and Baccaro 2012; Ioakimoglou 2012). In other words, wages, benefits, pensions and labour law are taken as key adjustment tools in conformity to the EU policy imperatives of the EMU criteria and EU integration.

The Greek labour market was already singled out in the pre-crisis period as needing discipline. It was described as ‘weak’ compared to the performance of other OECD and EU benchmark countries (Mitsopoulos and Pelagidis 2009: 248). In reality, the adjustment package fell upon an already fragmented labour market characterised by low job growth, wage inequalities, precariousness, extensive undeclared work, deficient inspection mechanisms, high unemployment rates among youth and women and precarious migrant labour (INE/GSEE 2012; Karamessini 2010). This picture is complemented by the high incidence of self-employment and small-medium enterprises

¹⁷⁵ Two new IMF lending facilities were introduced in 1986 and 1987: the Structural Adjustment Facility (SAF) and the Enhanced Structural Adjustment Facility (ESAF) following the Latin American debt crisis of the early 1980s (Vreeland, 2006:31).

¹⁷⁶ As Vreeland (2006:131) observes, the term “micro-conditionality” was used to describe an ever higher level of detail in the IMF programme conditions.

that have the EU's highest share of micro-SMEs employing one to nine persons (Pitelis 2012:4). Contrary to mainstream claims that high wages and labour costs caused losses in competitiveness, average annual wages in Greece were among the lowest in Eurozone during the period 2000–2010 while there was a cumulative decrease of 1.2% in real unit labour costs in the 2000–2007 period (INE/GSEE 2008, 2011).¹⁷⁷

Ignoring the structural characteristics of the Greek economy (Economakis, Markaki, and Anastasiadis 2015), Greece's creditor institutions explicitly demanded the removal of labour market rigidities to improve competitiveness and fight unemployment (CEC 2010:6, 2012:9,15,38,93). Emphatically raised by the Bank of Greece (2009), these arguments were reiterated in mainstream literature. Greece's "exceptionally rigid and over-regulated" labour market is assessed as an inherent national defect that harms competitiveness and obstructs reforms (Azariadis, Ioannides, and Pissarides 2010; Meghir, Vayanos, and Vettas 2010; Mitsopoulos and Pelagidis 2011:142). Reforms were urged to cure the "asphyxiating hold" of labour market rigidities over the economy, caused by an introvert, traditionalist "underdog coalition" rooted in Greece's Byzantine and Ottoman heritage (Diamandouros 2013:227). At the same time, regardless of evidence to the contrary¹⁷⁸ ethnic stereotyping is vastly used to depict Greek workers (and the Greek people generally) as privileged and lazy in the same manner that Greeks in general are stereotyped as corrupt and profligate (Pogatsa 2014). Thus, consent is manufactured by ascribing individual blame and responsibility as a "moral inscription that simultaneously isolates, binds, produces, and disciplines" (Pludwin 2011:473).

5.2. Deregulating the Greek labour market: content and implementation

In the case of Greece, labour market deregulation combined with internal devaluation progressed on two fronts. On the one hand, the workers' income was targeted

¹⁷⁷ In 2007, Greece was in second to last place as regards the level of gross wages in € (net wages plus employee contributions); average monthly earnings in 2006 amounted to €1,668 for full-time employees, compared to an average of €2,366 in the other countries of the EU15 (INE/GSEE 2008).

¹⁷⁸ The Greek labour force, which totals approximately 5 million, works the second highest number of hours per year on average among OECD countries, after South Korea. In second quarter of 2015, Greece recorded the highest number of hours worked by employees and self-employed workers in full employment (CEC 2015a:24).

by direct wage and pension cuts, wage freezes and cuts in welfare expenditure that were enforced by legislation. On the other hand, drastic measures were legislated to remove labour market rigidities modifying the institutional framework which had hitherto regulated industrial relations. More specifically, measures to deregulate the labour market were explicitly requested by creditors as specific time-bound commitments, namely ‘prior actions’ for the disbursement of loan installments. Under the heading “Structural reforms conditionality: Labour Market and Wages”, the prior actions are exhaustively detailed targeting employment protection legislation, minimum wages, collective bargaining, existing and future collective agreements and labour costs (CEC 2010:79–81, 2012:109–112). Prior actions also include direct cuts in public sector wages, in public spending, in pension and healthcare provisions and layoffs in the public sector. Moreover, the government commits itself to “more direct interventions” and “additional corrective measures to facilitate collective bargaining, in order to ensure wage flexibility and higher employment” (CEC 2012). Only lip service is paid to fighting undeclared work and to social dialogue prior to legislation. Social protection and a developmental perspective are markedly absent from the memorandum texts. Instead, the familiar neoliberal policy pillars that privilege capital are prominent (e.g. enhanced business environment, market-friendly “competition policy framework”, privatisations, the elimination of every impediment to the operation of the market). Each revision of the programme’s implementation added new demands to eliminate remaining labour market rigidities.

In this process, successive Greek governments emerge as successful enforcers of neoliberal restructuring translating into national legislation the conditionality of the SAP. Implemented against wide-spread social opposition, labour market deregulation in Greece exemplifies coercive labour market deregulation. A substantial body of legislation infringed upon almost every aspect of individual and collective labour law. In broad

lines,¹⁷⁹ more than fifteen legislative acts effected pay and benefit cuts, intervened in collective autonomy reversing both individual and collective labour law guarantees and significantly eroding trade union bargaining power. This body of legislation modified adversely the employment relationship and working conditions, increased state intervention in wage setting, abolished collective agreements, decentralised collective bargaining from the national and sectoral levels to the firm level, eliminated the favourability principle, restricted the scope of arbitration, banned the extension of collective agreements, retracted seniority rights, made dismissals cheaper and easier and reinforced the managerial prerogative¹⁸⁰ in setting work conditions (Dedoussopoulos et al. 2013; Kaltsouni, Kosma, and Frangakis 2015).

Descending directly from the anti-labour Chicago discourse, a unique provision institutionalised ‘yellow’ unions. It conferred trade union rights to so-called “associations of persons” which can conclude binding agreements with precedence over any other agreement in firms without a trade union.¹⁸¹ New and precarious forms of work were ‘institutionalised’: telework, part-time work, subcontracting by temporary employment agencies, rotation work, and suspended work—the last two being the worst forms of flexible work. A case in point is the disciplinary state intervention in 2012¹⁸² to abolish the

¹⁷⁹ The empirical account on Greece draws on information and data provided by the online European Industrial Relations Observatory (EIRO) at <http://www.eurofound.europa.eu/eiro/2013/country/greece.htm>, on official reports by the ILO that examined trade union complaints against the government of Greece for the violation of core International Labour Conventions as well as Organisation for Mediation & Arbitration at <http://www.omed.gr/en/>. A detailed legislation inventory is provided by the recent study prepared for the *Committee* on Civil Liberties, Justice and Home Affairs (LIBE) of the European Parliament (Kaltsouni, Kosma, and Frangakis 2015). The 365th Report of the Committee on Freedom of Association of the ILO (Case No.2820) offers a detailed exposé including the views of the Government, the complainant Greek General Confederation of Labour (GSEE) and the Committee’s recommendations.

¹⁸⁰ Mainly, the unilateral imposition of rotation work, increasing the maximum duration of fixed-term and agency work contracts, reduction of overtime pay, elimination of administrative burden in overtime arrangements.

¹⁸¹ Regardless of the total number of workers in a firm, three-fifths suffice to form an association.

¹⁸² Law 4046/2012 and the subsequent Ministerial Council decision No 6/28.2.2012.

national minimum wage that was previously concluded by collective bargaining.¹⁸³ The slashing of the minimum wage provided an efficient mechanism to drag down private sector wages across the board. At the same time, the suppression by law of the protective after-effect framework of the collective agreements pulled wages down by 40 percent as all contracts after their expiry automatically revert to the reduced minimum wage/salary floor eroding a wide array of social benefits and eliminating seniority rights (ILO 2012). Ironically, discriminatory wages below poverty levels were legalised for young people (18–25 years of age) in Greece as a measure to combat youth unemployment. Among other things, the favourite target of the mainstream rigidity literature, the unemployment benefit, one of the lowest in the EU (and with a shorter duration), was reduced below subsistence levels by 22 percent to €361 per month as it was indexed to the minimum wage.

The planning and the imposition of labour market deregulation indicate the how the role of state has been reshaped under the conditionality of the memoranda. The Greek state emerges as a re-regulator and enforcer of labour market deregulation and a mediator in processes of extensive policy transfer. In its enhanced role, however, the state retreated from its social security obligations and emerged as chronically unable or unwilling to address tax evasion, contribution evasion and fraud in all their forms. At the same time, economic and social policymaking was de facto transferred from national to international actors violating the constitutional order and deviating from European and international legality on procedural and substantive grounds (Chryssogonos and Zolotas 2014). In this process, the precise provisions of prior binding agreements between the government of Greece and its creditor troika were directly translated into applicable domestic statutory provisions by framework laws (Achtsioglou and Doherty 2013: 8). For instance, the labour market clauses of framework law 4046/2012 that implements the 2012 Memorandum constitute directly applicable rules. This process has not been driven by

¹⁸³ The national minimum wage for a new entrant single worker is reduced by 22 percent to a net monthly €476.35 and for young workers by 32 percent to €426.64 violating the principle of non-discrimination and their right to fair remuneration, as it is below the poverty line defined at 50 percent of national average wage. See Council of Europe, Committee of Ministers, Resolution CM/ResChS(2013)3 (<https://wcd.coe.int/ViewDoc.jsp?id=2029587&Site=CM>).

interactions between national stakeholders (capital, labour, and the state) as in the past but by global financial markets exerting pressure on nation–states pushing governments to a role of movers of a supra-national agenda (Voskeritsian and Kornelakis 2011:27–28).

Thus, contrary to neoliberal discourse about ‘less’ state, the state in Greece emerges fortified in a new role. Forfeiting its control over social and economic policy, the state intervened to reconfigure the labour market in a manner that supports capitalist power against worker interests. It assumed a central role—as a conveyor of policy transfer, local caretaker of creditor interests and enforcer of labour market discipline. Our discussion next moves to examine the outcomes of labour market deregulation in Greece.

5.3. The outcome

This paper has argued that within the broader dynamics of the neoliberal order labour market deregulation can be understood as a class phenomenon aiming to shift the balance of power at the expense of workers. The social and labour market outcomes of the deregulation process in Greece suggest that this neoliberal class objective has met with success. Against soaring unemployment and recession, wages and conditions of work have dramatically deteriorated, the standard of living declined, key social and labour rights have been eroded. As a result, the working class in Greece suffered vast economic, social and institutional disempowerment losing its bargaining power while the interests of capital were effectively strengthened. These outcomes are painful. As our previous discussion suggests they are not exceptional.

As the OECD (2014) admits, Greece faces a severe social crisis and an “unprecedented deterioration” of labour market conditions with massive unemployment affecting large parts of the population, youth in particular. To assess the impact of these developments, we should consider the overall economic disruption and the multiple spill-over effects of the adjustment programme which amplify the adversity heaped on the working class. One ‘exceptional’ parameter in the Greek case is the tremendous adjustment effort of the country in absolute terms and relative to the other distressed EU economies: Greece’s nominal fiscal adjustment between 2009 and 2014 scored 13.6

percentage points (p.p.) of GDP against 10.2 p.p. for Ireland, 6.7 p.p. for Spain and 5.8 p.p. for Portugal and with significantly higher cyclical fiscal adjustment owing to the recession (Giannitsis and Zografakis 2015:19).¹⁸⁴ In other words, Greece, while mired in deep recession, had to implement an ever harsher pro-cyclical policy, which led to deeper recession entrapping the economy in deeper debt. In six consecutive years, GDP contracted by more than 25%: assuming that Greece's economy will grow around 2 percent per year, it would need 13 years to return to pre-crisis levels (INE/GSEE 2014).

The intensity and duration of the recession combined with austerity and labour market deregulation, took their toll on the labour market and social conditions. In July 2015 unemployment figures stood at 25.0 percent and 48.6 percent for young persons (15-24 yrs).¹⁸⁵ Approximately, one in four jobs that existed before the crisis had been lost. Assuming that employment grows at 1.3 percent per year, Greece would not return to pre-crisis employment levels until 2034 (ILO 2014).¹⁸⁶ The share of working-age persons in employment (at 49 percent) is the fourth-lowest among 34 OECD countries—the OECD average being 65 percent (OECD 2104). Between 2008 and 2012 the cumulative reduction of wages in the private sector amounted to 27.4 percent while public sector salaries were reduced by 58 percent (Giannitsis and Zografakis 2015). The median disposable income shrank by 17.9 percent between 2007 and 2013 (from €10,200 to €8,371) compared to an overall increase in EU27 by 11.3 percent over the same period (ILO 2014:37). The at-risk-of-poverty rate increased from just above 20 percent in 2008 to over 44 percent in 2013 with one out of two poor households living on a monthly disposable income below €282. Greece now has one the highest at-risk-of-poverty rates in the EU: 35.7 percent compared to the 24.2 percent EU27 rate and the 23 percent Eurozone rate (ILO 2014). In particular, child poverty has surged from 21.6 percent in 2007 to 33.2 percent in 2012 while, a staggering 60 percent of children (aged less than six) were found to be in a state of severe material deprivation in 2012 (ILO 2104: 124-25). Greece, like Portugal and Spain, has

¹⁸⁴ Cyclical fiscal adjustment in Greece is 18.6 p.p. compared to 6.7 p.p. in Spain, 5.8 p.p. in Portugal and 8 p.p. in Ireland.

¹⁸⁵ EL.STAT- Labour Force Survey, 2nd Quarter 2015.

¹⁸⁶ More than 70% of the unemployed remain jobless for more than one year and almost half of them for more than two years (ILO 2014).

seen the numbers of homeless persons increase (FEANTSA 2012). At the same time, the dramatic impact of austerity on the health of the Greek population and their access to public healthcare is met with denialism by the authorities (Kentikelenis et al. 2014).

Therefore, to achieve fiscal adjustment targets relentless tax hikes (direct and indirect taxes, levies, property taxes and excise duties) compounded the profoundly unfair distribution of crisis costs further depleting disposable income for working families and pensioners. Direct taxes paid by workers and pensioners between 2009 and 2011 steadily increased while direct taxes paid by firms steadily decreased (INE/GSEE 2013b). More specifically, direct taxation for workers amounted to 47,9 percent of direct taxes (€6,5 bn) in 2009, 52,6 percent (€6,9 bn) in 2010 and 55,5 percent (€7,1 bn) in 2011; firms paid, respectively, 35,1 percent (€4,7 bn), 30,7 percent (€4,1 bn) and 28,7 percent (€3,6 bn)(INE/GSEE 2013b). Indicating a class bias in taxation, the overall tax burden for the lower income brackets increased by 337.7 percent while the respective increase in upper deciles remained at 9 percent (Giannitsis and Zografakis 2015:16–18). Furthermore, sizeable spending cuts in vital social services and public goods have disrupted health, education and other social provision. Since 2008, total spending on social protection and health fell by some 18 percent in real terms, compared to a 14 percent real-term increase in the average OECD country (OECD 2104). Social security entitlements were drastically reduced or abolished by legislation shifting the focus from social to privatised individual social insurance and displacing the welfare system by charity (INE/GSEE 2013a). While soaring unemployment, wage cuts and flexible forms of work deprive pension funds of income, social security contributions paid by employers were reduced conforming to Troika demands to reduce non-wage costs.¹⁸⁷ Additionally, the PSI haircut of Greek government bonds in 2012 came at a great cost for pension funds exerting more pressure to cut benefits.

The institutional impact of labour market deregulation has been equally disruptive radically modifying rapidly employment patterns and relations. With massive unemployment looming, a broad shift from full and secure employment to underpaid

¹⁸⁷ Specified as an “ambitious cut in Social Security Contributions by 3.9% and the abolition of a range of nuisance charges”(CEC 2014:185).

casual and precarious forms of employment is observed with broader social implications including the further erosion of social security contributions. As reported by the Labour Inspectorate Body (SEPE 2012), the new legal order enabled employers to reduce wages by an average of 18,8 to 22 percent and unilaterally modify contracts to eliminate full-time work imposing reduced term rotation work. The percentage of undeclared labour rose from 25 percent in 2010 to 36.2 percent in the enterprises inspected by the (understaffed) Labour Inspectorate Body (SEPE 2012). Additionally, 36 percent of inspected employees were uninsured in the first half of 2012, compared to 27 percent in 2010. Between 2008 and 2014, the number of workers in part-time employment increased by 30.3 percent and the number of underemployed persons rose to 239.6 thousand in 2014 from 95.2 thousand in 2008 (Giannitsis and Zografakis 2015:38).

The neoliberal labour market restructuring deregulation has successfully eroded the bargaining power of workers leading to the dissolution of collective bargaining that was a core objective of the troika. It decentralised and critically stalled collective bargaining leading to deep decline in industry-wide collective agreements since 2011; it eroded collective bargaining coverage, modified bargaining attitudes and transformed labour contracts from a pay-rise to a pay-cut mechanism: any bargaining still conducted generally concludes with concessions by the workers who accept wage freezes, lower wages and adverse work conditions (Ioannou and Papadimitriou 2013; Schulten 2015). The role of the nefarious ‘associations of persons’ also came to the fore: the bulk of agreements concluded in 2012 were via such ‘yellow unions’ resulting in wage cuts (Ioannou and Papadimitriou 2013: 8–9).¹⁸⁸ Almost 90 per cent of the firm level agreements signed by these non-trade union formations contained wage cuts (Schulten 2015:4). Furthermore, lowered firing costs are shown to have brought accelerated layoffs boosting unemployment in a time of harsh recession (Koutentakis 2012). Almost 90 per cent of the company agreements signed by non-trade union workers’ representatives contained wage cuts, while the trade unions at best managed to accept pay freezes and

¹⁸⁸ Of all enterprise level agreements 72.6 percent were concluded with ‘associations of persons’ and only 17.4 percent with trade unions while 82 percent of all agreements concluded with the ‘associations’ slashed wages down to the to the national minimum wage that was cut by 22 percent by the government (Ioannou and Papadimitriou 2013: 9).

accepted wage cuts in 40 percent of cases.

The adjustment programme has met with strong public opposition.¹⁸⁹ Some 37 general strikes were organised in protest. The statutory interventions introduced in Greece since 2010 have been challenged, mainly by trade unions, on grounds of their legality and for infringing upon the exercise of key social and labour rights. Complaints were brought before the Greek Council of State, national courts and supra-national supervisory bodies within the Council of Europe¹⁹⁰ and United Nations frameworks including the ILO and the UN Human Rights Council.¹⁹¹ Several legislative interventions by the Greek state were ruled to be in breach of the European Social Charter and in international labour conventions ratified by Greece.¹⁹² Yet, unlike the compulsory provisions of the memoranda, recommendations by the international supervisory bodies are not binding leaving matters to the political will of governments. Greek governments appear unwilling or unable to revise memoranda provisions. Furthermore, access to justice for Greek workers is almost unattainable. After 2010, litigation and judiciary costs/fees were increased, new stringent admissibility criteria were imposed while budget cuts affected the operation of courts with inefficiency and excessive length/delays in proceedings: all these practically denote non-attribution of justice on cases filed by workers (Kaltsouni et al. 2015:106–113).

To conclude, the measures taken in Greece to advance labour market deregulation are irreversible, harmful and permanent unless changed by new legislation. They were imposed with no proven, projected or quantifiable result on economic indicators. They failed on their professed objective to make the Greek economy more competitive. The

¹⁸⁹ Trade unions and two employer organisations, the National Confederation of Hellenic Commerce (ESEE) and the Hellenic Confederation of Professionals, Craftsmen and Merchants (GSEVEE) representing SMEs have been vocal.

¹⁹⁰ The European Committee of Social Rights (ECSR), the European Court of Human Rights (ECtHR) and the Committee of Ministers.

¹⁹¹ UN Human Rights Council. 2014. “Mission to Greece - Report of the Independent Expert on the Effects of Foreign Debt on the Full Enjoyment of All Human Rights, Particularly Economic, Social and Cultural Rights, Cephias Lumina.” *A/HRC/25/50/Add.1*.

¹⁹² A detailed examination of these developments is beyond the scope of the present paper. Excellent surveys are provided, among others, by Yannakourou (2014) Kaltsouni et.al (2015).

competitiveness of the economy has not improved except only marginally:¹⁹³ Labour costs fell by almost a fifth from 2008 and 2013, the biggest fall in the entire European Union figures.¹⁹⁴ Yet, exports were 11.9 percent lower in 2014-15 compared to 2008 (Giannitsis and Zografakis 2015:20).

Our discussion has shown how the labour market in Greece was wholly recast to apply the EU/IMF sanctioned neoliberal deregulation at national level. Underpinned by neoclassical accounts of labour market rigidity, the process of deregulation decisively shifted the balance of power in the labour market privileging the interests of capital at the expense of labour and subjecting workers suffered double disempowerment—economic and institutional. This empirical account indicates that the Greek case conforms to the rationale and the policy patterns of labour market deregulation as a neoliberal class project that were described and analysed in this paper. Rather than exceptional or beneficial, labour market deregulation in Greece emerges as a déjà vu case of disciplinary neoliberal labour restructuring that carries elements of shock therapy.

6. SUMMARY AND FINDINGS

*It is society, social relations based on class antagonism.
These relations are not relations between individual and individual,
but between worker and capitalist, between farmer and landlord, etc.
Wipe out these relations and you annihilate all society.
(Marx 1847:159)*

The purpose of this paper was to contribute to an understanding of labour market deregulation through a critique of its theoretical underpinnings, its policy practice and its ideological coordinates. Providing a theoretical and empirical demonstration, it has been argued that labour market deregulation, rather than exceptional, beneficial or value-free, is a theory-driven class project that aims to reconfigure labour market dynamics at the expense of the working class. The sub-questions guiding this study were

¹⁹³ Any slight improvement is due to the recession and lower imports of investment equipment, intermediate and consumer goods and not to increasing exports (Giannitsis and Zografakis 2015:20).

¹⁹⁴ According to Eurostat data, labour cost per hour in Greece fell from €16.70 in 2008 to €13.60 in 2013, a decrease of 18.6%. That puts the labour costs in Greece far below the eurozone average of €28.20 and more than half of EU average of €23.70. <http://ec.europa.eu/eurostat/product?code=3-27032014-AP&mode=view&language=en>.

- Why and how does labour market deregulation prevail in theory and policy?
- What is the nature of labour market deregulation and the changes/‘reforms’ it advances?
- Why and how are these changes effected? Which are the drivers and actors involved in these processes?

Chapter I of this study has described and analysed in historical perspective the origins, the evolution and the implications of the neoclassical premises of labour market deregulation focusing in particular on the concept of labour market rigidities and considering the role of economics imperialism. The aim was to explain the domination and the durability of the theory that underpins labour market deregulation and demonstrate its shortcomings and inherent class character. The key findings of chapter can be summarised as follows.

Premised on the axiomatic tenets of methodological individualism, general equilibrium and rationality constrained by optimisation, neoclassical labour market theory provides the dominant mainstream labour market paradigm. The unrealistic assumptions and abstractions of this paradigm lead to strong conclusions about the benefits of deregulation and labour market flexibility. As long as its main abstract representations are consistent within themselves, the neoclassical paradigm is taken to accurately represent social relations of production no matter how/why labour markets deviate from its assumptions. Rooted in marginalism and the Robbinsian canon, the neoclassical conceptual and methodological apparatus confines labour market theory in an asocial ahistorical and deductive framework depriving it of key analytical tools needed to address complex labour market phenomena. Given that the “main feature enabling economics to disregard historical and social specificity is its method” (Milonakis and Fine 2009:5), neoclassical labour market theory sidelines issues of class, power and conflict but claims scientific rigour and universal application as a ‘one size fits all’ covering law. Contrary to mainstream claims of value-neutrality and scientific objectivity, our discussion demonstrated that neoclassical theoretical and methodological foundations inscribe the dominant labour market paradigm with elements of class bias that invert/conceal the “inner core” of social relations of production in competitive labour markets. In particular, engaging Marx's account of labour, our analysis exposed the disjuncture between the prevailing labour market paradigm and the capitalist social relations of production and introduced the basic premises of a critical theoretical framework that can help make sense of labour market deregulation from a class perspective.

The phenomenon of economics imperialism provides an explanation for the dominance and the continuity of neoclassical labour market theory notwithstanding the constant and pervasive tensions which beset all versions of the theory. Excluding alternative approaches, economics imperialism helped consolidate ‘modern’ mainstream labour economics providing the ideal academic and professional habitat to foster and disseminate the theoretical justification of labour market deregulation. Furthermore, the neoclassical axiomatic tenets were part and parcel carried and retained across all mainstream successors of neoclassical labour market theory. Our analysis also identified the pervasiveness and the endurance of the concept of labour market rigidities, a construct grounded on the neoclassical supply/demand representation of the labour market. Universally applied by all mainstream labour market theories to explain unemployment, this ahistorical and asocial construct provides the primary analytical justification to labour market deregulation referring exclusively to the supply side of the labour market. An important finding concerns the role of rigidities in information-theoretic labour market theories that incorporate imperfections into labour market analysis. In particular, job search theory widened ad infinitum the explanatory base of rigidities to include virtually any labour market institution. This twist to the mainstream quest for labour market rigidities has been identified as comparable to the virulent effect of the ‘new’ type of economics imperialism following the incorporation of informational imperfections. Using the amplified scope of rigidities, a mainstream research agenda undertook to legitimise labour market deregulation by linking unemployment to a host of institutional labour market parameters despite criticism that exposes the evidence provided by this mainstream research as empirically weak, scant and inconclusive.

Building on these insights, chapter II investigated the policy practice and the discourse of labour market deregulation concluding with the empirical examination of the Greek case. The aim was to describe and explain the primacy and the continuity of labour market deregulation in policy and explore its class character. The trajectory of labour market deregulation was debated within the dynamics of neoliberal restructuring. Taking stock of the role of financialisation, our discussion identified several key dimensions of labour market deregulation and its durability in policy. Labour market deregulation was shown to be a key dimension of the neoliberal social order aiming to reconfigure the balance of power in labour markets at the expense of labour.

Presented by a depoliticised mainstream discourse as a universal beneficial corrective, labour market deregulation is legitimised and disseminated as a form of

Gramscian common sense by a blend of consent and state coercion. Mainstream economics in terms of theory and profession (organic intellectuals & think tanks) contributes to manufacturing consent while the state undertakes coercion enforcing in different ways deregulatory policy. So, contrary to neoliberal minimal state rhetoric, the state does not retreat but emerges as an agent of discipline or a re-regulator of the labour market.

Contextualised in the EU framework, labour market deregulation was identified as a key EU policy objective hinging on continuous labour market ‘reforms’ which require workers to adjust to new adverse conditions imposed by capital, finance capital in particular. Framed by a neoliberal discourse of competitiveness, the institutionalisation of labour market deregulation as a pillar of EU’s neoliberal integration, progressed through a mix of consent and coercion enlisting the cooperation of organised labour around the narrative of Social Europe, soft law structures and hard law (e.g. the post-crisis governance package) as well as the coercive conditionality applied in CEE transition countries and more recently in Greece and the other indebted countries of the EU periphery. In particular, the recent economic and financial crisis has been exploited to accelerate and amplify labour market deregulation, among other things, to ‘socialise’ the losses of the financial sector. The outcomes of labour market deregulation in the global and European contexts are identified as extremely detrimental for labour and failing on their professed aim to combat unemployment.

The motivation for this research was provided by the recent aggressive labour market deregulation in Greece presented in mainstream accounts as requisite to the exceptional measures required to ‘rescue’ the country the insolvency of its economy. Our case study exposed the deregulation of the Greek labour market as another instance of coercive neoliberal restructuring rather than an exceptional occurrence. This analysis confirmed the continuity and the class implications of the policy practice of labour market deregulation. It demonstrated the thorough disempowerment of workers, which conforms to neoliberal imperatives ensuring the interests of the ruling classes and finance. Labour market ‘reforms’ combined with direct and indirect wage and pension cuts and class biased taxation deprived workers of wealth as well as key labour and social rights. Contrary to the neoliberal rhetoric about the withdrawal of the state, the Greek case exemplifies the enforced neoliberal re-regulation by transnational disciplinary policy transfer whose local caretaker/enforcer is the Greek state.

Together with other former or current victims of neoliberal labour market restructuring, the case of Greece demonstrates the multiple economic and social disruptions caused by neoliberalism in its most aggressive form and attests to the damage economic ideas can cause when they mutate into dogmas.

7. EPILOGUE: THE 'DARK SATANIC MILLS' OF THE 21ST CENTURY

*Philosophers have merely interpreted the world in various ways;
the point is to change it.
(Marx, Thesis XI on Feuerbach, 1845)*

Seeking to address the question “what explains labour market deregulation?” this study attempted to elucidate the riddle of the durability of a flawed theory and the pervasiveness of harmful policy that fails on its own objectives. Yet, the overwhelming dominance of labour market deregulation in theory, practice and discourse throws up questions and suggests avenues for further research.

First, the findings of the study underscore the need to develop an alternative conceptual framework that can address capitalist social relations of production and issues of class, power. Our discussion highlighted the theoretical and methodological premises which should ground an alternative framework drawing on insights from Marx’s account of labour. Pointing to the direction of political economy, this study suggested that an appropriate theoretical framework for the analysis of labour market phenomena should break away from the straightjacket imposed by methodological individualism, general equilibrium and rationality. As described by Fine and Milonakis (2011:94), such a framework in broad lines should:

[D]raw upon the rich insights and traditions of the past as a means of genuinely reincorporating the social and historical, through a renewed transdisciplinary political economy with contemporary capitalism as the main object of analysis. (ibid.)

The dominance of the mainstream approach and its intolerance towards alternative approaches indicate the difficulty of changing the current state of things in economic theory, research and the economics profession. To recall Stigler (1959:527) “a believer in the labor theory of value could not get a professorship at a major American university” as the academic establishment could not accept that “he was both honest and intelligent.” The failure of mainstream economics exposed by the recent economic and financial crisis has raised awareness of the need for a change. At the same time, the refusal and the inability of the mainstream to *really* change beyond facelifts has been brought to the fore. Still, the “way forward is for political economy to be vigorously pursued collectively and

critically across the social sciences.” (Fine and Milonakis 2011:95). Hopefully, this study has contributed in this direction.

Second, this research exposes a bleak picture for labour in the context of neoliberalism from. The “dark Satanic Mills” (Polanyi 1944:35)¹⁹⁵ of the industrial revolution, have morphed into an equally dark ‘flexible’ order of exploitation, precarity, uncertainty and zero-hour contracts where workers can ‘rationally’ chose to populate either the numbers of the working poor or the queues of the reserve army of labour. Making prospects grimmer, the events that led to the third memorandum in Greece by a government of the Left have profound political implications whose assessment is beyond the purview of this study. Note should be taken, in a labour market already deregulated to the extreme, Greece's creditors, among other extortionate demands, insist on more deregulation, which will consolidate the Dark Age for labour in Greece. In this light, the second message that emanates from our discussion concerns the need for labour to resist to and change the neoliberal restructuring process. In the context of this study, change does not imply the reintroduction of lighter labour market regimes of the social democrat variety or a return to the ‘golden’ age of capitalism, which, as we saw, was not really golden for workers as it took exploitation for granted. First, such an outlook restricts the strategic choices of labour to a struggle for “a ‘better’ capitalism, that is to say a ‘better’ system of class domination and exploitation” (Milios and Sotiropoulos 2009:183). Second, our analysis suggests that the restoration of a ‘worker friendly’ regime with full employment cannot be considered feasible within the dynamics of the financialised neoliberal order. The recent events in Greece painfully revealed the fallacy of a “mutually beneficial agreement” with creditors and the impossibility of even minor repairs to the shattered institutional framework. So, a crucial question regards how class struggle can be organised and conducted under the neoliberal order of financialised capitalism taking into account the international dimension. The prospects for labour to organise at the international level have been discussed either with pessimism (Burawoy 2010:311) or

¹⁹⁵ Taken from William Blake’s famous poem “Jerusalem”, this phrase is commonly interpreted to express the poet’s revulsion of the conditions that prevailed in early Industrial Revolution. In other interpretations the ‘dark Satanic Mills’ are taken to refer to the church establishment or to the Universities of Oxford and Cambridge.

with a certain optimism (Evans 2010; Webster et al. 2011). The state and the dynamics of organised labour at the European and the global level (Horn 2012; Hyman 2011) do not condone optimism recalling Gramsci's (1978:76) argument that "it is absurd and puerile to maintain that [the] trade union in itself possesses the capability to overthrow capitalism". Much work remains to be done in this direction as well as for a theorisation of how financialisation affects the labour-capital relationship and labour market institutions.

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Essay III

Rethinking paradigms: Mainstream responses to the crisis and change—A Kuhnian Perspective

ABSTRACT

This paper seeks to contribute to an understanding of the dynamics of change in economics considering the impact of the recent economic and financial crisis. It argues that owing to its theoretical premises and sociological/institutional factors shaping the profession, mainstream economics remains static and immune to change even in the face of momentous economic disruption. These parameters inhibit prospects of change and the generation of new knowledge. To explore this argument and assess the prospects and the nature of change, this research examines how mainstream economics responded to the crisis and attempts to elucidate factors that influence mainstream receptiveness or resilience to change. The context for this research is set by post-crisis debates that discuss the state of economics in terms of a paradigm change. A number of commentators diagnose a paradigmatic crisis while others perceive neither the need nor the imminence of paradigm shift in post-crisis mainstream economics. Compounding this ambivalence, both viewpoints tend to use the term paradigm shift loosely as a verbal generalisation outside an appropriate framework of scientific construction that is an essential criterion to appraise change in terms of knowledge creation. Another drawback limiting the analytical depth of this change/paradigm problematic is that it largely overlooks the issues of social structure and social relations relating to scientific communities. To address these drawbacks, this research draws on Kuhnian insights of normal science, paradigm and scientific community evaluating mainstream economics as a system of ideas and as a specific scientific community.

Keywords: crisis responses, mainstream economics, paradigm, scientific community, change

INTRODUCTION: OVERVIEW, RATIONALE AND LAYOUT

Let us then assume that crises are a necessary precondition for the emergence of novel theories and ask next how scientists respond to their existence. (Kuhn 1962:77)

Recognised as the worst economic downturn since the Great Depression of the 1930s, the recent economic crisis sparked a flood shed of response. Intense critique questioned the performance, the standing and the prospects of mainstream economics focusing on the inability of the neoclassical paradigm to reconcile theory and reality, its formalism and modelling techniques as well as the professional practices of economists and economics education. Evoking the Keynesian revolution in the wake of the Great Depression, the recent crisis raised expectations that it would be a catalyst for change in economics and prompted an intense scholarly debate around an ‘economic crisis – crisis in economics’ problematic.

A strand in this literature examines the ‘crisis in economics’ in terms of a paradigm change. Contrary views are expressed leaving the matter at hand inconclusive. On the one hand, characteristics of a paradigmatic crisis are diagnosed alluding to the need for a new paradigm in economics (Buitter 2009; Fox 2014; Kobayashi 2009; Lagadec 2009; Palley 2011; Stiglitz 2010; Whitehouse 2009). On the other hand, others detect no need nor imminence of a paradigm shift in mainstream economics (Altig 2009; DeLong 2014; Dobusch and Kapeller 2012; Saint-Paul 2010). In particular, many prominent exponents of the mainstream establishment categorically reject the need for change in the dominant economic paradigm (Cassidy 2010a, 2010b; Sargent 2010; Taylor 2010; Coyle 2012).

This inconclusive debate leaves important questions unanswered blurring the prospects of change in mainstream economics under the impact of the economic crisis. Is a paradigm shift in economics necessary and imminent or is economics in good shape requiring no change in its dominant paradigm? Does the economic crisis mark the end of the neoclassical dominance sweeping away core assumptions such as “rational individual behavior and market discipline” (Heukelom and Sent 2010:26)? What about the anomalies exposed by the crisis? A limitation in the ‘paradigm’ debate is that both viewpoints tend to use the term ‘paradigm change’ loosely and as a verbal generalisation. The indiscriminate

use of the term outside an appropriate philosophy of science framework, constrains the analytical depth of the discussion. What is also lacking from the recent change/paradigm problematic is that it largely overlooks the complexity of social structures and social relations in play.

To address these drawbacks, the present paper pursues a different path and attempts a systematic analysis of post-crisis mainstream responses drawing on Kuhnian concepts of paradigm, scientific community and normal science. It argues that theoretical and institutional/sociological parameters constrain the prospect of paradigm change in mainstream economics and inhibit the generation of new knowledge. To explore this claim, mainstream responses to the crisis and the post-crisis state of play in economics are assessed and the attempt is made to identify factors that may inhibit change in mainstream economics. Mainstream economics is examined in terms of paradigm and scientific community which are two interrelated constitutive elements of normal science. Central to this inquiry is a critique of a) the conceptual premises of mainstream economics and b) the sociological and institutional elements shaping the mainstream of the economics profession.

This paper is organised as follows. Section 2 examines the basic elements of Kuhn's framework of scientific change which, despite its shortcomings, provides a frame of reference to make sense of change in economics. Section 3 describes and analyses mainstream economics as the dominant paradigm in economics. It examines the theoretical and methodological underpinnings and the nature of the paradigm in general and after the crisis. Section 4 critically examines the pre-crisis state of play in economics and scrutinises post-crisis 'intra-paradigm' responses by the mainstream of the profession classifying them in three groups. Section 5 examines the scientific community of mainstream economics. Section 6 summarises, discusses findings and concludes. Section 7 presents some final reflections.

This research emanates from the need to better understand the dynamics of change in economics under the impact of the global economic crisis which is an issue greatly bearing on the future of a discipline that uniquely influences the economy, policy and society with broader implications for the ability of the discipline to generate knowledge. To make sense, change in economics should create knowledge that will add to our capacity to better understand and improve the world in some way. This broader aspect, too, underpins our research.

PRELIMINARIES: KUHN, PARADIGMS, ANOMALIES AND NORMAL SCIENCE

Terms such as paradigm, exemplar, anomaly, scientific revolution, normal science and scientific community entered the academic—and often everyday—vocabulary following the publication of Thomas Kuhn’s *The Structure of Scientific Revolutions* (1962). This work ranks among the most cited academic books of all time and has prompted a vast secondary literature (Bird 2012; Hoyningen-Huene 1993). In a nutshell, Kuhn set forth a framework to explain scientific change drawing on the historical development of a mature science. Positing that to understand the nature of scientific knowledge we have to examine the actual history of science, Kuhn successfully contested the Received View¹⁹⁶ of scientific knowledge that “empirical sense experience forms the incorrigible foundations for legitimate scientific knowledge” (Hands 2001:110, 2003:169). Kuhn’s work challenged the hitherto hegemony of positivism by showing the disjuncture between its key tenets and the actual practice of science; the tenets targeted by Kuhn include the cumulative conception of scientific progress whereby science piles new truths upon older truths, the means by which scientific beliefs are produced, the idea that science aims only at truth deploying methods that pursue that goal, or that theoretical language is reducible to observational language (Bird 2012:861–3; Laudan et al. 1986:142).¹⁹⁷ In the context of this research, it is important to note that by emphasising the importance of the scientific community for the nature of scientific knowledge, Kuhn challenged the claim to

¹⁹⁶ The ‘Received View on Theories’ formed the epistemic core of logical empiricism providing the dominant framework within Anglo-American philosophy of science during the 1950s and 1960s. The ‘Received View’ lost credit in the 1960s with the work of Kuhn, Feyerabend and others who argued that nothing in the actual history of science confirms that an “incorrigible empirical basis was used to test, serve as foundations for, or build up, scientific theories” (Hands 2003b:170).

¹⁹⁷ Kuhn emerges as the leading figure of the early 1960s when several new theories of science were advanced as alternatives to positivism by, among others, N. R. Hanson, Paul Feyerabend and Stephen Toulmin; in the seventies mainly as a response to Kuhn, a new generation of scholars including Lakatos, Laudan, Holton and Shapere set out models of scientific change based upon the empirical study of the workings of actual science as opposed to the logical or philosophical ideals of the positivist tradition (Laudan et al. 1986:142).

superiority of dominant paradigms “in any absolute sense” indicating that alternative paradigms could reasonably claim their own legitimacy (Dow 2007:3).

Kuhn’s work has been both influential and controversial. Among other things, Kuhn’s notion of incommensurability¹⁹⁸ and the concept of paradigm itself drew criticism for being largely inaccurate, ambivalent and confusing (Bird 2002, 2013). Margaret Masterman (1970:61–65), a sympathetic critic, counted twenty-one distinct uses of the term paradigm which she categorised in three main groups.¹⁹⁹ She emphasised, however, that Kuhn’s work brought fundamental new ideas, which his critics never bothered to elucidate. Arguing that Kuhn overlooks the continuities which exist in every revolution, Toulmin (1970:45) noted that the transition from normal science to scientific revolution is abrupt. *The Structure of Scientific Revolutions* has also drawn political critique as “an exemplary document of the Cold War era” that served to blunt the critical acumen of academics and shield science from democratic control (Fuller 2000:5). Feyerabend (1970:197–8) who shared a number of concerns raised by Kuhn, criticised Kuhn’s presentation and evaluation of normal science and his “general ideology” which could “inhibit the advancement of knowledge” by enlarging the anti-humanitarian aspects of post-Newtonian science. In the last years of his life, however, Feyerabend recognised the great complexity, the coherence and the power of Kuhn’s thought finding many similarities with his own system of thought (Hoyningen-Huene 2002).

As regards economics, notwithstanding that Kuhn was not concerned with the social sciences, his ideas proved to some degree to be inspiring for economists coming from both orthodoxy and heterodoxy (Fine 2004:107). A sizeable volume of literature examined the application of Kuhnian ideas in economics discussing whether they presented an appropriate framework for economics or not (Argyrous 1992; Bronfenbrenner 1971; Coats 1969; De Vroey 1975; Dillard 1978; Dow 2004, 2007;

¹⁹⁸ The incommensurability thesis advanced by Kuhn (and Feyerabend in 1962) holds that due to radically distinct norms and terms used by different scientific communities, competing paradigms are by implication incommensurable because their practitioners cannot communicate and speak past each other: they “practice their trades in different worlds” (Kuhn 1962:148–150).

¹⁹⁹ The three main groups are a) metaphysical paradigms, or metaparadigms, b) sociological paradigms and c) technological paradigms (Masterman 1970:65).

Eichner and Kregel 1975; Fine 2002, 2004; Gordon 1965; Johnson 1983; Khalil 1987; Stanfield 1974; Ward 1972).²⁰⁰ In Blaug's (1975:399) view, the term paradigm should be "banished from economic literature, unless surrounded by inverted commas". Redman (1993:144–45) argues that the concept of paradigm should be permanently cast out from economic literature as it obscures rather than clarifies issues owing to its indiscriminate use by economists. Arguing that philosophy of science has had a negative impact on economics, Fullbrook (2003) contends that mainstream economists saw Kuhn's ideas as a justification to perpetuate a dominant paradigm. Yet, Kuhn's emphasis on the community-specific social nature of science that is not bound by "its own or an absolute standard of truth" has helped demystify dominant paradigms and their claim to scientific superiority showing that alternative paradigms are entitled to their own legitimacy (Dow 2007:2; Fine 2004:132). As Fine (2004:109) emphasises, notwithstanding flaws and limitations, the important insights provided by Kuhn's work and the interdisciplinary discourse it inspired should not be discarded.

Anomalies, according to Kuhn (1962:52), are essential to scientific discovery and change: "discovery commences with the awareness of anomaly", which denotes "recognition that nature has somehow violated the paradigm induced expectations that govern normal science". The accumulation of significant anomalies, which cannot be addressed by a universally accepted paradigm, prompt a paradigmatic shift leading eventually to a new paradigm. The resulting transition to a new paradigm is a scientific revolution (Kuhn 1962:90). Kuhn (1962: x) describes paradigms as "universally recognizable scientific achievements that for a time provide model problems and solutions to a community of practitioners" and defines it as follows:

A paradigm is what the members of a scientific community share, and, conversely, a scientific community consists of men who share a paradigm. (Kuhn 1962:176)

A "strong network" of "conceptual, theoretical, instrumental, and methodological commitments" (p.42), define a paradigm as "the source of the methods, problem-field, and

²⁰⁰ A bibliography provided by Redman (1991:96 fn. 1) cites thirty-one entries on Kuhn and economics. For a systematic review of Kuhnian and Lakatosian explanations in economics see Drakopoulos and Karayiannis (2005).

standards of solution accepted by any mature scientific community at any given time” (p.102).

Kuhn has himself admitted ambiguity, lack of clarity and difficulties in his work and tried to modify his arguments or improve their exposition.²⁰¹ In his *Second Thoughts on Paradigms* (1974), he proposed to replace the term ‘paradigm’ with the term ‘disciplinary matrix’, which he thought captured more accurately both the sociological nature and the conceptual constitution of a paradigm:

‘Disciplinary’ because it is the common possession of the practitioners of a professional discipline; ‘matrix’ because it is composed of ordered elements of various sorts, each requiring further specification (Kuhn 1974:463, 1970:271).

Constituents of the disciplinary matrix include most or all of the objects of group commitment described in *The Structure of Scientific Revolutions* as “paradigms, parts of paradigms, or paradigmatic” (Kuhn 1974:463, 1977:297). These are described by Kuhn (1974:463) as beliefs, symbolic generalizations, models, and exemplars: “symbolic generalizations” are “formal, or readily formalizable, components” used unquestioningly by the group, provide “preferred analogies or, when deeply held, with ontology” while exemplars are concrete problem solutions accepted by the group as conforming to the paradigm.²⁰²

Paradigms can be global or local. In the global sociological sense, a paradigm comprises “law, theory, application, and instrumentation” (Kuhn 1962:43, 10). The global paradigm refers to the entirety of commitments, beliefs, values and techniques shared by the members of a scientific community, while the local paradigm “isolates a particularly important sort of commitment and is thus a subset of the first” (Kuhn 1977:294). Hence,

²⁰¹ Kuhn (1970, 1974) addressed with diligence criticism that came from Popper, Lakatos, Masterman, Feyerabend, Watkins, Shapere, Toulmin and others. He tried to clarify his positions which he did not hesitate to modify. Responding to the rounds of criticism he received at the 1965 International Colloquium on the Philosophy of Science that was chaired by Karl Popper, Kuhn (1970:231) remarked that some readings of his book are so vastly differed from his own understanding that he was “tempted to posit the existence of two Thomas Kuhns” who authored two different books with the same title, one of which was the object of criticism by “Professors Popper, Feyerabend, Lakatos, Toulmin and Watkins.”

²⁰² Adding to the confusion over the term paradigm, Kuhn (1974:463) states that the term ‘exemplar’ “provides a new name for the second, and more fundamental, sense of ‘paradigm’ in the book.”

each subfield in a discipline develops its own paradigm “as well as its own practical understanding of the global paradigm that characterizes the scientific field as a whole” (Nickles 2003:8). Paradigms are incommensurate because their appraisal would be unavoidably paradigm-specific and absolute criteria to judge theories are lacking (Dow 2007:1). Perception and observation are not independent of theory but they are influenced by the paradigm within which a scientist operates (Bird 2002:451). Most importantly, for a paradigm shift to occur the existence of a new paradigm to replace the existing one is required. In Kuhn’s (1962:79) words, “to reject one paradigm without simultaneously substituting another is to reject science itself.” The paradigm provides the members of a scientific community with guidelines and a frame of reference for normal science, which denotes what scientists are trained to do:

[N]ormal science, is the generally cumulative process by which the accepted beliefs of a scientific community are fleshed out, articulated, and extended. It is what scientists are trained to do, and the main tradition in English-speaking philosophy of science derives from the examination of the exemplary works in which that training is embodied. (Kuhn 1970:250)

Research within normal science seeks to articulate “those phenomena and theories that the paradigm already supplies” based on previous achievements accepted as the basis for further practice (Kuhn 1962: 24, 10). Notably, normal science is mainly engaged in mop up work and solving puzzles. Puzzles are the “special category of problems” chosen by the criterion provided by the paradigm: they serve to test “ingenuity or skill in solution” regardless of the puzzle solving outcome (Kuhn 1962: 35-36, 37). Throughout their careers, scientists are mostly occupied by mopping up operations: the mopping up framework of normal science is described as an “attempt to force nature into the preformed and relatively inflexible box that the paradigm supplies [...] indeed those that will not fit the box are often not seen at all” (Kuhn 1962: 24). According to Kuhn (1962:35, 52), the most remarkable aspect of normal science is that it hardly seeks “to produce major novelties, conceptual or phenomenal”: normal science “does not aim at novelties of fact or theory and, when successful, finds none”. Grounded on the “assumption that the scientific community knows what the world is like”, normal science “often suppresses fundamental novelties because they are necessarily subversive of its basic commitments” (Kuhn 1962:5). Thus, scientists usually do not aim to formulate “new theories, and they are often intolerant of those invented by others” (Kuhn 1962:24).

Overall, normal science emerges as a “quasi-medieval, convergent, tradition-bound, authoritarian” structure (Nickles 2003:5). Kuhn (1962: 24, 37) identifies certain

merits in this restrictive framework: it assures continuity in research and education and provides focus and depth to scientific inquiry shielding a scientific community from distractions posed by other problems that are rejected “as metaphysical, as the concern of another discipline, or sometimes as just too problematic to be worth the time”. Yet, it is important to highlight that it is precisely such merits that are often evoked to justify intolerance for alternative frameworks and lack of pluralism which are serious drawbacks for the social sciences, economics in particular. As Kuhn (1962:37) recognised, normal science is thus insulated from “socially important problems” that are not reducible to puzzles because they “cannot be stated in terms of the conceptual and instrumental tools the paradigm supplies” [Emphasis added]. The constraints imposed by the structure of the paradigm and those “born from confidence in a paradigm” are essential to the development of science, while an in-built mechanism eases off restrictions if the paradigm fails to function effectively (Kuhn 1962:24).

To wrap up, normal science has two interrelated constitutive elements: the paradigm and the scientific community. Adherence to a shared paradigm shapes a group “of otherwise disparate men” into a scientific community, while a ‘paradigm’ cannot be effectively elucidated without first recognising the “independent existence” of scientific communities (Kuhn 1974:460). In other words, the independent existence of a scientific community is encircled by the paradigm and the shared conceptual and ideational mindset of its practitioners.

In this light, normal science encompasses the “specific state of development of two related but distinct realities, namely, science as a social system and science as a system of ideas” (De Vroey 1975:420). Drawing on this framework, our inquiry examines mainstream economics a) as a paradigm or a system of ideas that is the first component of normal science and b) in terms of the scientific community that shares the paradigmatic constellation of ideas focusing on the practice of the mainstream economics community during the recent economic crisis.

In sum, the recent crisis in Kuhnian terms has exposed a host of anomalies setting a context that challenges the dominant paradigm of mainstream economics. To determine whether the crisis has set in motion a paradigm shift, the starting point of our inquiry is the first component of normal science: mainstream economics paradigm as a system of ideas.

2. THE PARADIGM: MAINSTREAM ECONOMICS AS A SYSTEM OF IDEAS

This section describes and analyses the paradigm of mainstream economics and its theoretical and methodological underpinnings, arguing that they act as blinders which reduce the explanatory power of the paradigm and limit its prospects for change. The neoclassical premises of the dominant mainstream paradigm like a unifying thread pervade the theoretical/analytic framework, the practice and the teaching of economics. They underscore the anomalies that were exposed by the crisis and ultimately influence the paradigm's ability to change.

2.1 The mainstream paradigm, its basic beliefs and its constitution

In the broadest sense, the term mainstream economics is used in this paper to denote the approach that has acquired a dominant position in contemporary economics as regards the analytical/theoretical framework as well as the practice, research, teaching and the professional stratification of economics. Mainstream economics includes but is not confined to neoclassical economics, which constitutes its bedrock. Lawson (2013:947) remarks that the term neoclassical economics pervades scholarly debates in a loose and rather inconsistent manner to refer to a number of substantive theories and policy options. As Milonakis (2012:246) explains:

Neoclassical economics denotes the body of economic theory that has its roots in the so-called 'marginalist revolution' and has come to dominate modern economic science, especially since the Second World War. It is also variously called orthodox or mainstream economics, although the meanings of these three terms are not identical and vary over time. Neoclassical economics represents the main modern expression of what Marx called 'vulgar economics'.

Mainstream economics encompasses a diversity of successive schools of thought and research programmes. These include the neoclassical synthesis (which amalgamates core neoclassical tenets with Keynesian macroeconomics but leaves out vital Keynesian insights), the monetarist, new classical and new Keynesian approaches as well as the new neoclassical synthesis (NNS) known also as the new consensus in macroeconomics (NCM). Mainstream economics also comprises various non-neoclassical new subfields, focal points and research tracks including behavioural, evolutionary, experimental economics, complexity economics, game theory, neuroeconomics, market design

economics²⁰³ and others (Davis 2008a).

A number of scholars (Colander, Holt, and Rosser 2004; Colander 2000; Coyle 2010; Davis 2006; Sent 2006) interpret the diversity of new research programmes as a sign of change in method that brings a new pluralism in mainstream economics. The implication is that mainstream economics has itself become heterodox leaving no need for heterodox economics in terms of alternative theories and economists that systematically oppose doctrines held to be true and fundamental by the dominant opinion within a scientific community (Lawson 2003:195; Lee 2008, 2011:542).²⁰⁴ In particular, as Milonakis (2009) emphasises, Colander's (2009) call to leave aside the rhetoric of pluralism in favour of an "inside the mainstream" heterodoxy, is essentially a call to "accept the mainstream's own terms of reference" amounting to a "conditional or pseudo pluralism, and as such is no pluralism at all".

To assess the essence of mainstream economics as a dominant "global" paradigm and its readiness to accommodate change, we should examine the entirety of commitments, beliefs, values, practices and techniques of mainstream economics that are shared by the scientific community of its practitioners (Kuhn 1962:175, 1977:294). Shared beliefs are of fundamental importance; they determine the view taken of the subject matter underscoring the "value system applied to the content" and the evaluation of scientific activity (Dow 2007:2). What are, then, the closely integrated commitments, beliefs, values, practices and techniques emanating from the mainstream disciplinary matrix?

²⁰³ Defined as the engineering domain of economics "intended to further the design and maintenance of markets and other economic institutions", design economics is considered a "natural complement" to game theory together with experimental and computational economics (Roth 2002:1341–42). Design economics examines efficient markets focusing on institutional structure and pricing mechanisms to create efficient markets or reform inefficient ones (Davis 2008a:11).

²⁰⁴ The term 'heterodox' is interpreted variously while the boundaries between heterodox and orthodox are seen as blurred and changing over time (Backhouse 2000; Coats 2000; Davis 2008b). Subject matter, schools of thought and methodological similarities are used to demarcate and categorise heterodox economics (Dow 2004; Hands 2001). Dow (2007) discusses heterodox economics as a single school of thought which endorses methodological pluralism and orthodox economics as the school of thought which does not. Lawson (2006:493, 495–7) argues that "the essence of the heterodox opposition is ontological in nature" expounding this view within his theory of social ontology. Both Lawson (2003) and Davis (2003) emphasise the degree to which individuals are embedded in social structures and the inclusion of social structures in the underlying social ontology.

The key shared beliefs that sustain and inspire mainstream economics are predicated upon the neoclassical postulates of rationality, methodological individualism and equilibrium analysis. As Arnsperger and Varoufakis (2006:12, 14) note, the three meta-axioms of methodological individualism, methodological instrumentalism and methodological equilibration define the practice of “any standardly trained economist”: they form the “well hidden, and almost completely unspoken of” foundations of all mainstream approaches in a wide range of academic fields as varied as general equilibrium theory, evolutionary game theory or analytical Marxism. Tightly knit in a complex, these meta-axioms increasingly develop “almost symbiotic, links with one another” (Arnsperger and Varoufakis 2006:12). In other words, they form the foundations of the disciplinary matrix, which is the “common possession of the practitioners of a professional discipline” (Kuhn 1974:463). Following Kuhn (1974:463), we can codify the three key axioms as the formal elements or the “symbolic generalisations” of the mainstream disciplinary matrix that are “deployed without question by the group”. First, individual economic agents are the building block of economic explanations. Second, not only individuals are rational but they are rational optimisers in a particular instrumental manner.²⁰⁵ Third, in economics equilibrium is a “central organising idea” (Hahn 1973): quantities supplied and demanded in a particular market reach equilibrium, a state where opposite external forces neutralise each other annulling their respective effects on the system (Kornai 1971; Tieben 2009).

Expanding these generalisations, we can have a better understanding of our paradigm and the logic which firmly binds its components together. Following the definition of economics as “the science which studies human behaviour as a relationship between ends and scarce means which have alternative uses” (Robbins 1935:16), economics became the science of rational choice. As Margaret Archer (2000:36) notes, “rational choice theory requires rational actors: insofar as they deviate by behaving as

²⁰⁵ According to Michael Friedman (2001:54 cited in Hands 2007:3) as a philosophic term ‘instrumental rationality’ refers to “our capacity to engage in effective means-ends deliberation or reasoning aimed at maximizing our chances of success in pursuing an already set end or goal. It takes the goal in question as given, and it then attempts to adjust itself to environmental circumstances in bringing this desired state of affairs into existence in the most efficient way possible.”

normative or expressive agents, they vitiate the theory”. Hence, mainstream economic explanations deploy rational choice theory—the theory explains rational behaviour—to the extent that any illness in this theory “eventually stands to infect all of economic science” (Hands 2007:2, 6). The idea that the instrumentally rational individual is the starting point of economic explanations underpins, in turn, the mainstream belief in microfoundations: all macroeconomic phenomena derive from microeconomic phenomena so that macroeconomics can be reduced to microeconomics and macroeconomic theory can be drawn from microeconomic general equilibrium based analysis (Hoover 2010:329). Defining the very nature of economics as microeconomic implies that any macroeconomic phenomenon will be seen to need a reductive explanation (Hoover 2001:70). Hence, mainstream explanations start from an asocial, ahistorical instrumentally rational individual and are extended to explain macroeconomic phenomena failing to engage with social and historical analytical elements including relations of class and the actual process of social production. According to Robbins's definition, as long as economics is defined "purely as a matter of choice [...] it can have only an incidental connection with the actual process of social production which is its ostensible subject” (Hobsbawm 1997:106).

The configuration briefly exposed above pulls the mainstream paradigm away from reality and excludes important work that most people would regard as economics including Keynesian theory (Hausman 2008:32). The retreat of economics from realism is reinforced by the discipline's increasing dependence on the precise modelling of abstract theories in mathematical form (Morgan 2001:14). Rooted in the marginalism of the 1870s, an “increasingly formalistic, axiomatic and deductive analytical framework” characterises the prevalence of neoclassical economics (Fine and Milonakis 2009; Milonakis and Fine 2009:5). As Debreu (1986:1261) argues, “deductive reasoning about social phenomena invited the use of mathematics from the first” and economics was in an advantaged position to take up the invitation. As a result, mathematical economics in the mainstream paradigm were elevated to the “*only possible form* of any scientifically robust theorisation over economic phenomena” (Giocoli 2005:2–3) [Emphasis added]. As Robert Lucas wrote:

[M]athematical analysis is not one of many ways of doing economic theory: It is the only way. Economic theory is mathematical analysis. Everything else is just pictures and talk. (Lucas 2001:9)

This framework is grounded on (and confined within) unrealistic assumptions establishing a tradition “which states basic assumptions and derives the rest from them”

(Feyerabend 1991:96). So, assuming perfect competition, perfect information and perfect foresight, rationally choosing and utility-maximising individuals engage in exchanges in competitive markets which will achieve equilibrium outcomes: these outcomes “would not only be optimal, but intrinsically stable and capable of ‘self- correction’” (Palma 2009:830). These assertions may be as far removed from reality as possibly conceivable. Yet, as Friedman (1953:14–15) famously argued, higher abstraction levels are not considered as flaws but assets for theories: “To be important [...] a hypothesis must be descriptively false in its assumptions”:

A hypothesis is important if it “explains” much by little, that is, if it abstracts the common and crucial elements from the mass of complex and detailed circumstances surrounding the phenomena to be explained and permits valid predictions on the basis of them alone. (Friedman 1953:14-15)

In sum, confined within the restrictive framework briefly described above, the mainstream of the economics profession over the last 30-40 years practically avoided/refused to consider explanatory templates, tools and research programmes that did not conform to the conceptual premises and the methodological practice of the paradigm.

2.2 The unchanging nature of the paradigm

Why and how does the framework briefly described above affect the mainstream paradigm’s propensity to resist change? Lucas’s phrase “it is the *only* way” points to the mathematisation of the economic method. A belief firmly shared within the mainstream scientific community is that the ‘economic method’ is the superior scientific method and the only method applicable to all social sciences (Rothschild 2000:724). This is the method encapsulated in Gary Becker’s economic approach as follows:

The combined assumptions, of maximizing behaviour, equilibrium and stable preferences, used relentlessly and unflinchingly, form the heart of the economic approach [that] is not restricted to material goods and wants, nor even to the market sector. (Becker 1976:5–6)

So, why change a paradigm that is not only universally applicable to all human behaviour but also provides a powerful tool in understanding the behavior of other “nonhuman species” (Becker 1993:307)? The notion of universal applicability and scientific rigour fortifies the paradigm and its intolerance to change. Claiming to achieve explanatory unification, mainstream economics contends to have achieved a ‘complete’ all-inclusive theory that is at once micro, macro, static and dynamic notwithstanding the levels of abstraction that inhibit its explanatory and predictive power (Bresser-Pereira 2009:510). The illusion that only one single theory can explain socio-economic

phenomena is the bedrock of the hypothetico-deductive (H-D) model of explanation, known also as ‘covering law,’ used in mainstream economics.²⁰⁶ Reliance on the H-D model confined explanation in economics to assumptions/axioms which function as explaining rules precluding change in terms of conceptual development and theoretical innovation (Reuten 1996:40).

The idea of immutability is built in the paradigm as a central belief. The mainstream paradigm conceptualises reality itself as immutable. Future developments in the economy and “future conditional consequences of all possible choices are predetermined” as programmed by natural laws: even if the economy changes over time, human action cannot change future movements that are already predetermined by the fundamental real parameters of the system (Davidson 1996:479–80). Similarly, a belief that integrates the mainstream paradigm is that its basic tenets are indisputable. New classical economics, for example, is built around the assumptions that representative agents form forward-looking rational expectations.²⁰⁷ They possess systemic knowledge about how the economy works and they are ad infinitum optimisers in a frictionless world where markets always clear. In Lucas’s words:

all prices are market clearing, all agents behave optimally in light of their objectives and expectations, and expectations are formed optimally (Lucas 1972:103).

These basic tenets cannot be contested: they are either non-binding because other principles can equally produce “observationally identical” outcomes, or they preclude modifications to the model in models that may reflect “possible, but perhaps ‘irrational’ behavior” (Hoover 1994:72). This is hardly surprising given that, for over one hundred and fifty years, strong a priorism has been a key methodological standpoint in mainstream economics, which considers economic theories as “being grounded in a few intuitively

²⁰⁶ Articulated formally by Hempel and Oppenheimer (1948), the H-D or D-N (deductive–nomological) model in its most general formulation, is used to explain “general regularities”, “laws” and specific events that occur at a particular time and place. An event (the explanandum) is explained under at least one general or covering law (the explanans) and a given set of preliminary conditions without any change in other relevant variables. For a detailed discussion see Blaug (1992) and Woodward (2011).

²⁰⁷ The notion of rational expectations is attributed to John F. Muth who argued that as economic agents have expectations based on the same information as economists, their expectations are essentially the same as the predictions of economic theory (Udehn 2001:240).

obvious axioms or principles that do not need to be independently established” (Blaug 1992:249). A priorism in the mainstream paradigm is linked to both received principles and social practices and defines the inflexible nature of the paradigm (Jones 1994:24):

Economic knowledge is ‘a priori’ insofar as economic propositions are ascribed validity without reference to experience or evidence; it is apriori when a conceptual structure is built on propositions perhaps relevant to time and place, but thereafter inflexible; it is apriori when it is established by uncritical reference to a pre-existing body of theory as the ultimate authority.

Ultimately, strong a priorism restricts theory not only on account of non-empirical categories, e.g. beliefs and expectations, but because the steadfast commitment of scientific community to these beliefs does not allow their adjustment (Hoover 1994:73). In new classical economics, for example, the use of parameters that do not comply with individual optimisation and the school’s central belief in microfoundations and in equilibrium theory is rejected as an “ad hoc” unjustified adjustment (Blaug 1992:231; Hausman 2008:28).

Not only the paradigm with its constellation of beliefs remains immutable within the discipline but it is also part and parcel exported to colonise the entire social science field giving another dimension to Kuhn’s idea of a global paradigm which refers to the paradigm within a science. Fine and Milonakis (2009; Fine 1997, 1999)²⁰⁸ discuss in detail the key characteristics, the evolution, the intellectual roots and the implications of economics imperialism that hinges on the application and exportation across the social sciences of the “economic approach”, considered to be the only scientific method which is applicable to every conceivable aspect of human, social (and animal) activity.

The economics imperialism framework explicates how economics became a monolithic science intolerant of any alternative approach that could challenge its disciplinary matrix. Criticism coming from its own ranks is at best treated with indifference while history of economic thought and methodology are subjected to an “intellectually-barbaric treatment” (Fine and Milonakis 2011:15). Practised over the years

²⁰⁸ See also Fine 1999; Fine 1998; Fine 2003. Mäki (2009) treats economics imperialism from a philosophy of science viewpoint as an attempt to achieve explanatory unification.

as a paradigmatic tradition by the mainstream scientific community, intolerance of alternative views and research paths naturally inhibits change. Avoiding historical and social analytical perspectives—and structural explanations for the crisis—mainstream normal science free from distractions retains its “drastically restricted vision”: it is forced by the paradigm itself (and confidence in the paradigm) to focus attention on a “small range of relatively esoteric problems” in a detailed and deep manner that “would otherwise be unimaginable” (Kuhn 1962:24).²⁰⁹ Not by chance, “denial of divergent thought” peaked during the recent crisis (Mirowski 2013:22).

2.3 The paradigm under stress: the crisis

For the past three decades or so, mainstream explanations for dynamic fluctuations that persist over time and space were grounded on the conceptual and methodological premises of the paradigm relying on equilibrium theory, representative agents with rational expectations, and reductionist microfoundations. Drawing on the belief that high levels of abstraction enhance economic theorising (Friedman 1953), modern macroeconomic models omitted key aspects of the economy that were essential in understanding how it works, including involuntary unemployment, money finance, bank failures and the possibility of financial crises. The eruption of the financial and economic crisis in 2008 exposed the macroeconomic theoretical innovations introduced after the 1970s as sources of anomalies in the sense that “anomalies, by definition, exist only with respect to firmly established expectations” (Kuhn 1977:221). Firmly established expectations and beliefs of the paradigm were drastically upset when the crisis tested the new classical rational expectations (REH) (Lucas 1972; Sargent and Wallace 1975), real business cycle theory (RBC) (Prescott 1986), efficient markets hypothesis (Fama 1970, 1991) and dynamic stochastic general equilibrium (DSGE) models.

The disjuncture between reality and the abstract representations of the above-mentioned theories was laid bare by the crisis, exposing them at best as inadequate to address a major financial and economic disruption. The real business cycle analysis

²⁰⁹ Having the physical sciences in mind, Kuhn (1962:24) notes that even if these restrictions, “born from confidence in a paradigm” are defects they are “essential to the development of science”.

(Prescott 1986),²¹⁰ for example, explains fluctuations by shocks that are random and exogenous to technology and productivity denying that money matters or that involuntary unemployment exists (Greenwald and Stiglitz 1993:39–40). In other words, productivity and the rational reaction of individuals to shocks are seen as the ‘real’ variables that cause recession bypassing “nominal” factors such as money, credit and debt (Ormerod 2010). With money and finance assigned minimal role and universally optimal and markets always clearing, the RBC does not refer to a cycle at all. Recessions and depressions are seen as “optimal responses to random shocks”: the economy is in a constant growth rate trend until a shock occurs and it directly adjusts to a new trend leaving little space for policy to address recession (Wray 2011:4).

The financial crisis also shattered the mainstream belief in the efficiency of financial markets as set out by the efficient markets hypothesis (EMH). According to the efficient markets hypothesis (Fama 1970, 1991), security prices fully reflect all available information and they adequately represent market efficiency:

“In general terms, the ideal is a market in which prices provide accurate signals for resource allocation [...] a market in which prices always ‘fully reflect’ available information is called ‘efficient’” (Fama 1970: 383).

Hence, markets that clear continuously are assumed to process information efficiently with prices adjusting to all new information so that investors “cannot make above average returns in the long run on the basis of any generally available information” (Bryan and Rafferty 2005:127). Even before the crisis, empirical evidence from key asset markets indicated serious flaws in EMH. As early as 1978, when EMH was considered to be consistent with data from a wide variety of markets globally, flaws were becoming evident:

Yet, in a manner remarkably similar to that described by Thomas Kuhn in his book, *The Structure of Scientific Revolutions*, we seem to be entering a stage where widely scattered and as yet incohesive evidence is arising which seems to be inconsistent with the theory [...] we are beginning to find inconsistencies that our cruder data and techniques missed in the past. It is evidence which we will not be able to ignore. (Jensen 1978:2)

²¹⁰ Edward Prescott received the Nobel Prize in 2004 together with Finn Kydland.

Yet, against all warnings, evidence was ignored. EMH was maintained in its strongest version by the new classical and new Keynesian approaches manifesting extraordinary durability within the mainstream paradigm in macroeconomics and finance as well as in economics education (Buiter 2009; Mirowski 2013:265).

Just like the efficient market hypothesis, the development of DSGE models continued as if criticism did not exist and in spite of the empirical evidence and their theoretical weaknesses (Kirman 2009:82). Until the crisis, dynamic stochastic general equilibrium (DSGE) models were thought to represent the macro economy accurately and more scientifically than earlier models. DSGE models are “derived from micro foundations: utility maximization by consumers-workers, value maximization by firms, rational expectations with fully specified imperfections (Blanchard 2008:23–24). In other words, the central tenets and beliefs of the mainstream paradigm are intact while involuntary unemployment, money, finance and banks are ignored as modelling parameters precluding the possibility of major crises that are a recurrent feature of the economy (Kirman 2010:501). Among other things, five major anomalies were identified in DSGE constructions with regard to the economics of high inflation: none of the characteristic high inflation phenomena was predicted by DSGE models including the extreme volatility of relative prices (Leijonhufvud 2009:751). Despite accumulating anomalies, DSGE models represent the high point of formalisation in economics enlisting Bayesian inference, ultra-sophisticated computing and electronic hardware.²¹¹ They are not just widely used; they are the crown jewel of major financial institutions such as the IMF:

Nearly every central bank has one, or wants to have one. They are used to evaluate policy rules, to do conditional forecasting, or even sometimes to do actual forecasting. There is little question that they represent an impressive achievement (Blanchard 2008: 24).

As Kuhn (1977:174) observed, though, “awareness of anomaly marks the

²¹¹ In the words of former IMF chief economist Blanchard (2008:22, 24), “the number of parameters has been steadily increasing with the power of computers [...] 19 structural parameters and 17 parameters corresponding to the variances and the first order autocorrelation coefficients of the underlying shock processes [...] software such as Dynare, which allows one to solve and estimate non-linear models under rational expectations, to specify and solve large dynamic models at the touch of a button.”

beginning of a discovery, it marks only the beginning.” Not all anomalies lead to significant changes in the paradigm. Yet, anomalies mostly require some action to address them and they often indicate rewarding directions for future research. While qualitative anomalies may be disguised by ad hoc modifications of theory, an established quantitative anomaly “suggests nothing except trouble” also providing a “razor-sharp instrument for judging the adequacy of proposed solutions” (Kuhn 1977:209). The anomalies that relate to EMH and DSGE models qualify as serious cumulative anomalies both in the qualitative and the quantitative sense.

In the light of the foregoing discussion, the emerging question is “How were the anomalies exposed by the crisis addressed?” To answer this question, the next section reconstructs the responses registered by the scientific community of mainstream economists in the wake of the crisis. In other words, following Kuhn (1962:77) we assume that “crises are a necessary precondition for the emergence of novel theories and subsequently ask how scientists respond to their existence”.

3. THE PARADIGM AND CRISIS: MAINSTREAM RESPONSES TO THE CRISIS

Paradigm shifts involve a fundamental change in the way a scientist perceives his or her area of inquiry: a “transformation that fundamentally alters the scientific 'world' in which the scientist lives” (Hands 2001:102). In other words, were the practitioners of mainstream economics ready for a major transformation in their worldview? How did they appraise their role in the context of the 2008 crisis and beyond?

3.1 The paradigm before the crisis: the new consensus in macroeconomics

In the period leading to the financial crisis of 2008, the idea of change hardly occupied the thoughts of the mainstream establishment of the profession. Economists appeared confident that a period of stability and prosperity described as the ‘Great Moderation’ reigned in the economy (Bernanke 2004). The term epitomised how policymakers and central bankers pursued an “illusion” believing that inflation targeting, financial deregulation, and the fine-tuning central banks’ policy rate had combined to create a shock-resistant, stable and flourishing global economy (Argitis 2013:483). The consensus in mainstream macroeconomics was achieved after years of conflict between

“intellectual giants” of the new classical and new Keynesian schools (Mankiw 2006:12–13). Synthesising the contributions of real business cycle theory and the new Keynesian approaches, the new consensus in macroeconomics (NCM)²¹² embodied convergence in macroeconomics (Goodfriend and King 1997; Woodford 2009). Exerting great influence on economic thinking, NCM decisively shaped macroeconomics and the pre-crisis monetary policy build-up (Arestis 2009). For this reason, a few months before the Lehman Brothers crash, Olivier Blanchard (2008:2) declared that “the state of macro is good” assuring that macroeconomics was scene to an exciting period of “great progress”. No one from the mainstream scientific community mentioned the elements that were missing from the consensus: money markets and financial institutions were “not mentioned, let alone modeled” (“no banks, no money”) in the NCM theoretical framework that draws directly from the efficient markets hypothesis (EMH) considering disequilibria such as bubbles as highly unlikely and policy to address them as “financial repression” (Arestis 2009: 10, 13).

The watershed that followed the collapse of Lehman Brothers in September 2008 shattered the ‘Great Moderation’. At the same time, the crisis dealt a severe blow to its academic twin, the great convergence in mainstream macroeconomics contesting its theoretical and methodological precepts. The testimony of Alan Greenspan²¹³ before the US House of Representatives Committee on Oversight and Government Reform encapsulates sentiments in the immediate aftermath of the crisis:

[T]he whole intellectual edifice, however, collapsed [...] a very solid edifice, and, indeed, a critical pillar to market competition and free markets, did break down. And I think that, as I said, shocked me. I still do not fully understand why it happened. (Greenspan 2008)

In the words of James Heckman, “everybody was blindsided by the magnitude of what happened”—not only Chicago economists but “the whole profession was blindsided” (Cassidy 2010c). A flood of responses followed the shock questioning the state of economic theory and the role of economists in addressing the crisis. A substantial body of

²¹² Known also as the new neoclassical synthesis (NNS).

²¹³ Chairman of the Board of Governors of the Federal Reserve (1987-2006)

criticism coming from outside the mainstream scientific community investigated various aspects of the ‘economic crisis – crisis in economics’ problematic (Bresser-Pereira 2010; Bryan et al. 2012; Cameron and Siegmann 2012; DeMartino 2011; Fine and Milonakis 2011; Harcourt 2011; Hodgson 2009b; King et al. 2012; Kirman 2009; Kurz 2010; Lawson 2009; Palley 2013; Skidelsky and Wigstrom 2010; Wray 2011; Zamagni 2009).

In this context, the upcoming discussion undertakes a systematic examination and evaluates the intra-paradigm post-crisis responses that followed a shock of such magnitude. The attempt is made to decipher how/if the mainstream establishment of the profession perceived and evaluated the impact of the crisis as regards both the paradigm and scientific community aspects of normal science.

3.2 Mainstream responses

A typical general mainstream response is to assess the crisis itself as an anomaly—an unexpected rare “black swan” phenomenon (Palley 2012:95–96; Zamagni 2009:326), identified by Taylor (2008) in the money market. Thus, mainstream economists avoid the need to account for their failure to predict or explain the economic crisis. How can one predict and explain outlier phenomena of “extreme impact” located beyond “regular expectations” (Taleb 2010:xvii) with no past experience to indicate their possibility? As history has shown, however, financial crises are not outstanding rare events (Eichengreen and Bordo 2002; Kindleberger and Aliber 2005). Furthermore, the recent crisis did expose a host of severe anomalies in the Kuhnian sense that are neither resolved nor accounted for by the mainstream establishment. More importantly, as Fine and Milonakis (2011:8) emphasise, the recent economic crisis itself embodies “a huge anomaly with respect to all existing mainstream-theories” that are grounded “on mathematical modelling and the twin assumptions of representative rational agents and the efficient-market hypothesis.”

Such general responses do not address the intense and widespread criticism that questions the performance of, and the prospects for, mainstream economics. Focusing on the inability of the neoclassical paradigm to reconcile theory and reality, criticism questioned formalism, unrealistic assumptions, modelling techniques as well as the professional practices of economists and economics education. The heartland of the dominant macroeconomics paradigm was questioned including rational expectations (Lucas 1972; Sargent and Wallace 1975), real business cycle theory (Prescott 1986), efficient markets hypothesis (Fama 1970, 1991) and DSGE models. The Chicago School of Economics became a focal point of critique. Divisions within the mainstream

establishment appeared as prominent names including Paul Krugman, Richard Posner, Willem Buiter, Brad DeLong and Joseph Stiglitz joined in public disputations. The use of the blogosphere and online media amplified the polemical tones of the debate between economists.²¹⁴ In the wake of the crisis, the profession slipped into “uninformed quarrelling” that spread confusion, “degraded the quality of the discussion” and hindered policy responses, wrote Krugman (2012), one of the most prolific blogosphere contributors.

Did the collapse of the entire mainstream ‘intellectual edifice’ spark a process of change? How did mainstream economists perceive the effects of the crisis? How were anomalies perceived and addressed? Following Fine and Milonakis (2011), our discussion identifies three broad categories of reaction by mainstream economists. Having in mind the overlaps in an extensive and fragmented debate, the attempt is made to identify the most representative views in each category and distil their implications for the prospect of change in mainstream economics. Another caveat is that substantial part of the debate was confined to policy discussions revolving around potential preventative pre-crisis and corrective post-crisis measures. Compared to the policy content of the debate, discussion on theory and substantial reform for economics tended to be sparse. The proceedings of a conference published under the title *In the Wake of the Crisis: Leading Economists Reassess Economic Policy* (Blanchard et al. 2012) provide a case in point. Seeking answers to crucial post-crisis questions around six themes,²¹⁵ all twenty-three essays by Nobel laureates, major academics, and policymakers engage in a technical examination of policy and crisis governance without any critical inquiry into core theoretical and analytical issues that bear upon policy.

The three intra-paradigm response groups are categorised according to the content

²¹⁴ Samples include David Levine to Paul Krugman: “Speak for yourself kemo sabe. And since you got it wrong—why should we believe your discredited theories?” (Levine 2009); “John Cochrane does not know this consensus theory. Edward Prescott does not know this consensus theory. Eugene Fama does not know this consensus theory but somehow thinks the equilibrium condition that is the savings-investment identity is also a behavioral relationship” (DeLong 2009). For a detailed account see Mirowski (2010, 2013).

²¹⁵ The six themes are monetary policy, fiscal policy, financial intermediation and regulation, capital-account management, growth strategies and the international monetary system.

of their responses. The first group (a) rejects criticism, declines any professional responsibility and denies that the crisis exposed critical flaws in the theoretical and methodological mainstream apparatus. Expressed mainly by leading exponents of the Chicago school, this viewpoint represents a hard ‘loyalist’ orthodox defense line. It directly advocates letting things be and ‘change nothing’ since nothing was revealed to be wrong with mainstream economics. The second group (b) of ‘moderates’ adopts a more discerning attitude conceding that the crisis did challenge some aspects of mainstream economic theorising and practice. Scholars in this group, however, do not anticipate or discuss any change considering that the paradigm emerged fundamentally unscathed from the crisis. The third ‘insider critics’ group (c) voices strong criticism recognising misguided conceptual/methodological choices in mainstream theorising and flaws in policy choices during the build-up to the crisis. Mainstream economists in this category propose remedies to rectify mistakes and improve the mainstream toolkit. Within the third category, we can identify a subgroup which favours a “more genuine return to Keynes” evoking hitherto forgotten aspects of Keynesian economics (Fine and Milonakis 2011:17-18).

3.3. Loyalists: all is well, no change

*I don't know what a credit bubble means. I don't even know
what a bubble means.
Eugene Fama, interviewed by John Cassidy*

The hardline mainstream responses mainly come—but are not confined to—from major Chicago school economists following strong criticism from ‘within’ Chicago by Richard Posner (2009a, 2009c) as well as Krugman’s (2009b) attack on the Chicago core, efficient markets and rational expectations in particular. The integrating defence line in this response group is to wholly absolve the mainstream paradigm and its practitioners of any responsibility. A recurrent theme is that markets are both unpredictable and unbeatable conveying a sense of mystification. In other words, markets are powerful, efficient and the best purveyors of knowledge but at the same time they are capricious and beset by unpredictable irregularities. Hence, the knowledge and explanatory power of the paradigm appears inherently limited in the face of bubbles and other unexpected

phenomena of financial disruption. As Kevin Murphy emphasises:

The fact is that much of the variation in the market is unpredictable. In finance research, it's a major victory if you can explain half of one per cent of the price variation with your model. The idea that you can't beat the market, or predict it—that part of the efficient-markets hypothesis is very much alive and well. (Cassidy 2010e)²¹⁶

Thus, in typical normal science mode, only phenomena supplied by the paradigm can be articulated: “No part of the aim of normal science is to call forth new sorts of phenomena; indeed those that will not fit the box are often not seen at all” (Kuhn 1962:24, 10).

The hard line ‘change nothing’ attitude reveals how key practitioners of the mainstream paradigm insist that the paradigm performed adequately in forecasting and explaining the crisis without recognising any anomalies. In his article titled *How Did Paul Krugman Get It So Wrong*, John Cochrane (2011:39, 36) describes the efficient markets hypothesis as “probably the best-tested proposition in all the social sciences” arguing that its “central empirical prediction” is specifically that market behaviour is unpredictable. Evoking Hayek, Cochrane (2011: 39, 37) asserts that no one can “fully explain” market volatility and dismisses Keynes to conclude that “the problem is that we don't have enough mathematics. Mathematics in economics serves to keep the logic straight” and ensures logical consistency, which is the ultimate “siren of beauty”. Asked what is left from efficient markets and rational expectations after the crisis, Cochrane replies that everything remains standing (Cassidy 2010d). According to Eugene Fama, the main promulgator of the efficient markets hypothesis (Fama 1970, 1991), the theory “did quite well” during the crisis which is precisely “what you would expect if markets were efficient” (Cassidy 2010a). Precluding any changes in economics as a legacy of the crisis, Fama appears mystified and professes agnosticism regarding economic knowledge:

We don't know what causes recessions [...] That's where economics has always broken down [...] We've never known [...] Economics is not very good at explaining swings in economic activity. (Cassidy 2010a)

²¹⁶ The *New Yorker's* economic journalist John Cassidy in a series of interviews investigated the reaction of major Chicago school economists as regards criticism directed against efficient markets and rational expectations as well as their assessment of anti-crisis policy measures e.g. bank rescue (Cassidy 2010a).

In a similar vein, Thomas Sargent (2010) defends real business cycle models and new Keynesian models against misdirected criticism which fails to understand “the purpose for which those models were devised”. He argues that economists need to “learn and use some math” to account for uncertainty and ambiguity: to know more about bubbles we need “well-confirmed quantitative versions” of relevant models. Eric Maskin (2010) flatly rejects criticism that “economic theory failed to provide a framework for understanding this crisis” and suggests a reading list for policymakers. In Lucas’s (2009) view, the principal lesson as regards efficient markets hypothesis is “the futility of trying to deal with crises and recessions”: “anomalies” that have been exposed by the crisis are too small to matter for macroeconomic analysis. “Like Bob Lucas”, Robert Barro (2009b), too, could not take “seriously the view that the financial and macroeconomic crisis has diminished economics as a field”. Seeing no evidence that mainstream models “led policy makers astray or were a cause of the financial crisis”, John Taylor (2010, 2014b) defends mainstream theorising (and his own work), blaming policymakers for failing to apply recommendations and concludes that “the crisis does not call for a new paradigm”. Chicago economist Casey Mulligan (2009) does not think that macroeconomics is “off track” and notes that economists often suspect that markets do not function efficiently. Against Krugman, he defends the neoclassical growth model which has “neither money nor fiscal policy” and gives examples of its application to the current and previous recessions.

To sum up, the ‘no change’ hard line response group steadfastly rejects criticism directed against the performance of mainstream economics vis-à-vis the financial crisis and absolves mainstream theorising and the profession of any responsibility. For this group, the possibility of any previous oversight over the last 30 years is inconceivable and anomalies are not recognised. Cochrane makes this point abundantly clear in his response to Krugman:

Pretty much all we have been doing for 30 years is introducing flaws, frictions and new behaviors, especially new models of attitudes to risk, and comparing the resulting models, quantitatively, to data. The long literature on financial crises and banking which Krugman does not mention has also been doing exactly the same. (Cochrane 2011:39)

As views surveyed above demonstrate, the hardline mainstream establishment reiterates that all is well and envisages no change for post-crisis economics other than to uphold the existing paradigm and fortify its mathematical toolkit and quantitative orientation.

3.4 Moderates: Problems recognised, no change

Yeah, markets aren't fully efficient. Expectations go wrong [...] There are a lot of things that people got wrong, that I got wrong, and Chicago got wrong. (Gary Becker)²¹⁷

In this group, James Heckman (Cassidy 2010c) concedes that the crisis exposed “some” anomalies mainly in rational expectations and efficient markets hypotheses which lack in empirical content: the dogmatic “culture of efficient markets—on Wall Street, in Washington, and in parts of academia, including Chicago” had caused pre-crisis warnings to be ignored so that “the whole profession was blindsided”. Asserting that the bedrock of the Chicago “rocket” is standing intact, Heckman attributes the exposed anomalies to scholars who neglected Friedman’s solid Chicago legacy of matching ideas with data.

Raghuram Rajan (Feldman 2009) recognises that market inefficiencies have been unveiled and cites problems which confirm his pre-crisis warnings (Rajan 2006) about the imminent downturn. He mentions a “sense of market infallibility” which pervaded the economics profession (and regulators) combined with prioritising the private sector over regulation. According to Rajan, rational expectations in macroeconomics and efficient markets in finance came under attack because of their dominant position rather than their “specific failings”. Rajan asserts that rational expectations remain a convenient and useful tool even if macroeconomists overlooked its “plumbing”. Hence, the natural reaction is now to compile models which have the details of the plumbing. Referring to behavioural research on inefficient and irrational markets, Rajan thinks that the profession as a whole does not deserve blame. For Luigi Zingales (2010:31), the 2007–2008 financial crisis has only marginally affected the intellectual foundation of the efficient markets theory because it has not provided significant new evidence on the deviations of markets from fundamentals. Thus, the recent crisis, has weakened mainly “the already-losing side of hard-core believers in the EMT”. Noting that we must learn to live with the idea of inefficient markets, Zingales recommends rethinking but not abandoning the efficient

²¹⁷ Cassidy, John. 2010. “Interview with Gary Becker.” *The New Yorker Blogs - January 14*. (<http://www.newyorker.com/rational-irrationality/interview-with-gary-becker>).

markets theory because it still holds useful insights and he professes his own mystified agnosticism:

This is the uncharted territory where the crisis leaves us: a world where confidence in the rationality of the market is shaken but where there is no clear, viable alternative. Eventually, a grander theory will emerge, one that will enable us to understand when we should expect market prices to deviate from fundamentals. At the moment we can grasp only some elements of this theory. (Zingales 2010:37–8)

Defending his work and the rationality principle, Gary Becker rejects the idea that the profession will be affected by the crisis noting that people are already working to understand the financial crisis even if “forecasting major events like that is very hard to do in any field” (Herfeld 2012:74). He emphasises that, above all, economists “have to understand that they could end up interfering with the natural recuperative powers of the economy” (Milken 2009:53). Becker carefully balances a measured critique with the exoneration of the Chicago theoretical core and his mentor Friedman²¹⁸ acknowledging “some theology built into the efficient-markets literature” that prevailed over empirical evidence but left its “real heart” intact (Cassidy 2010b). Describing as “extreme” the view that markets “were always efficient”, Becker recognises Lucas’s key contribution but remarks that some “simplistic” dynamic general equilibrium models and “their builders” assumed crises out failing to understand new financial instruments such as derivatives or mortgage-backed securities that ultimately tested EMH:

Systemic risk. I don’t think we understood that fully, either at Chicago or anywhere else [...] Maybe some of the calls for deregulation of the financial sector went a little too far, and we should have required higher capital standards, but that was not just Chicago. (Cassidy 2010b)

Becker defends the use of mathematics and the rationality principle because despite the contributions of behavioural economics, we need the “rationality assumption” to explain why “people prefer more to less, which in turn helps us to understand market outcomes and explain prices” (Herfeld 2012:77, 85). Therefore:

²¹⁸ Becker argues that market economists including Milton Friedman have ardently supported more government intervention during the Depression and claims that Chicago was never pro-zero regulation: Chicago people “always believed there was a significant role for government, and not simply in the obvious areas, like law and the military, and so on” (Cassidy 2010c).

If you want to abandon rational choice theory altogether, you have to substitute it with a new framework, and I do not see any new framework available at the moment—neither in the behavioral economics literature nor anywhere else—that has comparable explanatory and predictive power. That is the test. (Herfeld 2012:78)

Regarding the future, Becker thinks that economists will “improve macro” and appears confident that the recent crisis—being much milder—did not at all warrant a “revolution in economic thinking” comparable to what prevailed for decades after the Great Depression (Cassidy 2010b).

3.4 Insider critics: change something – repair and continuity

Although economists have much to learn from this crisis, I think that calls for a radical reworking of the field go too far. (Bernanke 2010:2)

Featuring strong criticism coming from prominent mainstream ‘dissenters’ including Krugman, Stiglitz, DeLong and the Chicago jurist and economist Richard Posner, this viewpoint identifies oversights and anomalies in pre-crisis mainstream theorising and acknowledges predictive and explanatory failure. Views and discourse from both academics and policymakers in this response group range from mild critiques that recognise the issues raised by the crisis to harsher attacks. Macroeconomic theory emerges as the main target of criticism focusing particularly on efficient markets and rational expectations hypotheses, real business cycle theory and DSGE models including their unrealistic assumptions, particularly the representative agent, rationality, perfect markets, the neutrality of money and policy ineffectiveness (Ascari 2011:18; Wray 2011:7). Among other things, mainstream modelling techniques, finance theory, lack of research in microeconomics and neglect of behavioural insights in economic analysis emerge as problematic areas. Yet, these are treated mostly as minor anomalies by this group. The integrating idea in this response group is to limit change to what essentially amounts to Kuhnian mopping up operations to patch flaws and anomalies exposed by the crisis. In other words, prospective changes should ensure continuity without involving any radical shift in the mainstream paradigm.

More specifically, recognising that the crisis challenged “important economic principles and research agendas”, Bernanke (2010:10) argues for continuity in the mainstream paradigm and some repairs, claiming that the mainstream tradition of research and analysis can fix any anomalies by attentive research on asset price bubbles, market liquidity, uncertainty and modeling human behaviour. In Bernanke’s view, the problem is technical: rather than flaws in mainstream theorising, the crisis exposed a “failure of

economic engineering and economic management” (p.3). Willem Buiter (2009) launched a much more terse criticism against the “uselessness” of most mainstream theoretical macroeconomic advances and research since 1970,²¹⁹ which he describes as follows:

Self-referential, inward-looking distractions at best. Research tended to be motivated by the internal logic, intellectual sunk capital and aesthetic puzzles of established research programs rather than by a powerful desire to understand how the economy works—let alone how the economy works during times of stress and financial instability. So the economics profession was caught unprepared when the crisis struck. (Buiter 2009)

Buiter shares with many of his peers the belief that the future lies in behavioural approaches drawing on empirical studies that would examine how market actors respond to changing environments.

A sharp insider critique comes from the eminent Chicago law professor Richard Posner²²⁰ who berates economists—starting with Lucas—for overconfidence in rational expectations hypothesis, efficient-markets and the real business cycle theories that have proven to be mistaken (Posner 2009a). Describing modern economics as a dangerous mix of mathematics and gullibility about self-regulating markets, Posner reprimands business and academic economists as well as policymakers and regulators for ignoring warnings about finance deregulation and for overlooking a host of parameters such as uncertainty, the possibility of bubbles, market imperfections, irrational market actors, institutional specificity in markets and the limited self-healing powers of *laissez-faire* capitalism (Posner 2009a, 2009b). Yet, Posner’s scathing critique is not accompanied by a comparable strong advocacy in favour of reorienting economics leading Solow (2009) to describe Posner’s suggestions as a “laundry list” rather than “a blueprint for reform”. Declaring that he has now become a Keynesian, Posner (2009c, 2009b) calls for reform that will reactivate Keynesian and behavioural insights.

²¹⁹ Buiter (2009) cites the new classical rational expectations revolution associated with Lucas Jr., Prescott, Sargent, Barro etc, and the new Keynesian approach of Michael Woodford, and the manifest failure of the EMH, and others.

²²⁰ Posner, a member of the neoliberal Mont-Pèlerin society, is a central figure in the Chicago ‘Law and Economics’ movement advocating the application of rational choice models to law and a key exponent of the regulatory ‘capture theory’ on the transformation of a regulatory agency into an anticompetitive tool of the regulated industry (Van Horn 2009).

One of the most vocal insider mainstream critics, Krugman (2009a, 2009b), too, proposes to reorient economics away from the current “Dark Ages” by reviving Keynesian ideas in theory and policy and pursuing work in behavioural finance. Using to advantage his influential public profile over the cyberspace, Krugman argues that “most macroeconomics of the past 30 years was spectacularly useless at best and positively harmful at worst”. Freshwater economics²²¹ had developed into a cult that disregarded and ridiculed ideas not conforming to its paradigm; hence, change can only emerge from within requiring “patient empirical spadework, documenting crises past and present, in the hope that a fresh theory might later make sense of it all” (Krugman 2012; *The Economist* 2009:65,67).²²² Notwithstanding Krugman’s polemical tone and the problems he identifies, his vision of change remains fundamentally constrained within the core of the paradigm, confirming the view that mainstream economics can be fixed with measured doses of remedy that ensure continuity. The following passages reveal how Krugman understands the nature and the scope of change within continuity:

The brand of economics I use in my daily work – the brand that I still consider by far the most reasonable approach out there – was largely established by Paul Samuelson back in 1948 [...] It’s an approach that combines the grand tradition of microeconomics, with its emphasis on how the invisible hand leads to generally desirable outcomes, with Keynesian macroeconomics. (Krugman 2010)

I like to think that I am more open-minded about alternative approaches to economics than most, but I am basically a maximization-and-equilibrium kind of guy. Indeed, I am quite fanatical about defending the relevance of standard economic models in many situations. (Krugman 1996)

Another outspoken celebrity critic, Joseph Stiglitz argues that a new paradigm is needed and proposed a more precise change agenda. Stiglitz (2010a:1) enumerates the

²²¹ Krugman repeatedly discusses diverging viewpoints in terms of a saltwater–freshwater split (designating scholars in coastal and inland US universities, respectively). Saltwater scholars “continued to view Keynes as broadly right” even without rigorously justifying some of their assumptions while “freshwater” people pursued unrealistic modelling at odds with “lived” experience (Krugman 2012).

²²² Stiglitz and Krugman were asked about the future of economic thinking at an INET event. Krugman once more advocated empirics and humility in believing your own models. Stiglitz observed that lots of empirical work was done in the last 30 years but it was guided by bad theory that blinded researchers who saw all the empirics exclusively with one lens (INET:Conversation on the State of the Economy 2012 - video at <http://tinyurl.com/hgblz5>).

flawed methodological assumptions of the prevailing paradigm and links them to “miserably failed” policy precepts and recommendations. Echoing his analysis in *Freefall* (Stiglitz 2010b), he itemises a list of critical methodological problems that underscore “much of the standard paradigm”: the representative agent tops the list which includes equilibrium/disequilibrium, rationality, microfoundations and methodological individualism (Stiglitz 2010a:3-8). Mainstream theoretical assumptions are criticised in relation to efficient markets, rational expectations and models; the emphasis is on Stiglitz’s own contribution to information asymmetries and incomplete markets. In Stiglitz’s (2010d) view, rather than flaws in economic theory, “the free marketeers” were to blame for not paying attention to his work on imperfect and asymmetric information:

[E]conomic theory never provided much support for these free-market views. Theories of imperfect and asymmetric information in markets had undermined every one of the ‘efficient market’ doctrines, even before they became fashionable in the Reagan-Thatcher era. Bruce Greenwald and I had explained that Adam Smith’s hand was not in fact invisible: it wasn’t there. [...] Free marketeers, and the special interests that benefited from their doctrines, paid little attention to these inconvenient truths. (Ibid.)

Stiglitz’s critique can be seen as typical of the trend identified by Mirowski (2013:157) that in post-crisis debates economists from the Hayekian ultra right to the “legitimate left” including the “polemical” Stiglitz who declared that the crisis confirms their own research and their preferred economic theory implying that substantial change in economics is not needed. In sum, while Stiglitz urges for a new paradigm, his change agenda reiterates the repair and continuity outlook that is common to all the insider critic responses. The message delivered by Stiglitz’s critique is to refurbish macroeconomics and fix flawed models by building on the tremendous progress of the last thirty years to create what he calls a ‘New Macroeconomics’ (Stiglitz 2010a, 2010c, 2011a):

The New Macroeconomics will need to incorporate an analysis of risk, information, and institutions set in a context of inequality, globalization, and structural transformation, with greater sensitivity to assumptions (including mathematical assumptions) [...] It will have to be predicated on an understanding that in the presence of imperfect information and incomplete risk markets, market economies are not necessarily either efficient or stable [...] New policy frameworks need to be developed based on this new macroeconomic modeling. (Stiglitz 2011a: 636–73)

Jeffrey Sachs considers change in terms of broader global issues. Sachs (2009:8,5) urges a new “structural” macroeconomics which must shed outmoded “operating assumptions” engaging with poverty reduction, education, food, energy, and climate to ensure sustainable recovery and development. While all these are important issues, Sachs’s account does not specify the theoretical and conceptual changes required for his

proposed reorientation of mainstream macroeconomics. Another insider critic, Barry Eichengreen (2009) uses strong language to denounce, among other things, economic models as “weapons of economic mass destruction”. He hints at economists’ conflicts of interest and “generous speaker’s fees” for those “prepared to drink the Kool-Aid”. He describes in gloomy tones the prelude and the early aftermath of the crisis. Yet, he finds nothing fundamentally wrong with modern economic theory despite the “generic problems that created our current mess” and the “structural weaknesses and conflicts of interest that paved the way to our current catastrophe” (Eichengreen 2009). In Eichengreen’s view, recent advances such as complexity economics, behavioural research, information economics and agency theory bring hope for the future while new emphasis on empirical work and the IT revolution herald a “quiet revolution” to the practice of economics, paving the way for the inductive economics of the 21st century.

According to Daron Acemoglu (2009:185–6, 194), the financial crisis has partly caused an “embarrassment for economic theory” and the economics profession was “partly complicit in the buildup” to crisis; nevertheless, economic theory still has a lot to teach us and economists still have important things to say. Therefore, it is not right to “condemn wholesale” even the financial innovations that were involved in the crisis as they have been extremely productive and will continue to be with the right regulation. Warning against the “risk that belief in the capitalist system may collapse”, Acemoglu (2009:191–3, 187–8) evokes Schumpeter to note that capitalism as a process of creative destruction, needs “institutions that allow for innovation” and a better framework for regulation and reallocation of resources such as reallocating funds or highly skilled workers from the financial industry towards more innovative sectors. Diane Coyle, another ‘enlightened’²²³ insider, spots a “gaping vacuum in macro-economics” and emphasises macroeconomists’ failure to learn from the progress in microeconomics (Coyle 2010:264). Yet, Coyle (2012a:7, 11) believes that attacks on mainstream economics do not warrant a Kuhnian paradigm shift in economics: she feels that recent radical changes prove that mainstream economics was “never monolithic” having

²²³ Diane Coyle, OBE, is the head of “Enlightenment Economics”, a consultancy specialising in innovation, competition policy, corporate governance and institutional reform and the economic and social effects of new technologies (<http://www.enlightenmenteconomics.com/>).

resolutely left some neoclassical assumptions to shift its central focus from theory to applied work, from macroeconomics to microeconomics, and “from abstraction to institutional and behavioural detail”. Coyle (2013) advocates moving economics away from abstraction towards a “deeply, genuinely empirical subject, not a playground for competing political philosophies”. Like previous ‘insider’ critics, Coyle delineates a path of change confined to mop up repairs that ensures the continuity of the paradigm. This path retains unchanged the neoclassical core elements of mainstream methodology with first and foremost rational choice and the use of equilibrium in modelling:

If these are limitations, so be it: every subject has core restrictions in its methodology, which in fact represent its strengths and distinctive insights. It’s not that we believe that everybody chooses rationally all the time—on the contrary, the most orthodox of economists is interested in learning from behavioral research. Nor do we think the economy is always in equilibrium [...] Nevertheless, both elements are core to our way of thinking. Rational choice is distinct from self-interested choice, but self-interest too is a powerful assumption. (Coyle 2010:266)

Having examined the responses to the crisis coming from within the scientific community, our inquiry next focuses on this particular community and its characteristics pursuing our argument that institutional/sociological parameters constrain the prospect of paradigm change in mainstream economics and inhibit the generation of new knowledge.

4. THE SCIENTIFIC COMMUNITY: THE ECONOMICS PROFESSION IN CRISIS

4.1 The scientific community and the ‘sociological base’ of the paradigm

In Kuhn’s account of the scientific community, the social context of science emerges as indispensable in understanding science. Even if Kuhn was not concerned with the social sciences, his account of the scientific community offers a framework that can help make sense of the responses of the mainstream economics establishment as regards the role of the profession in the face of the recent economic crisis.

As intimated previously, Kuhn increasingly recognised the importance of scientific

community (Kuhn 1962: 176).²²⁴ In the *Postscript to The Structure*, Kuhn (1962 [1969]: 176) remarks that were he to rewrite the book he would start with a discussion of the community structure of science. Replying to critics like Lakatos who had “misconstrued the sociological base” of his position, Kuhn (1970:240–41) emphatically explains that his unit of reference is “the normal group rather than the normal mind”: “there are no ideal minds, and the ‘psychology of this ideal mind’ is therefore unavailable as a basis for explanation”. As noted by Margaret Masterman (1970:65–7), it is the ‘sociological sense’ that defines the originality of Kuhn’s notion of a paradigm integrating many of Kuhn’s different uses of the term ‘paradigm’.

According to Kuhn (1962:177, 1977:296), a scientific community consists “of the practitioners of a scientific specialty.” In his *Second Thoughts on Paradigms*, Kuhn (1974:460–61) asserts the “close proximity, both physical and logical” between a ‘paradigm’ and a ‘scientific community’: “A paradigm is what the members of a scientific community, and they alone, share”. In other words, paradigms and scientific communities are inextricably linked together: “paradigms are the core commitments of scientific communities, whose boundaries are defined by their shared acceptance of a paradigm” (Rouse 2003:104–5). The members of the community:

See themselves and are seen by others as the men responsible for the pursuit of a set of shared goals, including the training of their successors. Such communities are characterized by the relative fullness of communication within the group and by the relative unanimity of the group’s judgment in professional matters. (Kuhn 1974:461)

What shared elements, then, ensure “the relatively unproblematic character of professional communication and for the relative unanimity of professional judgment” (Kuhn 1974:462)? How does one come to hold the paradigm “as the result of a process of social acculturation” (Hands 2001:105)?

According to Kuhn (1970:271–72, 1974:463), the members of the scientific community are bound together by their commitment to shared theoretical beliefs, values, instruments, concrete problem solutions and techniques, and the metaphysics of the

²²⁴ One of the three types of paradigms distinguished by Margaret Masterman is the sociological paradigm (Masterman 1970: 65).

paradigm which make up the three main constituents of the disciplinary matrix, namely symbolic generalizations, models, and exemplars: these are central to the “cognitive operation of the group” and ensure unproblematic communication within the group. The common traits binding together members of the community also include similar educations and similar “professional initiations”; “to a remarkable extent the members of a given community will have absorbed the same literature and drawn similar lessons from it” (Kuhn 1974:461). Moreover, the scientific community “functions as a producer and validator of sound knowledge” and provides education based on the three components of the disciplinary matrix: the symbolic generalizations, the models and the exemplars (Kuhn 1974:463, 1977:298). The practitioners of a science refine concepts; develop complex equipment as well as an “esoteric vocabulary and skills” that progressively professionalise the field leading at the same time to a rigid science (Kuhn 1962:64).

Emphasising the “theory-ladenness” of observations, Kuhn points out that the paradigmatic lens determines what and how scientists see: trained in the tradition of the paradigm, the members of a scientific community do not just ‘see’; they ‘see as’ through the interpretative lens of the paradigm (Hands 1997:103). Moreover, the paradigm provides the scientific community with a criterion for choosing which problems to work on. As long as the paradigm is taken for granted, problems “can be assumed to have solutions” and to a great extent “these are the only problems that the community will admit as scientific or encourage its members to undertake” (Kuhn 1962:37) [Emphasis added]. So, in the course of normal science, a scientific community becomes a vastly “efficient instrument for solving the problems or puzzles that its paradigms define” (Kuhn 1962:166). Ultimately, then, paradigm change emerges as a social process underscored by changes in the beliefs prevailing in a scientific community and not as a transformation that could be explained by “any simple ‘rules’ of proper scientific method” (Hands 2001:102).

In this light, following Kuhn (1970:249), we next examine how a “particular constellation of beliefs, values, and imperatives” affected the behaviour of the scientific community vis-à-vis the recent financial and economic crisis.

4.2. The mainstream scientific community and the crisis

Notwithstanding the intensity of the debate inside and outside mainstream economics, the scientific community largely exhibits detachment, severe myopia and amnesia as regards its role and responsibility in the face of the crisis. Overall, a sense of detachment pervades mainstream responses, including those coming from ‘insider’ critics;

as if the scientific community and the paradigm were separate realms rather than the two closely interrelated aspects of normal science. Disinvolvement is implied when mainstream economics practitioners profess agnosticism claiming insufficient knowledge about the future and mysterious unpredictable phenomena such as crises, bubbles and black swans (Cochrane 2011; Taylor and Williams 2008). Agnosticism goes hand in hand with the mainstream ‘accident’ hypothesis to explain the crisis as the result of contingent actions by “real economy actors” (Gowan 2009). In fact, across all response groups, bankers, mortgage borrowers, policy makers, regulators, risky investors, ratings agencies and so on emerge as the guilty parties—as if these individuals were recruited from the ranks of heterodox economics. Seventeen laureates attending the 4th Nobel Laureates Meeting on Economic Sciences in Lindau, Germany²²⁵ identified regulators, politicians, ratings agencies, greed, too-big-to-fail banks and moral hazard, irrational and exuberant investors, risky financial products and defective models as responsible for the crisis (Thoma 2011). Similarly, the crisis is seen as a “massive institutional failure, involving financial institutions, regulators, rating agencies, and international organizations” as well as a deficient international regulatory and supervisory framework for the financial sector (Ortiz 2012).

Thus, rhetoric of blame and accountability incriminates individuals or professional groups instead of in-depth critical self-reflection regarding the role and the responsibility of the profession. Post-crisis discussions are channeled towards policy issues evading critical reflection on the role of the scientific community and its theoretical commitments— as if these were unrelated to flawed policy recommendations. Insider critics (Buiter 2009; Krugman 2009b; Posner 2009b) also name and shame their colleagues of the hardline mainstream establishment:

And at this point I think it important to call out Robert Lucas, Richard Posner, and Eugene Fama, and ask them in the future to please do at least some of their homework before they talk nonsense. (DeLong 2011)

²²⁵ This event brings together Nobel laureates in economics with young economists from all over the world aiming to enhance personal dialogue between scientists across generations and cultures. (<http://www.lindau-nobel.org/>). See also the 2011 Annual report of the event at <http://www.mediatheque.lindau-nobel.org/publications/34842/annual-report-2011-economics>

The mainstream discourse of individual blame is typical of capitalism as it “both blames and exculpates, disclaiming responsibility in the name of responsibility” (Pludwin 2011:469). Ultimately, exoneration comes in many guises and for all. Regulators are “only human” and “got caught up in the same bubble mentality as investors” failing to deploy their authority (Becker and Murphy 2009; Cochrane 2009:35). Mistakes made by economists are largely due to the inherently difficult economic issues they confront: hence we should not exaggerate in thinking that the profession could have done something to avert economic disaster (Posner 2009b).²²⁶ Even if policy was mistaken, mistakes were “small, forgivable under the circumstances and may not have done much harm” (Blinder 2014). Myopia and amnesia combine to foster absolution. More specifically, four years after the momentous events of 2008, the cream of the mainstream establishment (twenty-three Nobel laureates, prominent academics, and policymakers) in a volume of collected essays on the crisis (Blanchard et al. 2012) focuses on policy issues and hardly finds anything worth mentioning about the role of the profession. Six years after the crisis, the role of the scientific community and the paradigm is wholly forgotten. In a collection by the Hoover Institution (Baily and Taylor 2014), ‘expert’ contributors such as John Taylor, Larry Summers, John Cochrane, Alan Blinder, and Michael Bordo analyse the causes of the 2008 financial crisis. They wonder why recovery is so slow to come in a debate wholly devoid of any sense of critical reflection about the profession and its paradigmatic constraints.

Referring to wrong theoretical choices, insider mainstream critics have been more vocal in criticising economists for failing to predict the crisis and deliver warnings as well as for providing flawed policy advice before and after the crisis (Acemoglu 2009; Buiter 2009; Colander et al. 2009; Eichengreen 2009; Krugman 2009b, 2011). The wrong theoretical choices made by economists, however, largely refer to EMH, REH and the DSGE models that were identified as ‘usual suspects’ previously in this paper. Acemoglu (2009) deplores how economists wrongly “equated free markets with unregulated markets” allowing regulators, “their policies and rhetoric set the agenda for our thinking about the world and, worse, perhaps, even for our policy advice”. The problem,

²²⁶ Posner’s conclusion comes after his scathing attack on Lucas.

Eichengreen (2009) writes, was “a partial and blinkered reading” of the literature; economists—like regulators—were hit by a syndrome of ‘cognitive capture’. Censuring economists for over-confidence and hubris that created blind spots, Rodrik (2009) emphasises that the sociology of the profession needs fixing as economists have too often acted not as analysts but as ideologues. He does not, however, offer any suggestions as to what is wrong with the sociology of the profession or how to fix it.

The foregoing discussion demonstrates the reluctance of mainstream economists to engage in critical self-reflection about their role or accept that the crisis had implications for the profession and its standing. This unwillingness is confirmed by a recent comprehensive survey of conference proceedings, academic journals, articles and interviews in printed and online media as well as economic blogs showing that at best the profession recognises some macroeconomic assumptions as flawed but refrains from in-depth self-criticism (Negru 2013). While all practitioners profess to be critically self-reflexive, Negru (2013) points to a major problem, namely the reluctance of the profession to identify the terms of self-criticism and recognise the institutional constraints on the discipline. In all, the economics profession emerges as unwilling to respond to the crisis in any “sense that it should change”: it chooses to go on with current practices with minor changes such as “some mainstream researchers moving from the periphery of the mainstream to the center, and others moving the other way” (Colander 2010:242).

Why is this case? Why does the mainstream economics scientific community resist change?

4.3. The scientific community and its constraints: resistance to change

The type of question I ask has therefore been: how will a particular constellation of beliefs, values, and imperatives affect group behaviour?

(Kuhn 1970:249, Reflections on my Critics)

Capitalism without failure is like religion without sin.
(Meltzer 2007)

Myopia vis-à-vis anomalies and resistance to change exhibited by the mainstream establishment as a scientific community pursuing normal science is not exceptional by Kuhn’s account. Kuhn (1962:24) was explicit that normal science does not in any way aim to “call forth new sorts of phenomena”. Phenomena that do not fit the box are mostly invisible while extensive professionalisation vastly restricts scientists’ vision and induces substantial resistance to paradigm change (Kuhn 1962: 62, 64). Lifelong resistance to “any

change in paradigm categories”, particularly from those committed by their careers to an older normal science tradition, is built-in the “nature of the perceptual process itself”: it is “not a violation of scientific standards but an index to the nature of scientific research itself” (Kuhn 1962: 24, 62, 151).

The work of Ludwik Fleck (1979),²²⁷ which in many respects foreshadows key Kuhnian concepts, provides further insights in making sense of the scientific community and its resistance to change. Conceptualising the scientific community as a ‘thought collective’ and paradigms as ‘thought styles’, Fleck (1979: 42, 43) emphasised the social character of knowledge and the social structure that underpins “the very nature of scientific activity”. As a “structurally complete and closed system”, the thought collective demonstrates the extraordinary “tenacity of closed systems of opinion” and an “enduring resistance to anything that contradicts” its thought style (Fleck 1979: 28–32). To resist change and defend the paradigm, the thought collective adopts a five-fold “active approach”, a strategy which aptly describes the response pattern of mainstream economists:

- (1) A contradiction to the system appears unthinkable.
- (2) What does not fit into the system remains unseen;
- (3) alternatively, if it is noticed, either it is kept secret, or
- (4) laborious efforts are made to explain an exception in terms that do not contradict the system.
- (5) Despite the legitimate claims of contradictory views, one tends to see, describe, or even illustrate those circumstances which corroborate current views and thereby give them substance (Fleck 1979:27)

As previously intimated, Kuhn emphasised that resistance to change may have its uses in generating new knowledge:

By ensuring that the paradigm will not be too easily surrendered, resistance guarantees

²²⁷ Ludwik Fleck’s *Genesis and Development of a Scientific Fact* (1979) was published in German 1935. A dedicated opponent of Logical Positivism, Fleck (1896–1961) was a Polish medical microbiologist with a major interest in epistemology. His pioneering work on epistemological questions went wholly unnoticed as Fleck survived brutal anti-Semitism, the Lvov Ghetto and Nazi concentration camps. An exceptionally open-minded scholar, Fleck conducted research on the anti-typhoid vaccine. Acknowledging his intellectual debt, Kuhn (1962: ix) wrote that Fleck’s work anticipated many of his own ideas. He also wrote the Foreword to the 1979 translation of Fleck’s book. A wealth of material and Fleck’s unpublished work is collected in Cohen and Schnelle (1986). Comparative insights on the work of Kuhn and Fleck are provided in Mößner (2011) and Harwood (1986). Wittich (1981) proffers a Marxist analysis of both scholars and their contribution.

that scientists will not be lightly distracted and that the *anomalies that lead to paradigm change will penetrate existing knowledge to the core*. (Kuhn 1962:65) [Emphasis added]

Conversely, mainstream economists as ‘producers and validators of sound knowledge’ (Kuhn 1962:178) and gatekeepers of the dominant paradigm, emerge as preoccupied precisely with how anomalies will not penetrate what the paradigm has come to dictate as scientific knowledge. This seeming paradox can be explicated by Kuhn’s emphasis on the role of value-systems, ideology and the mechanisms of their transmission and enforcement

[I]t should be clear that the explanation must, in the final analysis, be psychological or sociological. It must, that is, be a description of a value system, an ideology, together with an analysis of the institutions through which that system is transmitted and enforced. Knowing what scientists value, we may hope to understand what problems they will undertake and what choices they will make in particular circumstances of conflict. I doubt that there is another sort of answer to be found. (Kuhn 1977:290)

Nonetheless, the post-crisis mainstream discourse bypasses any discussion of the institutional/sociological parameters which delimit the performance and the reaction of the mainstream economics profession vis-à-vis the financial crisis and cripple the prospect of paradigm change. The depoliticised and ‘technocratic’ post-crisis discourse ignores, in particular, constraints imposed by the “underlying worldview economists have in common, and the constraints imposed by power in the normal social science system and its environment” (Ward 1972:31). Following Kuhn (1970:249), an examination of the “particular constellation of beliefs, values, and imperatives” that affect the behaviour of the scientific community is in order. In other words, do mainstream economists as a scientific community share a worldview? Does a value system affect their response to the recent crisis and how?

According to Friedman (1953:4) “positive economics is in principle independent of any particular ethical position or normative judgments”. The proper scientific method prohibits subjective value judgments and addresses economic phenomena only in terms of their directly observable appearance (Robbins 1935:87).²²⁸ As a discipline, economics “tends to pride itself (inevitably erroneously) on being value-free and independent of external influence” (Milonakis and Fine 2009: 3). Accordingly, there is no room for

²²⁸ A survey of the origins and development of value-free economics is provided in Drakopoulos (1996).

ideology in the value-free ‘neutral’ science of economics. Hence, both the practice and the practitioners of mainstream economics— in general and in crises—should be beyond the influence of ideology. As Cochrane (2010d), asserts, Chicago today “is not an ideological place”. What is, then, the part of ideology in post-crisis mainstream responses?

Despite mainstream claims of value-free scientificity and ideologically neutral scientists, ideology is very much part of the debate. Mainstream economists in all three response groups readily discuss or refer to ideology. Alan Greenspan (2008) is shaken to discover flaws in his ideology which were exposed by the crisis. Testifying before the competent US Senate Committee, he is on record saying that:

“I do have an ideology. My judgment is that free, competitive markets are by far the unrivaled way to organize economies [...] to exist, you need an ideology”.

More specifically, when mainstream economists refer to ideology they mean the belief in the efficiency of self-regulating markets. Directly or by implication, they indicate free-market ‘ideology’ as responsible for the failure of both economics and economists in the face of the crisis. Coyle (2012b) describes an intellectual environment “in which deduction has driven out induction and ideology has taken over from observation”. In Krugman’s (2011) view, the belief that markets cannot go wrong played a major role pointing to a “structural flaw in the profession”. This belief extends beyond the “bastions of capitalism” pervading countries with “established socialist traditions, such as China, India, and Russia” (Akerlof and Shiller 2010:2). Ideology is what underpins the “great faith” of politicians and policy makers in the self-regulation of financial markets (Maskin 2013). This “powerful ideology—the belief in free and unfettered markets—brought the world to the brink of ruin” (Stiglitz 2011b).²²⁹ The ideological view within the discipline that “the market economy is inherently self-correcting and state intervention is unnecessary and undesirable” obstructs recovery and continues to influence the teaching of macroeconomics (Wren-Lewis 2011:42, 45). Many economists and officials who are “heavily invested in the ideology of free markets” deflected attention from pre-crisis

²²⁹ Online commentary at: <https://www.project-syndicate.org/commentary/the-ideological-crisis-of-western-capitalism?barrier=true>

warnings (Posner 2009a:134). Ideology and budgetary considerations “starved the regulatory agencies of resources” (Eichengreen 2008).

Defining ideology exclusively as the belief in self-regulating markets reduces the debate to an ineffectual discussion of “‘how much’ and ‘what kind’ of regulation would set matters straight” (Gowan 2009:20). This attitude fits hand in glove with mainstream responses that lay the blame on efficient markets hypothesis limiting change in economics to minor repairs. The implication is that a bit of regulation can set free-market ideology right—just as a few corrective patches can set a flawed theory right. This line of reasoning masks the overarching deep belief of mainstream economists in all stripes in capitalism and their commitment to its perpetuation at all costs. Avoiding any reference to classes, exploitation and the social relations of production, it focuses on saving the capitalist system from the effects of the crisis and its own excesses:

Yes, capitalism is good. But yes, it also has its excesses. And it must be watched. [...] Yet, we are currently not really in a crisis for capitalism. We must merely recognize that capitalism must live within certain rules. Indeed our whole view of the economy, with all of those animal spirits, indicates why the government must set those rules. (Akerlof and Shiller 2010:146–7, 173)

Despite pleas for regulation, anything that can harm the social order of capitalism should be avoided including excessive regulation. Economics, after all, is “the science by which economic policy can be formulated thereby resolving conflicts both within and between classes without threatening the social order of capitalism” (Fine 1980:141). Becker and Murphy (2009) emphasise that financial and other reforms must not destroy capitalism and its gains. In their view, it is precisely the “so-called capitalist greed” that motivates business and ambitious workers rescuing “hundreds of millions” from poverty. Taylor (2014a) cautions against bad monetary and regulatory policy and particularly “interventionist policy” with Keynesian fiscal stimulus packages. Becker (Milken 2009:54) worries that the government is “getting bigger and it will be hard to go back” posing a very real threat to the economy. Luigi Zingales (2009a: 26, 35) worries that an erosion in the belief that “the system is fair” threatens post-crisis American capitalism and warns against populist notions such as cutting executive bonuses or that a firm is too big to fail. According to Myron Scholes (Milken 2009:58), government cannot be a substitute for markets because it simply cannot “provide the vital information that markets provide”. Asking “Why Capitalism?” Meltzer (2012:5) replies that despite some flaws, capitalism works and cites Kant: “Out of timber so crooked as that from which man is made, nothing entirely straight can ever be carved.” No wonder, then, that Nobel laureate Myerson

(2012:848, 873) recommends using “poor workers’ taxes to subsidize rich bankers” to offset weak investment during recessions, which may “actually benefit the workers, as the increase of investment and employment can raise their wages by more than the cost of the tax”.

Ideological commitment to preserving the capitalist social order is not confined to the intellectual sphere. It has decisively shaped the mainstream economics scientific community defining acceptance to the community, career advancement, getting published and finding employment. As Stigler, back in 1959, declared, the “professional study of economics makes one politically conservative [...] It is indeed true that a believer in the labor theory of value could not get a professorship at a major American university (Stigler 1959:522, 531). He described this particular individual and his/her value system as follows:

A person who wishes most economic activity to be conducted by private enterprise, and who believes that abuses of private power will usually be checked, and incitements to efficiency and progress usually provided, by the forces of competition. (ibid)

Stigler was not exaggerating. As early as the 1890s, “economic non-conformity” was considered to be a new kind of heresy resulting in the persecution of economists like Richard T. Ely, Edward W. Bemis and Edward A. Ross (Goodwin 1998). Frederic Lee (2009:66) in his *History of Heterodox Economics* recounts how the mainstream community after the 1970s institutionalised McCarthyism and its values including anti-pluralism and “red scare-repression”.²³⁰ Bringing to life incidents of real persecution of scholars like Sweezy and Baran, Lee reconstructs the post-war demise of communist and non-communist radical economics schools. The changing political and social atmosphere in the 1960s with the rise of the New Left, the civil rights movement and anti-Vietnam war protests, brought a partial respite to outright political repression; the “pro-free enterprise” outlook of capitalism, however, was already well-entrenched in academia together with mainstream theorising and methodology (Fourcade 2009:160–61; Lee 2009). In the 1970s, dissenters had started feeling the censorship of the orthodoxy

²³⁰ Schrecker (1986) meticulously documents the repression of academics during the Great Depression and in the period before and after the Second World War culminating in the Cold War anti-Communist crusade led by Senator McCarthy.

accompanied by the imposition of a consensus that considered economists as “technicians with access to a specialized body of knowledge that could be applied” (Backhouse 2005:387).

In contrast to the hardship accompanying dissent and diversity, membership to the mainstream scientific community brings privileges and advantages. Adherence to the scientific community of mainstream economics benefits from the support of other patrons besides universities: Government, the business community, charitable or other foundations and free market think tanks provide extra opportunities of entrepreneurship (Backhouse 2005:386; Goodwin 1998). Making life and work easier for the practitioners of the mainstream scientific community, generous patronage also directs and shapes the paradigm. Sonja Amadae (2003) has exposed the role of the RAND Corporation in the development of rational choice theory that became a cornerstone of mainstream economics expanding to the social science field and the mainstream economics community. Starting with a RAND internship, Kenneth Arrow’s career “as a key contributor to the neoclassical synthesis in economics is inseparable from his Cold War policy role” (Amadae 2003: 85).

In the post-crisis context, the roots, the pathways of influence and the implications of a closely knit academic, governmental, financial and corporate complex are exposed in detail in Mirowski (2013) who demonstrates how this complex ensured immunity to mainstream economists, banks, hedge funds and ratings agencies (Mirowski 2013:216). As Fourcade (2009:454) observes:

If professions are essentially about securing rents, then how the particular profession of economics allows (or does not allow) its members to make money in different countries is of paramount importance to its structure as well as its ideational dimensions. The United States occupies a unique place in this narrative.

As members of an elite powerful group bound by the dominant paradigm, mainstream economists have no interest in highlighting anomalies and institutional constraints such as mechanisms of “dangerous interconnectedness”, which implicate them in conflicts of interest through their private ties to the financial sector (Carrick-Hagenbarth and Epstein

2012). These members of the mainstream scientific community populate mostly the hard-line, ‘loyalist’ no change group.²³¹ Posner (2008:258) names economists’ close involvement with the financial sector as one of the reasons for their ignoring pre-crisis warnings:

They are not armchair theoreticians. They are involved in the financial markets as consultants, investors, and sometimes money managers. Their students typically have worked in business for several years before starting business school, and they therefore bring with them to the business school up-to-date knowledge of business practices.

In her account of the rise of conservatism in the US, Phillips-Fein (2009) traces how the “invisible hands” of business from the 1930s to the Reagan era organised, funded and fostered think tanks and foundations such as the Foundation for Economic Education and economists like Friedman and Hayek and other Mont Pèlerin Society members; such channels conducted a massive populist campaign of political indoctrination in the virtues of capitalism. In this light, it may be little wonder that recipients of the Swedish Central Bank’s Prize in economics, including Gary Becker, Kevin Murphy and Myron Scholes, rally to defend capitalism mingling with politicians, corporate CEOs and financiers in forums such as the Milken Institute, founded by the notorious profiteer Michael Milken,²³² who was convicted in 1991 for six felonies, including insider trading, fraud, and bribery. In all, the interplay between neoliberalism and the increasingly neoliberal economics profession (Mirowski 2006), the arrogance and the privileges of the orthodox élite, including 90 per cent of Nobel prizes in economics, (Milonakis and Fine 2011:16), the Americanisation of the discipline (Fine and Milonakis 2009:136–7) and the impact of the Chicago School (Caldwell 2011; Nik-Khah and Van Horn 2012) underscore the value-system that emerges at the post-crisis discourse of the mainstream scientific community. The ‘Americanisation’ of the profession, in particular, along with the conceptual and

²³¹ Carrick-Hagenbarth and Epstein (2012:124) name Alan Blinder, Charles Calomiris, Richard Herring, John Taylor, Jeremy Stein, Andrew Bernard, John Campbell, John Cochrane, Douglas Diamond, Darrell Duffie, Kenneth French, Anil Kashyap, Frederic Mishkin, Raghuram Rajan, David Sharfstein, Robert Shiller, Hyun Song Shin, Matthew Slaughter, and Rene Stulz.

²³² On Milken’s shady dealings in junk bonds involving savings and loan associations see Akerlof and Schiller (2010:30–3).

methodological underpinnings of mainstream economics encompasses the disproportionate access to “journals, textbooks, appointments, doctoral training, even Nobel Prizes, by a limited range of institutions and individuals” (Fine 2002:2063).

Regarding the educational responsibility of the scientific community, Kuhn’s analysis provides insights into the development of economics education. For, Kuhn (1962:4-5, 161) noted how the scientific community, like a medieval guild, transmits received beliefs via the “rigorous and rigid” education that “licenses the student for professional practice” ensuring that the received beliefs exert a “deep hold” on the student’s mind: “in learning a paradigm the scientist acquires theory, methods, and standards together, usually in an inextricable mixture.” The Chicago School provides an example. Its distinct sub-culture or style relied on the tough PhD programme, rigorous training in price and monetary theory and intensive workshops (Reder 1982). Views falling outside of the paradigm were not tolerated. The community penalised views seen to “violate any maintained hypothesis of the paradigm” considering diversity as a failure to take in the school’s rigorous standards; empirical research was evaluated by standards that required findings to be “consistent with the implications of standard price theory” (Reder 1982: 13, 19).

Exerting a stronger influence than generally believed, economics textbooks crystallise the paradigm in its rudimentary form providing the entry point of the initiation process through which students are admitted into the economics profession (Argyrous 1992:234). The increasing formalisation and mathematisation of the discipline is manifest in “the high degree of uniformity in the undergraduate and graduate curricula and in the leading textbooks” (Coats et al. 2000:145). Furthermore, as “authoritative” sources of education textbooks perpetuate normal science by systematically concealing “the existence and significance of scientific revolutions” focusing on already articulated “problems, data, and theory” within the paradigm (Kuhn 1962:136–38). In other words, textbooks make scientific revolutions invisible. They convey only “the stable outcome of past revolutions”; importantly, the history of the discipline is removed from textbooks “truncating the scientist’s sense of his discipline’s history” (Kuhn 1962:137). It is hardly surprising, then, that “economics as normal science misrepresents the history of economics thought” just as “it misrepresents economic realities” (Fine 2004:135 fn.3).

No wonder, then, that an increasingly asocial and ahistorical economics education has steadily served to strengthen the dominance of the mainstream paradigm together with

its conceptual and methodological underpinnings and its discursive frame marginalising alternative views and research paths:

This dominance has brought with it a total indifference and an intellectually frightening treatment of the history of economic thought and of methodology both of which have been dropped from most undergraduate and postgraduate courses in economics. (Milonakis 2012:251)

Students in top Anglo-American economics departments are required to be proficient in mathematics: the implication is that these students may graduate with the highest grades without having read a single word of Adam Smith, Marx, Mill, Keynes, Schumpeter or Hayek (Hodgson 2009a:1208; Skidelsky 2010). Fifty-five years later and following a major economic crisis, economics students at the University of Manchester report that economics education at Manchester has elevated one economic paradigm, neoclassical economics, to the only object of study in the field as if it “represented universally established truth or law” and emphasise that syllabuses are almost homogenous in many English universities (The Post-Crash Economics Society 2014). Similarly, 65 student associations from 30 countries around the world launched a call for pluralism in economics²³³ protesting against the narrowing of the curriculum over the last couple of decades and the crippling lack of intellectual diversity in education and research. Yet, major changes in economics curricula should not be expected. Macro should not be taught like a “course in the history of economic thought” given that “the mainstream is much more integrated”: when lessons from the financial crisis have been learnt, “the basics of the macroeconomics we teach will still be there” (Wren-Lewis 2012, 2013). According to Gregory Mankiw (2009), author of two widely used textbooks, some subtle changes may come in response to recent events: yet, despite the enormity of the economic crisis, students still need to learn the “bread-and-butter of introductory courses”, namely “gains from trade, supply and demand, the efficiency properties of market outcomes, and so on”. In brief, economics education, too, may see “adjustments but no paradigm shift” (Saint-Paul 2010). Even if pluralist adjustments to economics education materialise, inevitably questions arise as to who is going to teach the new curricula. For, in the post-crisis

²³³ <http://www.isipe.net/open-letter/>

professional landscape of mainstream economics, the picture is complex:

Hedge funds run by economists blow up: Tenured economists who run hedge funds do not. Promotion depends upon tenure and that depends upon acceptance of the reigning paradigm that all the people reading your tenure file created. As such, adding incrementally to the existing corpus of knowledge rather than nailing contrarian theses to the disciplinary door is the way to succeed. (Blyth 2013:13)

At the same time, the censoring function of the paradigm as practised by the gatekeeper community prevents articles that strongly challenge the dominant paradigm from getting published in major journals where referees are consistently prominent exponents of the paradigm (Williams and McNeill 2005:8). Can initiatives like the Institute for New Economic Thinking (INET), funded generously by financier George Soros, prompt a change in the attitude of the mainstream scientific community and its economic thinking mindset? Despite a promising start, recent evidence cautions that this initiative could be a “Trojan horse of the financial oligarchy, meant to control the movement for reform of economics” (Haering 2014).

In conclusion, the foregoing discussion suggests that the mainstream scientific community and its particular sociological/institutional parameters, including a deep belief in the superiority of the capitalist system, have played an important role that critically restricts prospects for a paradigm change in the discipline.

SUMMARY AND DISCUSSION: THE WAY FORWARD?

Drawing on Kuhnian insights, this paper examined the prospects of a paradigm change in mainstream economics. The attempt was made to elucidate whether the recent economic crisis set in motion a paradigm change in mainstream economics arguing that theoretical and institutional /sociological parameters constrain the prospect of a paradigm change and inhibit the generation of new knowledge. To explore this argument, post-crisis ‘intra-paradigm’ mainstream responses were examined and evaluated.

Identifying three main groups of responses, our analysis indicated that in stark contrast to the intensity and the charged rhetoric of the debate, the mainstream soul-searching exercise has been short-lived and lacking in-depth critical self-reflection. ‘Business as usual’ or normal science was quickly resumed as the mainstream establishment largely advanced the idea that nothing really problematic has occurred

confirming the views of other commentators (Fine and Milonakis 2011; Mirowski 2013; Palley 2012). Normal science could continue as usual because the mainstream establishment (a) did not find anything to be amiss in mainstream economics, (b) identified some minor challenges or (c) felt that where appropriate Kuhnian mopping up operations could fix problems by repairs. The unifying concern emerging in all three groups is to ensure tradition and the continuity of the dominant paradigm. In other words, the “obvious” is not to throw out the baby and the bathwater:

It is important to start by stating the obvious, namely, that the baby should not be thrown out with the bathwater. Most of the elements of the precrisis consensus, including the major conclusions from macroeconomic theory, still hold. (Blanchard, Dell’Ariccia, and Mauro 2010:10)

The framework for a post-crisis change in mainstream global paradigm ultimately remains confined within efficient markets (EMH), rational expectations hypothesis (REH) and DSGE models, which appear to be designated as universal scapegoats detached from the history and the conceptual underpinnings of mainstream economics. According to critical insider mainstream views, fixing the subparadigms of EMH, REH and the DSGE models by some repairs is what economics needs. For example, “putting financial frictions into DSGE models is an urgent activity, on which many scholars are now engaged. Ditto, learning, and credit or money” (Coyle 2012b). Our research could not identify any evidence that such mopping up operations are underway suggesting that even minor repairs remain limited to discourse or are not feasible. The profession can learn to “live with not-so-efficient markets” (Zingales 2010).

The manner in which the mainstream of the profession treated anomalies that were exposed by the crisis provides a further analytical insight to our discussion. First, the hardline ‘loyalist’ group refuses to recognise any anomaly at all including the existence of bubbles. Influential members of the scientific community manifest a kind of cognitive blindness or agnosticism as regards everything that went beyond the guiding assumptions of the paradigm. Second, the insider-critic group recognises anomalies exposed in the course of the crisis but opts to treat manifest serious anomalies as “puzzles” or minor irritants in the routine of normal science that can be mopped up to fit “the preformed and relatively inflexible box that the paradigm supplies” (Kuhn 1962:24). Notwithstanding that anomalies are numerous, prolonged, severe and quantitative, the mainstream of the profession acts in the manner suggested by Kuhn (1962:77) for scientists who are “confronted by even severe and prolonged anomalies”:

Though they may begin to lose faith and then to consider alternatives, they do not

renounce the paradigm that has led them into crisis. They do not, that is, treat anomalies as counter-instances, though in the vocabulary of philosophy of science that is what they are.

Instead, the application of layers of repairs is chosen to ensure continuity and tradition in the paradigm. Yet, even before the crisis new features were introduced to smooth out manifest divergences between prediction and data in DGSE models so that each new layer created a new set of puzzles (Driffill 2011:2). This approach, then, increasingly converts the paradigm into a Ptolemaic system of “compounded circles”, whose “complexity was increasing far more rapidly than its accuracy” so that “a discrepancy corrected in one place was likely to show up in another” (Kuhn 1962:68). Yet, if anomalies were to be recognised as epistemological counter-instances, rather than minor irritants, they would “help to permit the emergence of a new and different analysis of science within which they are no longer a source of trouble” (Kuhn 1962:78). Should this happen, mainstream economics could no “longer evade anomalies that subvert the existing tradition of scientific practice” and would have to engage in the “extraordinary investigations that lead the profession at last to a new set of commitments, a new basis for the practice of science” (Kuhn 1962:6). This does not seem to be the case.

Conversely, the mainstream scientific community appears to be engaged in preserving the black box rather than engaging in a course that can generate new knowledge. Secure within the guidelines supplied by the paradigm, the mainstream scientific community remains unshaken by the anomalies that the crisis exposed. At the same time, the scientific community component of mainstream normal science with its underlying value system and particular sociology emerges as the paradigm gate keeper and validator of knowledge consolidating the paradigm’s immunity to change. The sociological/institutional parameters that define the mainstream scientific community help elucidate why anomalies exposed by the crisis are either bypassed or mopped up by mainstream economists. In the physical sciences, prolonged and severe anomalies would challenge at worst, the prestige or the psychological “integrity” of a scientist while in mainstream economics his/hers “moral position as a member of a social order” is at stake:

The discovery of unexpected results in the social universe almost invariably threatens or confirms the legitimacy of the social system of which the social investigator is unavoidably a part. (Heilbroner 1973:139)

In sum, our discussion strongly suggests that contrary to expectations the present crisis has not driven serious changes, let alone a paradigm shift in mainstream economic theorising and practice. Therefore, the crisis in economics that was brought to the fore by

the recent economic and financial crisis cannot be resolved within the boundaries of the current paradigm and the specific scientific community. Our research suggests that both the paradigm and the scientific community inherently inhibit change and contribute fundamentally to a static, monolithic paradigm that is resistant to change. This leaves a small margin of hope that in the future anomalies will build up to an extent that will spark a process of paradigmatic change while generation of new knowledge cannot be envisaged within the paradigmatic boundaries.

5.1 The way forward: an assessment

What is, then, the way forward for economics? Leaving aside pleas for more mathematics, our examination of the ‘intra-paradigm’ responses indicated two more options which deserve closer examination. A Keynesian revival evoking the change that followed the Great Depression and shifting the emphasis to behavioural economics have been suggested as hopeful future avenues for economics. In this light, two questions need to be addressed.

First, is a return to Keynes feasible? The Keynesian revival option appears mainly in the insider critics (c) group. Perplexed by the state of economics and the profession, Posner (2009c) found a transformative revelation in Keynes. For Krugman “Keynesian economics remains the best framework we have for making sense of recessions and depressions” (Krugman 2009b). Overall, the mainstream notion of a Keynesian revival focused on irrationalities of human psychology that affect market behaviour and the animal-spirits associated with the work of Akerlof and Shiller (Fine and Milonakis 2011:17). Akerlof and Shiller (2010: xi) propose to develop “the role of animal spirits in macroeconomics in a way that the early Keynesians could not” and build an unassailable theory centered on animal spirits instead of sweeping them under the carpet. Yet, there is nothing to suggest that the Keynesian revival goes beyond the level of discourse. On the contrary, the mainstream establishment rushed in to restrain Keynesianism (Barro 2009a; Sachs 2010; Zingales 2009b) or dismiss Keynes and Keynesian “interventionist policy” with fiscal stimulus packages (Cochrane 2011, Taylor 2014a). The return to Keynes for the mainstream of the profession appears as a transitory idea peaking in early 2009 and subsiding by mid-2010 (Farrell and Quiggin 2012). DeLong (2010, 2014) who initially called for a paradigm change in economics, later on felt that “Keynes & Co lost the stimulus argument”.

Second, can behavioural economics suffice for a paradigmatic change? In the wake

of the financial crisis, new impetus to behavioural economics comes from the search to explain events that appeared to falsify a paradigm which assumes that markets are efficient and equilibrating (Dow 2013:27). Proposed as a promising path that challenges the rationality postulate, the case of behavioural economics—and its subfields—provides a useful touchstone to determine how mainstream economists envisage change. Across all mainstream response groups, behavioural economics appears to provide all at once an explanation for the crisis, a proof of diversity and a hopeful prospect for the future. Fama who staunchly defends EMH saying that the theory “did quite well” during the crisis, argues that behavioural research by Chicago economists explains how individual behaviour diverges from rationality and praises the originality of Steve Levitt, the father of the ‘freakonomics’ genre (Cassidy 2010a).²³⁴ Akerlof and Shiller (2010:4, ix) recall Keynes’ view that “animal spirits are the main cause” for market fluctuations as well as involuntary unemployment. They argue that changing thought patterns in terms of confidence, temptations, envy, resentment, illusions and “changing stories” about the economy are “precisely” what caused the crisis. Policymakers like former ECB president Richet (2010) call for behavioural economics to provide alternative motivations in choice analysis. According to Diane Coyle (2010), “seasoning” economics with psychology, particularly in behavioural finance and consumer research, will hopefully improve economics and policy options. Dale Mortensen (Hoover and Young 2013:1189) thinks that there are real issues, where behavioural economics can “make a very big contribution” to what the rest of economists does. Blaming human frailty, greed, corruption and leverage for the crisis, Richard Thales (Clement 2013; 2008), a pioneer of behavioural economics at Chicago, sees a slow but certain current towards behavioural economics that will change economics.

Furthermore, a strand in recent literature that includes non-mainstream views identifies signs of positive change pointing to a pluralist future for the discipline in the emergence of new subfields and research tracks most of which are connected to behavioural research. These include various non-neoclassical new subfields, focal points

²³⁴ According to Fama, Levitt is a “very unusual” economist who continues and extends Gary Becker’s research “taking over” microeconomics (Cassidy 2010).

and research tracks such as evolutionary, experimental economics, complexity economics, game theory, neuroeconomics, market design economics²³⁵ and others. The new research paths are seen as signs of diverse and constantly changing “substantive content, focus and policy orientations” (Lawson 2013). Pioneering “work at the edge of economics” is considered to drive the dynamics of change in mainstream economics (Colander et al. 2004:486–89).²³⁶ The case of a “reverse imperialism” from other fields into economics and its implications for pluralism is explored (Davis 2008b; Frey and Benz 2004). In particular, the economic crisis is seen to mark the end of the “dominant neoclassical paradigm” that is gradually replaced by behavioural economics (Heukelom and Sent 2010:26, 34). The dynamics of this change are found to establish an ‘inside-the-mainstream heterodoxy’ within modern economics (Colander 2009) reinforcing pluralism and decentralisation (Davis 2006, 2008a; Sent 2006). Even the trivialization of economics by the ‘freakonomics’²³⁷ genre is considered a driver of change that enhances our understanding of “social cooperation and progress” (Bette, Lesson, and Smith 2008:14).

Coming from both mainstream and non-mainstream voices, these arguments call for an assessment. To recall Kuhn, a prerequisite of paradigm change is the existence of an alternative convincing new paradigm. Can, then, behavioural economics and the related new subfields and research paths provide the foundation of a convincing alternative paradigm challenging mainstream beliefs and tenets? After all, groundbreaking cross-cultural research has convincingly contested the universality of the homo economicus prototype refuting the “adequacy of self-interest as a behavioral foundation for the social

²³⁵ Defined as the engineering domain of economics “intended to further the design and maintenance of markets and other economic institutions”, design economics is considered a “natural complement” to game theory together with experimental and computational economics (Roth 2002:1341–42). Design economics examines efficient markets focusing on institutional structure and pricing mechanisms to create efficient markets or reform inefficient ones (Davis 2008a:11).

²³⁶ According to Colander, the edge of economics accommodates mainstream critics of the orthodoxy, and the part of heterodox economics which is taken seriously by the elite of the profession (Colander, Holt, and Rosser 2004:492)

²³⁷ The term ‘freakonomics’ denotes the application of economic principles to unusual issues and paradoxical facts seemingly alien to economics which trivialises economics by selecting topics that allow simple explanations (Backhouse 2012:231). Fine and Milonakis (2009) expose freakonomics as a most extreme form of economics imperialism that advances its colonising designs on the other social sciences.

sciences” (Henrich et al. 2005:997). Other experiments have shown that people sacrifice their own gains exhibiting a large range of other-regarding behaviour (Fehr and Schmidt 2006; Hoffman, McCabe, and Smith 1996). In other words, massive evidence from laboratory or open-air field experiments has shown that human beings behave in ways that contradict rational choice theory. ‘Anomalies’ in human behaviour have provided scope for research on loss aversion, altruism, preference reversals, endowment effects, framing effects, availability bias, and so on (Hands 2007:6).

The starting point of our assessment regards the sincerity of mainstream pleas for behavioural research. For mainstream economists, who identify promises in behavioural research, at the same time express reservations about its efficacy. The field is found lacking in terms of providing mathematical models that could predict depressions or offer recovery solutions (Posner 2009d). Robert Shiller (Hoover and Young 2013:1188) thinks that behavioural economics does not provide “elegant behavioral economics models”. Another argument deplores the lack of a uniform framework in new behavioural fields which prevents an assessment to determine whether psychologically richer assumptions are scientifically superior to the “good old” neoclassical self-interest assumption (Coyle 2010:133, 149). Behavioural economics appears to be perceived as a complementary embellishment that can improve but not really change economics. To serve the future of economics, behavioural approaches should aim to steer the field towards the “more serious task of restating, re-applying, and extending the tools of traditional economics” (Harrison 2010). Furthermore, scholars who see a wind of change do not really anticipate or hope for a Kuhnian paradigm shift, let alone a scientific revolution. As Colander (2004:485, 488–89; 2009) assures his readers, the “stealth change” in mainstream methodology comes “from within”; it is not a Kuhnian paradigm shift that could replace neoclassical orthodoxy with a heterodox alternative.

Indeed, the recent subfields and research tracks come from within and remain within the core methodological principles of the paradigm, namely methodological individualism and equilibrium while they rely on mathematical modelling and other sophisticated formalised techniques. Behavioural economists themselves profess unwillingness to deviate from mainstream standards. According to prominent behavioural economist Camerer and his colleagues, providing more realistic psychological foundations that enhance the explanatory power of economics does not mean breaking away from the dominant paradigm. This is how they describe what behavioural economics tries to do:

At the core of behavioral economics is the conviction that increasing the realism of the

psychological underpinnings of economic analysis will improve the field of economics *on its own terms*—generating theoretical insights, making better predictions of field phenomena, and suggesting better policy. *This conviction does not imply a wholesale rejection of the neoclassical approach to economics based on utility maximization, equilibrium, and efficiency.* The neoclassical approach is useful because it provides economists with a theoretical framework that can be applied to almost any form of economic (and even noneconomic) behavior, and it makes refutable predictions. (Camerer and Loewenstein 2004:4)[Emphasis added]

According to Nobel laureate Daniel Kahneman (2003:1469), theories in behavioural economics retain “the basic architecture of the rational model, adding assumptions about cognitive limitations designed to account for specific anomalies”. Considered as the founding father of behavioural finance, Richard Thaler does not at all reject the fundamentals of mainstream economics such as supply and demand or cost-benefit analysis: “it’s just that the frame of analysis needs considerable broadening” (Clement 2013).

So, even if homo economicus has evolved to resemble a human being, much of behavioural economics maintains the framework of methodological individualism. The individual may be irrational or altruistic but she/he still provides the building block of mainstream economic explanations: complex socio-economic phenomena are analysed focusing on the individual and deploying the analytic-synthetic method to understand the whole. Experiments are designed to observe self-interested behaviour by isolating individuals from social interaction in order to make experiments conform accurately to the theoretical framework based on methodological individualism and the rationality principle (Dow 2013:33–34). Exploring the neurological basis of decision making in humans and other species, neuroeconomics seeks to provide new physiological and evolutionary grounds to reinforce rational choice theory (Hands 2007:10). Berg and Gigerenzer (2010:162) found pervasive similarity and common constraints in the methodological foundations and the scientific standing of neoclassical and behavioral research programmes. The two scholars (2010:141, 133, 134) emphasise that behavioural economics overly relies on Friedman’s ‘as-if’ canon to validate empirically weak ‘psychological’ models which refer to neoclassical axiomatic norms without subjecting them to empirical investigation. Behavioural economics ultimately evolved into “economics based on its use of mathematical modeling” arguing that without mathematics we cannot assess the usefulness of psychological insights; in incorporating these insights the “economist’s principal objective is to engineer individuals’ behavior to more rational expressions of their preferences” (Heukelom 2014:200).

Thus, while questioning certain aspects of the neoclassical paradigm, the new research programmes literally linger at the margin of mainstream economics without introducing “a new entry point to economic theorizing, a genuine break from and beyond neoclassical economics” (Wolff and Resnick 2012:288). Hence, the new behavioural approaches essentially can be seen as modified variations of the mainstream paradigm. Despite importing concepts and tools from other disciplines, the new behavioural research paths confirm the view expressed by Fine (2013:7) that the “unyielding core” in mainstream economics retains its strength.

Summarising, mainstream economists explore and accept certain behavioural anomalies or stylised facts that do not require any substantive change in the enduring core of the dominant paradigm. This is in line with the strong record of mainstream economics for tolerating anomalies, particularly those that traverse the sub-disciplines, “on a scale that would be impossible in most natural sciences—and would be regarded as a scandal if they were” (Lipsey 2001:173). Instead of addressing anomalies, then, behavioural approaches ensure the continuity of the paradigm by focusing selectively on what kind or which aspect of psychology suits the given the goals/interests of individual economic theorists and/or the profession in general (Hands 2009). Two decades of behavioural research have not induced significant revisions of microeconomics, much less macroeconomics (Mirowski 2013:259). Hence, it is not reasonable to expect that more behavioural research of the same configuration can prompt a change akin to a post-crisis paradigm shift, let alone a revolution. As emphasised by a leading exponent of the field (Rabin 2002:658–59), while broadening the scope of economics, psychological economics remains confined within the “spirit of economics” much like game theory: it does not propose a “paradigm shift in the basic approach” but is “destined to be absorbed” by economics and not exist as an alternative approach. In this respect, Gary Becker’s assessment should be heeded:

In fact, I do not think that behavioral economics is a revolution. However, it has added some insights into human behavior and those insights, to the extent that they are verifiable, will be absorbed into the rational choice model. They will not lead to a radical change of the model. (Herfeld 2012:79)

FINAL REFLECTIONS

History, if viewed as a repository for more than anecdote or chronology, could produce a decisive transformation in the image of science by which we are now possessed. (Kuhn 1962:2)

Despite its logical contradictions, accumulating empirical anomalies and the crisis, the mainstream paradigm and its bedrock neoclassical theory have not collapsed. The dominant paradigm comes out of the crisis not only unchanged but with its core theoretical architecture and technical toolkit reinforced (Fine 2013:6). Its overall structure has remained largely unchanged for more than a century—an achievement not found in any other science; thanks to the help of substantial business and government subsidies it has managed to marginalise all alternative approaches and its theoretical competitors (Nitzan and Bichler 2009:83). Participating in a panel to commemorate the 50th anniversary of John Muth’s article on rational expectations, Michael Lovell, Robert Lucas, Dale Mortensen, Robert Shiller, and Neil Wallace unanimously concluded that for the coming fifty years rational expectations will continue to play an essential role in the future development of economics (Hoover and Young 2013:1191). As stated by Shiller at the same event: “Kuhn talks about scientific revolutions throwing out theories. This is not a theory that’s going to be completely thrown out”.

Still, few fields of scientific inquiry have as many social, political, and economic implications as economics. If new approaches and research programmes do not really change the mainstream paradigm, the unsettling question that emerges is “whither economics”? Is economics destined to remain in a “state of Ptolemaic astronomy that was a scandal” before the Copernican revolution (Kuhn 1962:67) with rationality looming large after 50 years? The answer is not an easy one. Instead of an answer we can pose another line of reasoning and another question. Economics essentially remains “an explanation system whose purpose is to enlighten us as to the workings, and therefore to the problems and prospects, of that complex social entity we call the economy [...] If economics is not to be a science of society, what is to be its ultimate usefulness” (Heilbroner 1999: 311, 319)?

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SUMMARY (IN GREEK)

ΕΙΣΑΓΩΓΗ

Η παρούσα διδακτορική διατριβή αποτελείται από τρία δοκίμια τα οποία εξετάζουν τρία διακριτά θέματα. Τα δοκίμια, πρώτον, μοιράζονται κοινό εννοιολογικό υπόβαθρο, οπτική, κίνητρο και μεθοδολογική προσέγγιση σε σχέση με θεωρητικά προβλήματα. Δεύτερον, μια σειρά αλληλένδετων ιδεών ενοποιεί και νοηματοδοτεί τα δοκίμια.

Στο σύνολο της, η διατριβή αυτή επιχειρεί να φωτίσει την πολυδιάστατη σχέση της οικονομικής επιστήμης με την αντίληψη και την θεώρηση της κοινωνικοοικονομικής διαδικασίας και των οικονομικών κρίσεων. Το συνδετικό μετά-ερώτημα της έρευνας αφορά την εξέλιξη και τη χρησιμότητα της οικονομικής επιστήμης εστιάζοντας στη λογική συνέπεια, την εσωτερική συνοχή και γνωσιολογική αξία της θεωρίας με έμφαση στην ικανότητά της να διερευνήσει τα κοινωνικά και οικονομικά φαινόμενα καθώς και στη σχέση της με το οικονομικό, κοινωνικό, πολιτικό και ιδεολογικό πλαίσιο αναφοράς, σε συνθήκες κρίσης.

Κίνητρο αυτής της έρευνας αποτελεί η διαπίστωση ότι το κυρίαρχο παράδειγμα των οικονομικών παραμένει αμετάβλητο, ακόμη και μπροστά σε μια βαρύνουσα διαταραχή της οικονομίας. Η έρευνα στο Δοκίμιο III επιβεβαίωσε ότι η επιστημονική κοινότητα των λεγόμενων mainstream οικονομολόγων στον απόηχο της πρόσφατης οικονομικής κρίσης, είτε ισχυρίζεται όλα είναι καλά, ή επιδίδεται σε μια φορτισμένη αλλά αναποτελεσματική και επιφανειακή ρητορική περί αλλαγής. Παρακάμπτοντας τα βαθύτερα αίτια της παρατηρούμενης ανεπάρκειας των οικονομικών, η συγκεκριμένη συζήτηση αγνοεί και τις κοινωνικές, ιδεολογικές και θεσμικές παραμέτρους που σχετίζονται με αυτή την αποτυχία.

Στον απόηχο της κρίσης, συνεπώς, πολλά ερωτήματα παραμένουν αναπάντητα σχετικά με το παρελθόν, την εξέλιξη και το μέλλον των οικονομικών.

Στο πλαίσιο αυτό, το γενικό ερώτημα της έρευνας μπορεί να διατυπωθεί ως "Τι κατατρέπει τα οικονομικά και ποιος είναι ο δρόμος προς τα εμπρός;" Προσπαθώντας να εντοπίσει και να ερμηνεύσει ενδεχόμενες πηγές παθογένειας, ο ευρύτερος στόχος της διατριβής είναι η αποκωδικοποίηση της κυρίαρχης οικονομικής θεωρίας εστιάζοντας στην

εξέλιξη, τις προοπτικές αλλαγής, τη γνωστική επάρκεια και τη χρησιμότητα των οικονομικών.

Μια κεντρική ιδέα η οποία προσδιορίζει την προσέγγιση των τριών δοκιμίων είναι ότι ερευνώντας την ιστορία της οικονομικής σκέψης μπορούμε να δια φωτίσουμε αναλυτικά σύγχρονα προβλήματα της οικονομικής θεωρίας. Ως εκ τούτου, εστιάζοντας στην κυρίαρχη εκδοχή της οικονομικής σκέψης, αυτή η διατριβή προσεγγίζει μεθοδολογικά και αναλυτικά τα δυο άκρα της ιστορικής τροχιάς που διάνυσε η οικονομική επιστήμη στην προσπάθεια της να ερμηνεύσει και να καθοδηγήσει την κοινωνία με γνώμονα τη λειτουργία της οικονομίας και την οργάνωση της κοινωνίας, και ειδικότερα της εργασίας, σε συνθήκες κρίσης και μετάβασης.

Συγκεκριμένα, εστιάζοντας στην αυγή της κλασικής πολιτικής οικονομίας και στην τρέχουσα περίοδο εξετάζονται διαφορετικά φαινόμενα και επίπεδα συνοψιζόμενα α) στην ερμηνεία και την ανάλυση της κοινωνίας και της οικονομίας σε συνθήκες μετάβασης και κρίσης από την πρώιμη οικονομική επιστήμη β) στην οργάνωση της σύγχρονης οικονομίας και ειδικότερα στη νεοκλασική θεώρηση της αγοράς εργασίας σε συνθήκες κρίσης και απορρύθμισης και γ) στις θεωρητικές προεκτάσεις της πρόσφατης κρίσης στο σώμα της οικονομικής επιστήμης και την προοπτική αλλαγής των κυρίαρχων οικονομικών.

Εννοιολογικό και μεθοδολογικό πλαίσιο:

Υπόρρητη, στο παρόν εγχείρημα είναι η άποψη ότι οι κοινωνικές θεωρίες και έννοιες είναι πάντα προϊόν της κοινωνίας από την οποία προέρχονται (Van der Pijl 2009: 221). Όπως ο Μαρξ υποστηρίζει στη Grundrisse,²³⁸ η κοινωνική πραγματικότητα δεν μπορεί να νοηθεί έξω από ένα συγκεκριμένο κοινωνικό και ιστορικό πλαίσιο.

Ωστόσο, το κυρίαρχο παράδειγμα των οικονομικών αγνοεί τις σχέσεις παραγωγής και τον χαρακτήρα τους αποκρύπτοντας ερωτήματα ταξικής ανάλυσης, εξουσίας και συγκρούσεων. Η επιχείρηση συσκότισης προϋποθέτει την εκτομή της ιστορικής και κοινωνικής ιδιαιτερότητας από την οικονομική ανάλυση. Όντως, το «κύριο

²³⁸ The real object retains its autonomous existence outside the head just as before; namely as long as the head's conduct is merely speculative, merely theoretical. Hence, in the theoretical method, too, the subject, society, must always be kept in mind as the presupposition (Marx 1973:101–2).

χαρακτηριστικό που επιτρέπει στα οικονομικά να αγνοήσουν την ιστορική και κοινωνική ιδιαιτερότητα είναι η μέθοδος τους" (Fine and Milonakis 2009, Milonakis and Fine 2009: 5).

Συνεπώς, τα δοκίμια:

Διερευνούν ζητήματα μεθόδου ελέγχοντας τις αξιώσεις επιστημονικής ανωτερότητας και καθολικής εφαρμογής της λεγόμενης «οικονομικής μεθόδου» (Rothschild 2000: 724) καθώς και τον ισχυρισμό ότι τα οικονομικά δεν είναι απλώς μια κοινωνική επιστήμη αλλά η απόλυτη και "γνήσια επιστήμη", η οποία όπως οι θετικές επιστήμες, χρησιμοποιεί "μεθοδολογία που παράγει ελέγξιμες προτάσεις και ελέγχει αυτές τις προτάσεις χρησιμοποιώντας στέρεες στατιστικές τεχνικές» (Lazear 2000).

Η κριτική στην κρατούσα οικονομική θεωρία με επίκεντρο τα θεμελιώδη μεθοδολογικά και επιστημολογικά ερωτήματα περί την οικονομική επιστήμη έχει κεντρική σημασία στην παρούσα ερευνα. Τα δοκίμια συμβάλλουν στην κριτική των θεμελιωδών νεοκλασικών αξιωματικών προϋποθέσεων του ορθολογισμού, του μεθοδολογικού ατομικισμού και της ανάλυσης γενικής ισορροπίας, οι οποίες περιορίζουν τη γνωστική και εξηγητική ικανότητα της οικονομικής θεωρίας.

Λαμβάνουν υπόψη την επίδραση του φαινομένου του ιμπεριαλισμού των οικονομικών υπό το φως του έργου των Fine και Milonakis (Fine 1997, 1999, 2000, 2007, Fine και Milonakis 2009) που μελετά και αναλύει λεπτομερώς τη γενεαλογία, την εξέλιξη και τις πολλαπλές συνέπειες της αποικιστικής «ιμπεριαλιστικής» συμπεριφοράς των κυρίαρχων οικονομικών απέναντι στις όμορες κοινωνικές επιστήμες.

Εν κατακλείδι, η διατριβή αυτή εξετάζει θεμελιώδη μεθοδολογικά και επιστημολογικά ερωτήματα περί την οικονομική επιστήμη και παραπέμπει στο ερώτημα «Που οδεύουν τα οικονομικά;». Διερευνώντας την κατάσταση και τις προοπτικές των οικονομικών τα τρία δοκίμια αφενός συμβάλλουν στην ευρεία προβληματική της διατριβής και, αφετέρου εξετάζουν τα δικά τους συγκεκριμένα ερευνητικά ερωτήματα εστιάζοντας τον αναλυτικό τους φακό στα στιγμιότυπα που φωτίζουν τρεις χρονικές τομές: το μακρινό παρελθόν, το παρόν και το μέλλον .

1. ΤΟ ΠΑΡΕΛΘΟΝ – ΔΟΚΙΜΙΟ Ι

"Ο ΜΥΘΟΣ ΤΩΝ ΠΑΘΩΝ: Ο BERNARD MANDEVILLE, ΤΟ ΠΟΛΙΤΙΚΟ ΣΩΜΑ ΚΑΙ Η ΜΕΘΟΔΟΣ"

1.1 Επισκόπηση και σκεπτικό της μελέτης

Τρεις αιώνες μετά την πρώτη δημοσίευση του θεμελιακού έργου του Mandeville "Ο Μύθος των Μελισσών" το 1714, το έργο και η σκέψη του παραμένουν συνυφασμένα με αμφιθυμία και αποκλίνουσες αξιολογήσεις. Για την αντιμετώπιση κενών στη βιβλιογραφία, η παρούσα μελέτη αποσκοπεί να προσφέρει μια νέα αφήγηση του Bernard Mandeville με στόχο να αξιολογήσει το ειδικό του ιστορικό βάρος ως πρόδρομου της κλασικής πολιτικής οικονομίας εξετάζοντας το ερευνητικό ερώτημα "Πως εξηγείται η σημασία του Mandeville για την ιστορία της οικονομικής σκέψης;"

Λαμβάνοντας υπόψη το κοινωνικό και ιστορικό πλαίσιο που διαμόρφωσε τη σκέψη του Mandeville, η μελέτη αυτή παρέχει μια νέα οπτική και ανάλυση του έργου του εξετάζοντας τρεις αλληλένδετους άξονες: τη θεωρία του Mandeville για τα ανθρώπινα πάθη, το Μαντεβιλλιανό αφήγημα της κοινωνίωσης (sociation) 239 και τη μεθοδολογία του.

Στο σύνολο της διατριβής, το παρόν δοκίμιο παρέχει ένα πλαίσιο σύγκρισης το οποίο επιτρέπει να διερευνηθεί ο τρόπος με τον οποίο η νεαρή επιστήμη των οικονομικών απευθύνθηκε σε κοινωνικό-οικονομικά ζητήματα σε μια περίοδο αβεβαιότητας, μετασχηματισμών κρίσης (π.χ. οι οικονομικές κρίσεις στη Γαλλία και την Βρετανία του 1720 που ενέπνευσαν τις "Ελεύθερες Σκέψεις" του Mandeville.

Ως εκ τούτου, συμβάλλει στην κατανόηση της εννοιολογικής απόστασης που χωρίζει το έργο του Mandeville από την σύγχρονη κυρίαρχη προσέγγιση των οικονομικών η οποία παραμένει έγκλειστη σε ένα άκαμπτο θεωρητικό και μεθοδολογικό πλαίσιο

²³⁹ Η διστορική έννοια της κοινωνίωσης (sociation) υποδηλώνει τη διαδικασία μέσω της οποίας συγκροτείται η κοινωνία. Ορίζεται ως η αφηρημένη ενότητα των κοινωνικών διαδικασιών οι οποίες προσδιορίζουν τα ανθρώπινα όντα ως ένα διαρκές και συστηματικό κοινωνικό σύνολο ή αστερισμό με όρους συλλογικών υλικών προϋποθέσεων αλλά και μέσα από τις φυσικές ανάγκες της ύπαρξης (Reuten και Williams 1989: 39, 56). Όπως αναπτύχθηκε από τον Georg Simmel (1950: 41, 45), η έννοια της κοινωνίωσης (Vergesellschaftung) παρέχει ένα πλαίσιο κατάλληλο για την μελέτη του Mandeville, υπό την έννοια ότι, με άπειρες και εναλλασσόμενες μορφές, «συνθέτει τα ανθρώπινα συμφέροντα και περιεχόμενα σε συγκεκριμένες ενότητες" οι οποίες είναι απαραίτητες για την ικανοποίηση των συμφερόντων τους. Όπως ο Mandeville, έτσι και ο Simmel (1950: 47-57) πίστευαν ότι τα ανθρώπινα όντα δεν είναι εκ φύσεως κοινωνικά και εξέτασαν διαδικασίες και μορφές κοινωνικότητας. Υπογραμμίζοντας ότι η κοινωνία υφίσταται ως αποτέλεσμα διαντίδρασης, ο Simmel (1972: 17, 23) υποστήριξε ότι το άτομο εμπεριέχεται στην κοινωνίωση ενώ, ταυτόχρονα, βρίσκει τον εαυτό αντιμετώπιζομενο με αυτή: το άτομο αποτελεί ταυτόχρονα σύνδεσμο στη διαδικασία της κοινωνίωσης αλλά και αυτόνομο οργανικό σύνολο το οποίο υφίσταται τόσο για την κοινωνία όσο και για τον εαυτό του".

παντελώς ξένο προς την κοινωνία και την ιστορία. Με άλλα λόγια, αποτυπώνει τον τρόπο με τον οποίο στην αυγή της πολιτικής οικονομίας, το έργο του Mandeville, σε αντίθεση με την επικρατούσα σύγχρονη ανάλυση και τη μεθοδολογία των οικονομικών, μπορούσε να μετακινηθεί από την "ιστορική αφήγηση στο θεωρητικό λόγο χωρίς απολογία" (Milonakis and Fine 2009: 2) παρέχοντας χώρο για το οικονομικό και το μη οικονομικό και επιστρατεύοντας κοινωνικά και συμπεριφορικά αναλυτικά στοιχεία. Καταδεικνύει τον τρόπο με τον οποίο ο Mandeville, σε αντίθεση με την πλειονότητα των σύγχρονων οικονομολόγων, επιμελήθηκε ουσιαστικά την κοινωνική, ιστορική και θεσμική ιδιαιτερότητα στην προσπάθεια του να φωτίσει τις διεργασίες μιας νέας κοινωνικής και οικονομικής διαμόρφωσης.

1.2. Η σημασία των παθών και ο κοινωνικός έλεγχος

Στον πρώτο της ερευνητικό άξονα, η μελέτη εξετάζει τη σύνθετη επεξεργασία και το μετασχηματισμό των ανθρωπίνων παθών που προτείνει ο Mandeville. Περιγράφει και αναλύει τη εννοιολογική σύλληψη του Mandeville για τα πάθη, το ρόλο της αρετής, την κατασκευή κίβδηλων αρετών από τα πάθη και την κοινωνική διαμόρφωση/μεταμόρφωση των παθών. Αποδεικνύει ότι ο μετασχηματισμός των παθών σε ωφέλιμους παράγοντες κοινωνίωσης παρέχει το εξηγητικό κλειδί για το παράδοξο "ιδιωτικά πάθη, δημόσια οφέλη" του Mandeville θεμελιώνοντας το Μαντεβιλλιανό αφήγημα της κοινωνίωσης και τη μέθοδο του.

Πιο συγκεκριμένα, τα ευρήματα της μελέτης αυτής και η συμβολή τους στην βιβλιογραφία μπορούν να συνοψισθούν ως εξής:

Η Μαντεβιλλιανή θεώρηση των παθών και η εννοιολογική σύλληψη του μετασχηματισμού τους μέσω μηχανισμών κοινωνικού ελέγχου έχουν κομβική σημασία για την ερμηνεία της κοινωνίωσης και των υποστηρικτικών της θεσμών από τον Mandeville. Η ολιστική αντίληψη του για τα πάθη εισάγει μια βασική διάκριση μεταξύ της φιλαυτίας (self-love) και της συμπάθειας προς εαυτόν (self-liking)²⁴⁰ και μεγεθύνει το επεξηγηματικό πεδίο εφαρμογής της θεωρίας των παθών του Mandeville αποδίδοντας

²⁴⁰ Η διάκριση ανάμεσα σε *amour de soi-même* και *amour propre* έχει ιδιαίτερη βαρύτητα στις πραγματείες των αρχών του 18^{ου} αιώνα (λ.χ. στο έργο των L' Abbadie και La Placette) και αναβιώνει στις θεωρίες των Rousseau και Voltaire (Jack 1976:375) .

σε πάθη όπως η υπερηφάνεια και η έπαρση σημαίνοντα εκκοινωνιστικό ρόλο στις προηγμένες κοινωνίες. Η διάκριση μεταξύ πραγματικών και κοινωνικά κατασκευασμένων αρετών ως παράγωγο των παθών, όπως η τιμή και η αγάπη, προσθέτει άλλη μία σημαντική εξηγητική διάσταση. Με αφετηρία αυτό το εννοιολογικό υπόβαθρο και αντλώντας από τις ποικίλες πνευματικές ρίζες του, ο Mandeville ανέδειξε τη στρατηγική της αντίστιξης των αντιθετικών παθών ως όχημα χειραγώγησης και κοινωφελούς αξιοποίησης των ανθρώπινων παθών. Συνεπώς, σε αντίθεση με την ερμηνεία του Hirschman (1977), που κατατάσσει τον Mandeville στους θεωρητικούς της απλής καταστολής των παθών, ο Mandeville καινοτομεί διευρύνοντας περαιτέρω την εξηγητική εμβέλεια της θεωρίας των παθών. Πρόκειται ένα ενδιαφέρον εύρημα καθώς η 'διαλεκτική' των αντιθετικών παθών προσδιορίζει σε κρίσιμο βαθμό τον κοινωνικό τους μετασχηματισμό σφραγίζοντας την θεώρηση του Mandeville περί κοινωνικού ελέγχου, κοινωνικότητας και κοινωνίωσης καθώς και το ιδιότυπο Μαντεβιλλιανό άτομο.

Άλλο σημαντικό εύρημα αφορά την πρώιμη και διορατική σύλληψη του Mandeville περί μηχανισμών κοινωνικού ελέγχου και χειραγώγησης που δεν έχει απασχολήσει συστηματικά τη βιβλιογραφία. Η παρούσα έρευνα προσδιορίζει και αναλύει λεπτομερώς σύνθετους μηχανισμούς κοινωνικού ελέγχου που καθιστούν το άτομο άξιο πολίτη του προηγμένου 'Πολιτικού Σώματος' (Body Politick). Οι μηχανισμοί αυτοί επιτελούν την κοινωνικά χρήσιμη μετατροπή/εκκοινωνίωση των παθών αξιοποιώντας αδυναμίες και φόβους, παίζοντας αντιθετικά πάθη εναντίον άλλων και κατασκευάζοντας "αρετές". Περιλαμβάνουν την "επιδέξια διαχείριση" από διάφορες ομάδες εξουσίας, το δόγμα της "καλής συμπεριφοράς", την πειθαρχία στην αγορά εργασίας ή το μηχανισμό του φόβου που μετατρέπουν τα 'τιθασεύσιμα' άτομα σε κοινωνικώς χειραγωγημένα όντα.

Η παρούσα μελέτη καταδεικνύει ότι οι μηχανισμοί κοινωνικού έλεγχου και η «επιδέξια» μεταμόρφωση των παθών σε κοινωνικά οφέλη είναι κομβικής σημασίας για την εννοιολογική συγκρότηση του Μαντεβιλλιανού ατόμου. Εκτός άλλων, επιτρέπουν στο Mandeville να παρακάμψει την αντικειμενική/υποκειμενική δυαδικότητα που διέπει το άτομο του Διαφωτισμού, όπως εκφράζεται στο έργο του Locke. Ειδικότερα, διασκευάζοντας κοινωνικά το άτομο μέσω μηχανισμών κοινωνικού έλεγχου, ο Mandeville δείχνει πώς η ατομική υποκειμενικότητα (πάθη) είναι κοινωνικά επεξεργάσιμη. Με άλλα λόγια, όπως καταδεικνύει η παρούσα μελέτη, ο Mandeville κατορθώνει να συνθέσει το εξωτερικό και το εσωτερικό, υποκειμενικό πεδίο του ατόμου εξηγώντας ταυτόχρονα πως ο μετασχηματισμός των παθών σε δημόσια πλεονεκτήματα καθιστά το άτομο κατάλληλο για την κοινωνία.

Εν ολίγοις, η θεωρία των παθών του Mandeville περιέχει το ερμηνευτικό κλειδί που διαλευκάνει το παράδοξο «ιδιωτικά πάθη, δημόσια οφέλη και εδώ έγκειται η σημασία της».

1.3. Κοινωνίωση, εξέλιξη και το 'Πολιτικό Σώμα' ('Body Politick')

Ο δεύτερος ερευνητικός άξονας του δοκιμίου αυτού, επικεντρώνεται στην οικονομική και κοινωνικό-πολιτική συγκρότηση του 'Πολιτικού Σώματος' (Body Politick) εξετάζοντας τους θεσμούς που Mandeville θεωρεί ως 'προϋποθέσεις' για την ευημερία και την ευτυχία της αναδυόμενης κοινωνίας.

Η έρευνα διαπιστώνει ότι η κοσμική εξελικτική σκέψη του Mandeville διαπερνά όλα τα βασικά στοιχεία του έργου του. Όλα εξελίσσονται και μεταβάλλονται σε ιστορικό βάθος: η κοινωνία και οι θεσμοί της, η κοινωνικότητα, η γνώση, ο καταμερισμός της εργασίας, ο άνθρωπος ως κοινωνικό «διδασκόμενο» ον, οι προτιμήσεις, οι πεποιθήσεις και τελικά τα ίδια τα πάθη.

Σε μια εποχή ιστορικά καθοριστικής μετάβασης, ο Mandeville παρείχε μια πρόωπη και ολοκληρωμένη συστηματική θεώρηση της εξέλιξης, της συγκρότησης και των προϋποθέσεων ενός προηγμένου κοινωνικοοικονομικού σχηματισμού ο οποίος αντιπροσωπεύεται από το 'Πολιτικό Σώμα'. Η θεώρηση αυτή θεμελιώνεται από τη θεωρία των παθών του Mandeville και το οικοδόμημα των μηχανισμών κοινωνικού ελέγχου. Πρώτον, η πειθαρχία στην αγορά εργασίας είναι συνυφασμένη με την διεισδυτική ανάλυση του Mandeville για τη χειραγώγηση των εργαζομένων φτωχών η οποία αποσκοπεί στο συνεχή έλεγχο της εργασίας τη οποία ο Mandeville θεωρεί πρωταρχική πηγή πλούτου. Δεύτερον, στα προχωρημένα στάδια της κοινωνίωσης ο πολύπλοκος μηχανισμός της κυβερνησιμότητας (governability) τιθασεύει και αναδιαμορφώνει τους ανθρώπους σε κυβερνήσιμα όντα. Τα άτομα εξελίσσονται σε κυβερνήσιμα όντα μέσα από την εσωτερίκευση κωδίκων και συμπεριφορών που συνεπάγεται η αντίστιξη της καταναγκαστικής δύναμης του νόμου με το πάθος του φόβου.

Όπως αναλύει και πιστοποιεί η παρούσα έρευνα, η καταλυτική σημασία που αποδίδει ο Mandeville στην ορθή διακυβέρνηση και σε στέρεους νόμους υποδηλώνει ότι ο Mandeville δεν μπορεί να ενταχθεί εύκολα στην παράδοση laissez-faire. Ομοίως, τα ερευνητικά ευρήματα έντονα υποδεικνύουν ότι η εξελικτική θεώρηση του Mandeville της επί πολλοίς δεν είναι σύμφωνη με τη θεωρία αυθόρμητης τάξης του Hayek. Δεδομένου ότι στη σύγχρονη οικονομική και πολιτική βιβλιογραφία, ο Mandeville, αυτόματα σχεδόν, ταυτοποιείται ως προπάτωρ της αυθόρμητης τάξης και του laissez-faire, το συγκεκριμένο

εύρημα ρίχνει νέο φως στην θεωρητική του κληρονομιά.

Συνοψίζοντας, το παρόν δοκίμιο καταδεικνύει πώς ο Mandeville συνέταξε ένα λυσιτελές παράδειγμα της αναδυόμενης κοινωνίας προτάσσοντας τη δυναμική μεταξύ των κοινωνιωποιημένων παθών και του θεσμών που προαπαιτούνται για την εύρυθμη λειτουργία και τη βιωσιμότητα του Πολιτικού Σώματος. Επεξεργάστηκε και πρότεινε ερμηνείες και λύσεις πολιτικής για την ανακούφιση των εντάσεων που αναπόφευκτα σκίαζαν την αυγή της νέας εποχής. Με τον τρόπο αυτό, συνέβαλε στη διανοητική προσπάθεια του δέκατου όγδοου αιώνα διευκολύνοντας την κατανόηση της εκκολαπτόμενης προ-καπιταλιστικής εμπορικής κοινωνίας.

1.4. Η Μαντεβιλλιανή μέθοδος

Ο τρίτος ερευνητικός άξονας παρέχει μια πρώτη συστηματική μελέτη της μεθοδολογίας του Mandeville. Περιγράφει και αναλύει το δίπτυχο της σημαντικής πνευματικής κληρονομιάς του αγγλοολλανδού διανοητή, δηλαδή τη σχολαστική εφαρμογή του μεθοδολογικού ατομικισμού από τον Mandeville και το ιδιαίτερο πρότυπο του Μαντεβιλλιανού οικονομικού άνθρωπου το οποίο ο διανοητής προτάσσει ως ατμομηχανή της κοινωνικής και οικονομικής ανάπτυξης. Ο μεθοδολογικός ατομικισμός του Mandeville αξιολογείται κριτικά και αντιπαραβάλλεται με τις σύγχρονες εκφάνσεις του δόγματος. Κατά τον ίδιο τρόπο, μελετάται το παράδοξο Μαντεβιλλιανού ατόμου που συγκεράζει την φιλαυτία της φύσης του με την κοινωνική του συγκρότηση. Πιο συγκεκριμένα, η συμβολή της έρευνας στο τμήμα μεθοδολογίας του δοκιμίου συνοψίζεται ως εξής:

Ο Mandeville συνδέει με αδιάσπαστο τρόπο τη θεματική του με τη μέθοδο που χρησιμοποιεί για να ερμηνεύσει τα φαινόμενα που τον ενδιαφέρουν. Σχεδόν τρεις αιώνες πριν εμφανιστεί ο όρος μεθοδολογία, ο Mandeville στα γραπτά του παρείχε μια εντυπωσιακά ακριβή περιγραφή και ανάλυση της μεθοδολογίας του, συμπεριλαμβανομένης μιας πρώιμης αναφοράς στη διαδικασία αλλαγής παραδείγματος που παραπέμπει στον Kuhn.

Η παρούσα μελέτη δείχνει ότι η θεώρηση του Mandeville για το άτομο διαφέρει σημαντικά από το νεοκλασικό υπόδειγμα του 'homo economicus' που επικράτησε στα οικονομικά. Ο σύνθετος άνθρωπος του Mandeville απέχει πολύ από το μονοδιάστατο, μηχανικό και κοινωνικά απομονωμένο ον που απαρέγκλιτα οριοθετείται από την ορθολογιστική μεγιστοποίηση του συμφέροντος του. Πρόκειται για ένα 'συνολικό' άνθρωπο (whole man) (Morgan 1996:4,1) που βρίσκεται σε αδιάρρηκτη συνάφεια με το

κοινωνικό σύνολο, στην προκειμένη περίπτωση το 'Πολιτικό Σώμα'.

Καταδεικνύεται, επίσης, ότι αντί της «απεμπλοκής» του ατόμου από κοινωνικές προσλαμβάνουσες, έθιμα, συνήθειες, επιθυμίες και συμβάσεις, ο Mandeville ενσωματώνει το άτομο σε κανόνες, θεσμούς, συλλογικότητες και, συνεπακόλουθα, σε διαδικασίες κοινωνικού ελέγχου που 'κοινωνιοποιούν' το άτομο μετατρέποντας ιδιωτικά πάθη σε δημόσια οφέλη. Αντιθέτως δε προς τους ισχυρισμούς και τους επαίνους του Hayek, η συγκριτική αξιολόγηση του μεθοδολογικού ατομικισμού του Mandeville έναντι σύγχρονων εκδοχών του δόγματος, βάσιμα τεκμηριώνει την άποψη ότι αποτελεί 'αδύναμη' παρά 'ισχυρή' μορφή μεθοδολογικού ατομικισμού. Συμπεριλαμβάνοντας στο explanans, δηλαδή στο εξηγητικό υλικό, κοινωνικές σχέσεις, θεσμούς και κανόνες, περισσότερο παραπέμπει στο θεσμικό ατομικισμό του Agassi (1975) παρά στη Χαγιεκιανή εκδοχή του δόγματος. Σε ευρύτερο ιστορικό πλαίσιο, τα παραπάνω ευρήματα προκαλούν σύγκριση ως προς το πώς η μεθοδολογική κληρονομιά του Mandeville επέζησε στα οικονομικά υφισταμένα σημαντικές μεταλλάξεις και κύρια αυτές που επέφερε η προϊούσα αποστείρωση της οικονομικής ανάλυσης από το κοινωνικό και το ιστορικό.

Συνοψίζοντας, επιχειρώντας μια νέα ερευνητική προσέγγιση, το παρόν δοκίμιο τεκμηριώνει την εκτίμηση ότι ο Mandeville άξια κατέχει μια θέση στην ιστορία της οικονομικής σκέψης. Η σκέψη και το έργο του παρουσιάζουν ενδιαφέρον για την σύγχρονη πραγματεία των οικονομικών και ενέχουν συνάφεια προς την τρέχουσα συγκυρία κοινωνικό-οικονομικού μετασχηματισμού και αβεβαιότητας. Σε αντίθεση με την πλειονότητα των σύγχρονων οικονομολόγων, ο Mandeville είχε κατανοήσει ότι η ερμηνεία κοινωνικών δρώμενων και διεργασιών προϋποθέτει την ενδελεχή εξέταση κοινωνικών, οικονομικών και θεσμικών παραμέτρων συμπεριλαμβανομένων και των καταχρηστικών υπερβολών της κάθε εποχής (Gunn 1983:117). Με τον τρόπο αυτό, προσπάθησε να καταγράψει και να εξηγήσει τις εντάσεις και τις ανησυχίες που συνόδευαν την αναδυόμενη κοινωνική και οικονομική διαμόρφωση της εποχής του. Αντλώντας από τη σύνθετη θεώρηση των παθών, το πρωτογενές αφήγημα του Mandeville καταδεικνύει πώς τα πάθη, και εν γένει η ανθρώπινη φύση, επιδέχονται κοινωνική επεξεργασία τελώντας συνθετική και όχι καταστροφική λειτουργία για τη διασφάλιση της κοινωνικής τάξης και ευημερίας. Έτσι, ο Mandeville έδειξε ότι η πολιτική εξουσία δεν εκπορεύεται αποκλειστικά και μόνο από τις επίσημες δομές του κράτους και έθεσε ερωτήματα σχετικά με τις διαδικασίες που καθιστούν τα άτομα κυβερνήσιμα και υποκείμενα της «επιδέξιας διαχείρισης» των ισχυρών με σκοπό την εδραίωση και τη

διευκόλυνση τη κυριαρχίας τους. Επιπροσθέτως, η ρηξικέλευθη ανάλυση τού ηθικού φαινομένου από τον Mandeville, συνέβαλε αποφασιστικά στην αποηθικοποίηση των οικονομικών αντισταθμίζοντας τις ηθικολογικές αντιρρήσεις που στρέφονταν κατά των υλιστικών αξιών της αναδύομενης κοινωνικο-οικονομικής τάξης.

Εν κατακλείδι, αυτή η έρευνα επιβεβαιώνει ότι διδάγματα σπάνια αντλούνται από την ιστορία της οικονομικής σκέψης. Η τρέχουσα χρηματοπιστωτική και οικονομική κρίση με πολλούς τρόπους παραπέμπει στις οικονομικές καταστροφές του 1720 που ενέπνευσαν τον Mandeville υπενθυμίζοντας τους προβληματισμούς του σχετικά με τη διακυβέρνηση, τους πολιτικούς και καλούς νόμους. Η νομισματική και χρηματοπιστωτική αρχιτεκτονική της Ευρώπης που θεμελιώθηκε την εποχή του Mandeville εξακολουθεί να διατηρεί τις βασικές δομές παροχής πίστωσης σε κυβερνήσεις. Δυστυχώς, η πρόσφατη χρηματοπιστωτική και οικονομική κρίση αντιμετωπίστηκε από την επικρατούσα τάση του οικονομολόγων με τρόπο που διαφέρει από την προσέγγιση του Mandeville.

Η αντιμετώπιση της πρώτης κρίσης του 21^{ου} αιώνα, ιδίως σε ότι αφορά το πεδίο της απασχόλησης εξετάζεται από το επόμενο δοκίμιο.

1. ΤΟ ΠΑΡΟΝ – ΔΟΚΙΜΙΟ II:

ΜΙΑ ΙΣΤΟΡΙΑ ΑΚΑΜΨΙΩΝ: ΑΠΟΡΡΥΘΜΙΣΗ ΤΩΝ ΑΓΟΡΩΝ ΕΡΓΑΣΙΑΣ ΚΑΙ Η ΠΕΡΙΠΤΩΣΗ ΤΗΣ ΕΛΛΑΔΑΣ

2.1. Επισκόπηση και σκεπτικό

Το δεύτερο δοκίμιο συμβάλλει στην κατανόηση της απορρύθμισης των αγορών εργασίας μέσα από μια κριτική του θεωρητικού υπόβαθρου, της πολιτικής πρακτικής και των ιδεολογικών συντεταγμένων του φαινομένου. Το κεντρικό ερευνητικό ερώτημα μπορεί να διατυπωθεί ως «Πώς εξηγείται η απορρύθμιση της αγοράς εργασίας;»

Στον απόηχο της πρόσφατης κρίσης, το παρόν δοκίμιο ευρύτερα αποσκοπεί στην επικαιροποίηση της τρέχουσας προβληματικής για την οργάνωση της οικονομίας και της κοινωνίας εστιάζοντας στο πεδίο της εργασίας. Μελετά πώς η «σύγχρονη» οικονομική θεώρηση της εργασίας ως άλλος ένας συντελεστής παραγωγής, άνευ ιδιαιτερότητας στον προσδιορισμό της αξίας των αγαθών, ο οποίος αμείβεται με τους ίδιους οικονομικούς νόμους που προσδιορίζουν την αξία των υπόλοιπων παραγωγικών συντελεστών, καταλήγει να ερμηνεύσει και μα αντιμετωπίσει ένα εξαιρετικά φορτισμένο κοινωνικό πρόβλημα όπως η ανεργία, προτείνοντας την απελευθέρωση των αγορών εργασίας.

Κίνητρο της έρευνας αυτής, πρώτον, αποτελεί η παρατηρούμενη διεισδυτικότητα

και αντοχή του φαινομένου στη θεωρία, στην εφαρμοζόμενη πολιτική καθώς και στο δημόσιο και τον ακαδημαϊκό λόγο παρά την παρατηρούμενη αποτυχία των απορρυθμιστικών πολιτικών να αντιμετωπίσουν την ανεργία. Δεύτερον, τα επιχειρήματα υπέρ της απορρύθμισης την εμφανίζουν ως ευεργετική, αναπόφευκτη και αξιολογικά ουδέτερη επιλογή για την καταπολέμηση της ανεργίας. Επιστρατεύοντας την ανιστορική και α-κοινωνική έννοια της ακαμψίας στην αγορά εργασίας, τα επιχειρήματα αυτά αγνοούν τις σχέσεις παραγωγής και συσκοτίζουν το σκεπτικό, τις συνέπειες και τον ταξικό χαρακτήρα της απορρύθμισης της αγοράς εργασίας. Ο τεχνοκρατικός και αποπολιτικοποιημένος αυτός λόγος, παραπέμπει στην «επιστημονική» νομιμοποίηση που παρέχει η νεοκλασική θεωρία της εργασίας και αποκλείει εναλλακτικές προσεγγίσεις. Επίσης, αφορμή για την έρευνα αυτή αποτέλεσε η εκτεταμένη απορύθμιση της αγοράς εργασίας στην Ελλάδα που παρουσιάστηκε ως ζωτική συνιστώσα των έκτακτων μέτρων κατά της κρίσης και ως προϋπόθεση για την σωτηρία της χώρας από την χρεωκοπία.

Για την αντιμετώπιση αυτών των μειονεκτημάτων και ισχυρισμών, το παρόν δοκίμιο επιχειρεί να συνεισφέρει μια νέα θεωρητική και εμπειρική απόδειξη ότι η απορρύθμιση της αγοράς εργασίας, δεν είναι ευεργετική, αξιολογικά ουδέτερη ή αναπόφευκτη και δεν επιστρατεύεται σε εξαιρετικές περιπτώσεις, αλλά αποτελεί θεωρητικά οδηγούμενο ταξικό εγχείρημα που αποσκοπεί στην επαναδιευθέτηση της δυναμικής των συσχετισμών στην αγορά εργασίας σε βάρος της εργατικής τάξης. Στο πλαίσιο αυτό, στην εργασία αυτή αμφισβητείται επίσης η μοναδικότητα της ελληνικής περίπτωσης.

Καινοτομία της έρευνας αυτής αποτελεί, πρώτον, η εφαρμογή του αναλυτικού πλαισίου του ιμπεριαλισμού των οικονομικών (Fine 1997, 1999, 2000, 2007; Fine and Milonakis 2009) με στόχο να ερμηνευτεί τη διαχρονική αντοχή και διεισδυτικότητα της απορρύθμισης της αγοράς εργασίας στη θεωρία και να διαφωτιστεί η πορεία επικράτησης της «σύγχρονης» οικονομικής της εργασίας με την παράλληλη περιθωριοποίηση εναλλακτικών προσεγγίσεων και ρευμάτων όπως η σχολή των αμερικανών θεσμικών οικονομολόγων της εργασίας.

Η δεύτερη καινοτόμος προσέγγιση αφορά την αναλυτική εστίαση στην έννοια των ακαμψιών της αγοράς εργασίας, η οποία παρέχει την πρωταρχική θεωρητική αιτιολόγηση και νομιμοποιεί 'επιστημονικά' την απελευθέρωση των αγορών εργασίας εξετάζοντας αποκλειστικά την πλευρά της προσφοράς των αγορών εργασίας. Ωστόσο, όπως παρατηρεί ο Solow (1998) η έννοια αυτή «δεν ορίζεται ποτέ με μεγάλη ακρίβεια ή άμεσα», αλλά προσδιορίζεται με απαρίθμηση "ενδεικτικών συμπτωμάτων" στερούμενη έστω και ένα

«κατά προσέγγιση ποσοτικό μέτρο».

Οι ερευνητικοί άξονες, η προβληματική και τα ευρήματα των δύο κεφαλαίων του δοκιμίου συνοψίζονται ως εξής:

2.2. Κεφάλαιο I

Με στόχο τη διακρίβωση και την κατανόηση της φύσης, της ανθεκτικότητας και της διεισδυτικότητας του φαινομένου στο σώμα της θεωρίας, το πρώτο κεφάλαιο εξετάζει σε ιστορική προοπτική το θεωρητικό και μεθοδολογικό υπόβαθρο της απορρύθμισης της αγοράς εργασίας. Η κριτική της νεοκλασικής θεωρίας της εργασίας επικεντρώνεται στην ποιότητα και το εύρος της αφαίρεσης, την εσωτερική λογική συνέπεια της, την ερμηνευτική της επάρκεια και το ιδεολογικό της περιεχόμενο. Λαμβάνοντας υπόψη το ρόλο του ιμπεριαλισμού των οικονομικών, περιγράφεται και αναλύεται η προέλευση και η εξέλιξη της νεοκλασικής θεωρίας της εργασίας και οι συνέπειες των υπόρρητων υποθέσεων της απορρύθμισης της αγοράς εργασίας. Η έρευνα εστιάζει ειδικότερα στην έννοια της ακαμψίας της αγοράς εργασίας, η οποία παρέχει την κύρια αιτιολόγηση της απορρύθμισης.

Η κριτική εξέταση της ιστορικής πορείας της σύγχρονης θεωρίας της αγοράς εργασίας κατέδειξε την παράλληλη της εξέλιξη με την κυρίαρχη προσέγγιση των οικονομικών (mainstream economics). Η έρευνα αυτή εντοπίζει και αναλύει το ρόλο του ιμπεριαλισμού των οικονομικών στη διαμόρφωση και την επικράτηση μιας αφαιρετικής θεωρίας της αγοράς εργασίας η οποία στερείται ιστορικών και κοινωνικών στοιχείων και αγνοεί ως αναλυτικό περιεχόμενο τις έννοιες της τάξης, της ισχύος και της σύγκρουσης με αποτέλεσμα την ‘επιστημονική’ νομιμοποίηση της απορρύθμισης της αγοράς εργασίας. Με αλλά λόγια, η παρούσα μελέτη δείχνει πως παρά τις διάχυτες εντάσεις που ταλανίζουν όλες τις εκδοχές της νεοκλασικής θεωρίας της αγοράς εργασίας, το ιμπεριαλιστικό ρεύμα των οικονομικών συνέβαλε στην εδραίωση των «σύγχρονων» οικονομικών της εργασίας περιθωριοποιώντας εναλλακτικές προσεγγίσεις.

Η επικράτηση της νεοκλασικής θεωρίας της εργασίας καθιέρωσε τις βασικές της υποθέσεις ως αδιαμφισβήτητα αξιώματα τα οποία δεν χρήζουν απόδειξης. Έτσι, εδραζόμενη στα αξιώματα του μεθοδολογικού ατομικισμού, της γενικής ισορροπίας και του της ορθολογικής μεγιστοποίησης η νεοκλασική θεωρία παρέχει το κυρίαρχο παράδειγμα αγοράς εργασίας. Ριζωμένο στη μαρτζίναλιστική ανάλυση και στον ορισμό των οικονομικών από τον Robbins (1935: 16) ως «η επιστήμη που μελετά την ανθρώπινη συμπεριφορά ως σχέση μεταξύ στόχων και σπάνιων μέσων που έχουν εναλλακτικές

χρήσεις», το νεοκλασικό εννοιολογικό και μεθοδολογικό υπόβαθρο, περιορίζει τη θεωρία της αγοράς εργασίας σε ένα α-κοινωνικό, ανιστορικό και αφαιρετικό πλαίσιο. Στερεί τη θεωρία από τα κρίσιμα εκείνα αναλυτικά εργαλεία που απαιτούνται για την ερμηνεία και την αντιμετώπιση των συνθετών φαινομένων της αγοράς εργασίας και θεμελιώνει την εγγενή της αδιαφορία προς τα ζητήματα τάξεων, εξουσίας και συγκρούσεων συσκοτίζοντας τις σχέσεις παραγωγής.

Πάρα ταύτα, στερούμενες ρεαλισμού και κοινωνικό-ιστορικών αναφορών, οι αφαιρετικές παραδοχές της νεοκλασικής θεωρίας οδηγούν σε ισχυρά συμπεράσματα σχετικά με τα υποτιθέμενα πλεονεκτήματα της ευελιξίας απορρύθμισης. Με αλλά λόγια, στο βαθμό που οι αναπαραστάσεις της θεωρίας είναι λογικώς δομημένες με εσωτερική συνέπεια, το νεοκλασικό παράδειγμα θεωρείται λογικά εύρωστο στο επίπεδο πάντα της θεωρητικής αφάιρεσης. Αδιαφορώντας για την εμπειρική συνάφεια των παραδοχών του, θεωρείται ότι αντιπροσωπεύει με ακρίβεια τις σχέσεις παραγωγής ανεξάρτητα από την απόκλιση των αγορών εργασίας από τις υποθέσεις του παραδείγματος .

Σε αντίθεση με τον κυρίαρχο ισχυρισμό περί αξιολογικής ουδετερότητας και επιστημονικής αντικειμενικότητας, η παρούσα έρευνα περιγράφει και αναλύει τον τρόπο με τον οποίο η νεοκλασική αξιωματική βάση ενσταλάζει στο κυρίαρχο παράδειγμα της αγοράς εργασίας στοιχεία ταξικής προκατάληψης που αντιστρέφουν τον «εσωτερικό πυρήνα» των σχέσεων παραγωγής στις ανταγωνιστικές αγορές εργασίας. Ειδικότερα, επιστρατεύοντας την θεώρηση της εργασίας από τον Μαρξ, η μελέτη αυτή εκθέτει το χάσμα που χωρίζει το κυρίαρχο παράδειγμα της αγοράς εργασίας από τις καπιταλιστικές σχέσεις παραγωγής. Έτσι, εισάγει τις βασικές αρχές ενός κριτικού θεωρητικού πλαισίου το οποίο μπορεί να συμβάλλει στην εννοιοδότηση και κατανόηση της απορρύθμισης της αγοράς εργασίας από την οπτική της ταξικής ανάλυσης.

Εκλαμβάνομενη ως δείκτης του ιμπεριαλισμού των οικονομικών, η έννοια της ακαμψίας εμφανίζει αξιοσημείωτη αντοχή και εμβέλεια. Συγκριμένα, η έρευνα αυτή περιγράφει και αναλύει τον τρόπο με τον οποίο η α-κοινωνική και ανιστορική αυτή κατασκευή κλωνοποιείται σε όλες τις παραλλαγές της νεοκλασικής θεωρίας της αγοράς εργασίας από τη νεοκλασική σύνθεση έως τη νέο-κεϋνσιανή σχολή. Σε αυτό το πλαίσιο,

φωτίζονται οι θεωρητικές και πολιτικές επιπτώσεις της επίμονης χρήσης της έννοιας της ακαμψίας. Ειδικά, με βάση την ανάλυση της 'νοσηρής' δεύτερης φάσης του ιμπεριαλισμού των οικονομικών από τους Fine and Milonakis (2009: 58),²⁴¹ και κύρια της ενσωμάτωσης των πληροφορικών ατελειών, αποσαφηνίζεται ο τρόπος με τον οποίο η χρήση των ατελειών επέκτεινε το πεδίο εφαρμογής των ακαμψιών πέρα από την ονομαστική ή πραγματική ακαμψία των μισθών. Ένα σημαντικό δευτερεύον εύρημα αφορά τον αντίκτυπο της θεωρίας της αναζήτησης εργασίας (job search theory) η οποία αναζωογόνησε το αφήγημα των ακαμψιών διευρύνοντας την αέναη επιδίωξη απορρύθμισης της αγοράς εργασίας με την προσθήκη και μιας «πληροφορικής» διάστασης. Έτσι, η μελέτη αυτή εξηγεί πώς, σε αναλογία με τον αντίκτυπο του «νέου» τύπου του ιμπεριαλισμού των οικονομικών, η θεωρία της αναζήτησης εργασίας συνέβαλε στην κατάταξη οποιασδήποτε θεσμικής ρύθμισης ως συντελεστή ακαμψίας παρέχοντας ενισχυμένη «επιστημονική» αιτιολόγηση για την εξάλειψη κάθε διευθέτησης ή παροχής που προστατεύει ή ανακουφίζει την εργατική συνιστώσα.

Τέλος, το κεφάλαιο αυτό εξετάζει την εντυπωσιακή άνθιση της βιβλιογραφίας η οποία μελετά με διάφορους τρόπους το συσχετισμό μεταξύ των 'άκαμπτων' θεσμών της αγοράς εργασίας και της ανεργίας. Καταδεικνύεται ότι η βιβλιογραφία της «ακαμψίας» παρέχει αδύναμες και ελάχιστα πειστικές αποδείξεις και αναδεικνύεται η αμφισβήτηση της εμπειρικής της βασιμότητα από ικανό αριθμό μελετών. Παρά ταύτα, όπως δείχνει η

²⁴¹ Σύμφωνα με την ανάλυση των Fine and Milonakis, (Fine 1997, 1999, 2000, 2007; Fine and Milonakis 2009, η πρώτη περίοδος του ιμπεριαλισμού των οικονομικών, συνδεόμενη ιδιαίτερα με τον οικονομολόγο της σχολής του Σικάγου Gary Becker, επιδίωξε την γενικευμένη εφαρμογή της «οικονομικής» μεθόδου του Becker επιβάλλοντας τον νεοκλασικό πυρήνα του μεθοδολογικού ατομικισμού, της εργαλειακής ορθολογικότητας και τη θεωρία γενικής ισορροπίας σε εκτός αγοράς φαινόμενα το οποία εκλαμβάνονται σαν να διέπονται από την αγορά. Αυτός ο παλαιού τύπου ιμπεριαλισμός, με εξέχουσα θέση στη θεωρία του ανθρώπινου κεφαλαίου και της δημόσιας επιλογής, βασίστηκε στην ιδέα ότι οι αγορές λειτουργούν τέλεια και ότι τα εκτός αγοράς φαινόμενα μπορούν να αντιμετωπιστούν σαν να ήταν παρούσα η αγορά. Η δεύτερη περίοδος του ιμπεριαλισμού των οικονομικών συνδέεται με το έργο οικονομολόγων όπως ο Stiglitz, που τοποθέτησαν τις ατέλειες της αγοράς στο κέντρο των θεωριών τους προσδίδοντας μια επίφαση πραγματικότητας με αποτέλεσμα να καταστεί πιο εύληπτο το αποικιστικό εγχείρημα των κυρίαρχων οικονομικών. Η ιδέα ότι οι αγορές λειτουργούν ελλιπώς συντελεί τελικά στην επιφανειακή επαναφορά του κοινωνικού και του ιστορικού διατηρώντας τη μεθοδολογία και τις τεχνικές της κυρίαρχης σχολής των οικονομικών, δημιουργώντας ή ανανεώνοντας "νέα" πεδία όπως τα νέα θεσμικά οικονομικά, η νέα οικονομική κοινωνιολογία, η νέα οικονομική γεωγραφία, τα νέα οικιακά οικονομικά, η νέα θεωρία μεγέθυνσης, η νέα πολιτική οικονομία και ούτω καθεξής.

έρευνα μας το ανιστορικό, α-κοινωνικό σύνολο μελετών που ρητά αγνοεί την ταξική διάσταση των σχέσεων παραγωγής, εξουσίας και συγκρούσεων κυριαρχεί ως έγκυρη πηγή για την παραγωγή πολιτικών αντιμετώπισης κρίσιμων προβλημάτων στις αγορές εργασίας.

2.3. Κεφάλαιο II

Το δεύτερο κεφάλαιο του δοκιμίου αξιολογεί την εφαρμογή της θεωρίας και επιδιώκει να φωτίσει την διαχρονικότητα και τις συνέπειες της απορρύθμισης της αγοράς εργασίας στο πεδίο των εφαρμοζόμενων πολιτικών. Διερευνά την πολιτική πρακτική, το λόγο και τον ταξικό χαρακτήρα της απορρύθμισης και εξετάζει εμπειρικά την περίπτωση της πρόσφατης δρακόντεια απορρύθμισης της ελληνικής αγοράς εργασίας κατ' επιταγή της αιρεσιμότητας του δανειοδοτικού προγράμματος προσαρμογής της ελληνικής οικονομίας. Η απορρύθμιση εξετάζεται ως ηγεμονική έννοια σε διαφορετικά χωροχρονικά πλαίσια αναφοράς εντός της ευρύτερης δυναμικής του νεοφιλελευθερισμού με επίκεντρο τα μονοπάτια και τους τρόπους επιβολής της σε παγκόσμιο και σε ευρωπαϊκό επίπεδο.

Η έρευνα και τα ευρήματα του κεφαλαίου μπορούν να συνοψιστούν ως εξής:

Η έρευνα καθιστά σαφές ότι η υπεροχή και η διαχρονικότητα της απορρύθμισης της αγοράς εργασίας στο πεδίο πολιτικής συνάδει σε μεγάλο βαθμό με την αντοχή και τη διεισδυτικότητα των εννοιολογικών θεμελίων της στην οικονομική θεωρία. Λαμβάνοντας υπόψη τον αντίκτυπο της χρηματιστικοποίησης, εντοπίζονται και εξετάζονται βασικές παράμετροι που εξηγούν την επικράτηση και τη διάρκεια της απορρύθμισης της αγοράς εργασίας στην πολιτική αναδεικνύοντας το φαινόμενο ως ένα ζωτικό στοιχείο της νεοφιλελεύθερης κοινωνικής τάξης που αποσκοπεί στην αναδιαμόρφωση της ισορροπίας δυνάμεων στην αγορά εργασίας εις βάρος της εργασίας.

Υποδεικνύοντας τον ταξικό χαρακτήρα της απορρύθμισης της αγοράς εργασίας, η μελέτη της ιστορικής της τροχιάς μέσα στη δυναμική της νεοφιλελεύθερης αναδιάρθρωσης ιχνηλατεί πώς μια πολιτική που είναι προδήλως επιζήμια για ένα μεγάλο αριθμό των ανθρώπων εφαρμόζεται με συνέπεια σε παγκόσμια κλίμακα αποκλείοντας εναλλακτικές λύσεις. Ένας τεχνοκρατικός αποπολιτικοποιημένος λόγος προωθεί την απορρύθμιση ως μια καθολική και ευεργετική παρέμβαση η οποία νομιμοποιείται και διαδίδεται με τη μορφή γκραμισιανής κοινής λογικής (common sense) υποστηριζόμενη από τον συνδυασμό συναίνεσης (consent) και ισχύος/καταναγκασμού (coercion) που αποτελούν τους βασικούς πυλώνες για την άσκηση ηγεμονίας. Πιο συγκεκριμένα, η κυρίαρχη τάση των οικονομικών με όρους θεωρίας αλλά και οργανικών διανοούμενοι

(mainstream επιστημονική κοινότητα και think tanks) συμβάλλει στην κατασκευή συναίνεσης, ενώ η κρατική ισχύς με διάφορους τρόπους αναλαμβάνει την εξαναγκαστική επιβολή απορρυθμιστικών πολιτικών. Αντικρούοντας τη νεοφιλελεύθερη ρητορική περί ‘ελάχιστου κράτους’, διαπιστώνεται επίσης ότι το κράτος όχι μόνο δεν υποχωρεί αλλά αναδύεται ως εκτελεστικό όργανο πειθαρχίας και επαναρυθμιστής της αγοράς εργασίας .

Η εξέταση της απορρύθμισης της αγοράς εργασίας στο πλαίσιο της Ευρωπαϊκής Ένωσης την ανέδειξε ως θεμελιακό στόχο πολιτικής με κύριο άξονα τις διαρκείς ‘μεταρρυθμίσεις’ στις ευρωπαϊκές αγορές εργασίας. Οι μεταρρυθμίσεις αυτές απαιτούν από τους εργαζομένους να ενσωματώσουν την εργασιακή πραγματικότητα της «απασχολησιμότητας», «κινητικότητας» και της ευελιξίας που επιβάλλει το κεφάλαιο, το χρηματιστικό κεφαλαίο ειδικότερα. Ως πυλώνας της νεοφιλελεύθερης ολοκλήρωσης της ΕΕ, η απορρύθμιση της αγοράς εργασίας θεσμοθετήθηκε στηριζόμενη στη ρητορική της ανταγωνιστικότητας. Η θεσμοθέτηση της απορρύθμισης στην ΕΕ προχώρησε με όρους ηγεμονίας συνδυάζοντας συναίνεση με εξαναγκασμό. Ειδικότερα, αφενός επιστρατεύτηκε η συνεργασία του οργανωμένου εργατικού κινήματος γύρω από τα αφήγημα της κοινωνικής Ευρώπης και τις δομές ‘ήπιου’ δικαίου (soft law), αφετέρου δε κινητοποιήθηκαν δομές σκληρής νομοθεσίας (π.χ. το πακέτο οικονομικής διακυβέρνηση μετά την κρίση) αλλά και η καταναγκαστική αιρεσιμότητα που εφαρμόστηκε κατά τη μετάβαση των χωρών της Κεντρικής και Ανατολικής Ευρώπης στον καπιταλισμό και πιο πρόσφατα στην Ελλάδα και τις άλλες υπερχρεωμένες χώρες της περιφέρειας της ΕΕ .

Συνεπώς, η πρόσφατη οικονομική και χρηματοπιστωτική κρίση έχει αξιοποιηθεί απλώς για την επιτάχυνση και την ενίσχυση της απορρύθμισης των αγορών εργασίας, επιδιώκοντας, μεταξύ άλλων, να «κοινωνικοποιηθούν» οι ζημιές του χρηματοπιστωτικού τομέα. Τα αποτελέσματα της απορρύθμισης της αγοράς εργασίας στην παγκόσμια και ευρωπαϊκή πραγματικότητα εμφανίζονται ως ιδιαίτερα επιζήμια για την εργασία ενώ ο στόχος του εγχειρήματος, δηλαδή η καταπολέμηση της ανεργίας δεν διαφαίνεται να είναι εφικτός.

Η μελέτη περίπτωσης της Ελλάδας εξειδικεύει το φαινόμενο σε εθνικό πλαίσιο που καθορίζεται από το εφαρμοζόμενο πρόγραμμα διάσωσης/οικονομικής προσαρμογής το οποίο αναπαράγει με ακρίβεια με τα δοκιμασμένα πρότυπα του ΔΝΤ. Τα εμπειρικά δεδομένα επιβεβαιώνουν τη διαχρονικότητα και τον ταξικό αντίκτυπο της πολιτικής της απορρύθμισης της αγοράς εργασίας εκθέτοντας την Ελληνική περίπτωση ως άλλο ένα παράδειγμα καταναγκαστικής νεοφιλελεύθερης αναδιάρθρωσης παρά ένα έκτακτο γεγονός. Καταδεικνύεται η συστηματική οικονομική και θεσμική αποδυνάμωση των

εργαζομένων, σύμφωνα με τις νεοφιλελεύθερες επιταγές για τη διασφάλιση των συμφερόντων της άρχουσας τάξης και των αγορών χρήματος και κεφαλαίου. Οι θεσμικές «μεταρρυθμίσεις» της αγοράς εργασίας σε συνδυασμό με την άμεση και έμμεση διαρκή περικοπή μισθών και των συντάξεων και τη μεροληπτική φορολόγηση αποστέρησαν από τους εργαζόμενους εισόδημα και βασικά εργασιακά και κοινωνικά δικαιώματα. Σε αντίθεση με την νεοφιλελεύθερη ρητορική σχετικά με την απόσυρση του κράτους, η ελληνική περίπτωση, προσθέτει ένα χαρακτηριστικό παράδειγμα μετουσίωσης του κράτους σε διακομιστή διακρατικών πολιτικών και εγχώριο τοποτηρητή της καταναγκαστικής πειθαρχίας στην αγορά εργασίας. Εν ολίγοις, μαζί με άλλα πρώην ή νυν θύματα της νεοφιλελεύθερης αναδιάρθρωσης της αγοράς εργασίας, η περίπτωση της Ελλάδας επιβεβαιώνει τις πολλαπλές οικονομικές και κοινωνικές διαταραχές που προκαλεί ο νεοφιλελευθερισμός στην πιο επιθετική του μορφή και πιστοποιεί τις ζημιές που μπορούν να προκαλέσουν οι οικονομικές ιδέες όταν μεταλλάσσονται σε δόγματα.

2. ΜΕΛΛΟΝ ΚΑΙ ΑΛΛΑΓΗ: ΔΟΚΙΜΙΟ ΙΙΙ

ΕΠΑΝΕΞΕΤΑΖΟΝΤΑΣ ΤΑ ΕΠΙΣΤΗΜΟΝΙΚΑ ΠΑΡΑΔΕΙΓΜΑΤΑ: ΤΑ ΚΥΡΙΑΡΧΑ ΟΙΚΟΝΟΜΙΚΑ ΑΝΤΙΔΡΟΥΝ ΣΤΗΝ ΚΡΙΣΗ–ΜΙΑ ΚΟΥΝΙΑΝΗ ΠΡΟΣΕΓΓΙΣΗ .

3.1. Επισκόπηση και σκεπτικό

Το τρίτο δοκίμιο στοχεύει να συνεισφέρει στην κατανόηση των δυναμικών παραγόντων που επιδρούν στις μεταβολές της οικονομικής επιστήμης διερευνώντας τη συσχέτιση της με την πρόσφατη οικονομική και χρηματοπιστωτική κρίση.

Το πλαίσιο της έρευνας ορίζεται από την εκτεταμένη αλλά αμφίθυμη προβληματική που αναπτύχθηκε στον απόηχο της κρίσης σχετικά με την κατάσταση των οικονομικών συσχετίζοντας την γενικά με μια αλλαγή παραδείγματος. Συγκεκριμένα, μερίδα σχολιαστών εντοπίζει κρίση του επιστημονικού παραδείγματος ενώ άλλοι δεν διακρίνουν ανάγκη αλλαγής και δεν διαβλέπουν ενδεχόμενο άμεσης αλλαγής στο κυρίαρχο επιστημονικό παράδειγμα των οικονομικών. Η αμφιθυμία περιπλέκεται καθώς η συγκεκριμένη συζήτηση διεξάγεται χρησιμοποιώντας τον όρο ‘αλλαγή παραδείγματος’ (paradigm shift) κατά το δοκούν, ως φραστική γενικολογία, χωρίς ένα ενδεδειγμένο πλαίσιο αναφοράς για τη δόμηση του προϊόντος της επιστημονικής πράξης, το οποίο θα παρείχε τα απαραίτητα κριτήρια για την αποτίμηση της αλλαγής, εννοούμενης ως δημιουργία νέας γνώσης. Άλλη μια δυσχέρεια που περιορίζει την αναλυτική διεϊσδυση της τρέχουσας προβληματικής περί «αλλαγής» και «παραδείγματος» οφείλεται στο ότι αγνοείται σε μεγάλο βαθμό η επίπτωση των κοινωνικών δόμων και των κοινωνικών

σχέσεων που προσδιορίζουν τις επιστημονικές κοινότητες.

Στο πλαίσιο αυτό, υποστηρίζεται ότι τόσο το θεωρητικό υπόβαθρο των κυρίαρχων οικονομικών όσο και κοινωνιολογικοί/θεσμικοί παράγοντες που διαμορφώνουν την επαγγελματική διάσταση της επιστήμης, συντηρούν τη στατικότητα της κυρίαρχης αντίληψης της οικονομικής επιστήμης 'ανοσοποιώντας' την ακόμα και ενάντια στον αντίκτυπο εκτεταμένων οικονομικών διαταραχών. Οι παράγοντες αυτοί περιορίζουν την προοπτική αλλαγής και τη δημιουργία νέας γνώσης.

Για την διερεύνηση αυτής της υπόθεσης και την αξιολόγηση της προοπτικής και της φύσης τυχόν αλλαγής, η παρούσα έρευνα εξετάζει και αναλύει τον τρόπο με τον οποίο τα κυρίαρχα οικονομικά και οι οικονομολόγοι ανταποκρίθηκαν στην κρίση και αποπειράται να διακριβώσει τους παράγοντες που επηρεάζουν την δεκτικότητα ή την αδράνεια των οικονομικών ως προς το ενδεχόμενο αλλαγής.

Αντλώντας στοιχεία από το έργο του Thomas Kuhn και του Ludwik Fleck,²⁴² με άξονα τις έννοιες της φυσιολογικής επιστήμης, του επιστημονικού παραδείγματος και της επιστημονικής κοινότητας, η παρούσα έρευνα αξιολογεί το κυρίαρχο σώμα των οικονομικών α) ως σύστημα ιδεών, και β) ως επιστημονική κοινότητα, η οποία διαμορφώνει τους κύριους υλικούς φορείς του συστήματος αυτού. Συνεπακόλουθα, συμβάλλοντας στην κεντρική ενοποιητική προβληματική της διατριβής η αναλυτική οπτική της έρευνας εστιάζεται στην κριτική των α) του εννοιολογικού υπόβαθρου του κυρίαρχου παραδείγματος και β) των κοινωνιολογικών, θεσμικών και ιδεολογικοπολιτικών παραμέτρων που διαμορφώνουν την επικρατούσα επιστημονική κοινότητα.

²⁴² Τριάντα χρόνια πριν από τον Kuhn, ο πολωνο-εβραίος γιατρός/βιολόγος Ludwik Fleck (1896–1961) στη μονογραφία του "Η γένεση και ανάπτυξη ενός επιστημονικού γεγονότος" (Fleck 1979) μελέτησε τον τρόπο παραγωγής της επιστημονικής γνώσης εστιάζοντας στην κοινωνιολογική διάσταση της γνώσης με εννοιολογικά εργαλεία τη συλλογική σκέψη (thought collective) και το στυλ σκέψης (thought style). Προαναγγέλλοντας την «επιστημονική κοινότητα» του Kuhn, ο Fleck ανέλυσε μια κοινότητα ατόμων που ανταλλάσσουν ιδέες ή διατηρούν μια διανοητική αλληλεπίδραση. Η κοινότητα αυτή έχει τη δική της δομή που δίδει στη γνώση το συγκεκριμένο χαρακτήρα της και καθορίζει τον τρόπο εξέλιξής της. Η μονογραφία του Fleck εκδόθηκε το 1935 στην Ελβετία λόγω των ναζιστικών διωγμών που απαγόρευαν την έκδοση βιβλίων από εβραίους. Αξίζει να σημειωθεί ότι προλογίζοντας την αγγλική έκδοση (1979), ο Kuhn αναγνωρίζει τη συμβολή του Fleck στο δικό του έργο.

Τελικά, το τρίτο δοκίμιο αμφισβητεί την ικανότητα του κυρίαρχου υποδείγματος να παράγει γνώση. Για να έχει νόημα, κάθε αλλαγή των οικονομικών θα πρέπει να παράγει γνώση ικανή να διευρύνει την ικανότητά μας να κατανοήσουμε καλύτερα και να βελτιώσουμε με κάποιο τρόπο τον κόσμο

3.2 Το παράδειγμα σε κρίση: Αντιδράσεις της επιστημονικής κοινότητας.

Στον απόηχο της κρίσης, η οικονομική επιστήμη και οι οικονομολόγοι αποτέλεσαν αντικείμενο κριτικής και αμφισβήτησης σχετικά με αδυναμίες και παραλείψεις που θίγουν ζητήματα μεθοδολογίας, ερμηνευτικής δεινότητας, γνωσιολογικής επάρκειας και επιστημικής υπόστασης των οικονομικών. Ποια ήταν όμως η αντίδραση της επιστημονικής κοινότητας η οποία υπηρετεί το κυρίαρχο παράδειγμα των οικονομικών; Υπήρξε ουσιαστική αυτοκριτική που να σηματοδοτεί επικείμενες αλλαγές στο κυρίαρχο παράδειγμα;

Διερευνώντας τα ερωτήματα αυτά, η έρευνα αυτή κατέγραψε και αξιολόγησε τρεις ομάδες αντιδράσεων στους κόλπους των λεγόμενων mainstream οικονομολόγων: α) οι 'σκληροπυρηνικοί' β) οι μετριοπαθείς και, γ) οι 'αντιφρονούντες' ή οι εσωτερικοί επικριτές του επαγγέλματος. Διαπιστώθηκε ότι σε πλήρη αντίθεση με την ένταση και τη φορτισμένη ρητορική των συζητήσεων μετά την κρίση, το κύμα κριτικής που προέρχεται από την κυρίαρχη τάση των οικονομικών υπήρξε βραχύβιο και στερούμενο εις βάθος κριτικό αυτοστοχασμό. Επιβεβαιώνεται, έτσι, η άποψη άλλων αναλυτών, ότι η κυρίαρχη επιστημονική κοινότητα επέστρεψε στο «business as usual», ή στην φυσιολογική επιστήμη, αποφασίζοντας ότι τελικά δεν συνέβη οτιδήποτε πραγματικά προβληματικό (Fine and Milonakis 2011, Mirowski 2013, Palley 2012).

Συμπερασματικά, η φυσιολογική επιστήμη μπορεί να συνεχίσει την καθιερωμένη λειτουργία της καθώς σημαίνουντες εκπρόσωποι και από τις τρεις ομάδες (α) δεν διαπιστώνουν ότι κάτι δεν πάει καλά στα κυρίαρχα οικονομικά, (β) εντοπίζουν ορισμένες ελάσσονες προκλήσεις, ή (γ) προτείνουν κουνιανές επιχειρήσεις εκκαθάρισης (morning-up operations) λειτουργίες, δηλαδή μικροεπισκευές για να διορθωθούν προβλήματα όπου διαπιστώνεται ανάγκη. Η ανησυχία που διακατέχει και τις τρεις ομάδες είναι η διασφάλιση της παράδοσης και η διαιώνιση του κυρίαρχου παραδείγματος. Με άλλα λόγια, το «προφανές» είναι ότι «δεν πρέπει να πετάξουμε το μωρό μαζί με το νερό της μπανιέρας» (Blanchard, Dell'Agiccia και Mauro 2010: 10).

Αυτό το δοκίμιο, υποδεικνύει έντονα ότι η παρούσα κρίση δεν έχει προκαλέσει ουσιαστικές αλλαγές, πόσο μάλλον μια παραδειγματική στροφή στη κυρίαρχη οικονομική

θεωρία και πρακτική. Ακόμη, και αυτές οι έντονες αντιδράσεις και η κριτική που προέρχεται από εξέχοντες ‘αντιφρονούντες’ περιορίζονται σε μια ρητορική περί αλλαγής.

Πιο αναλυτικά τα ευρήματα περιλαμβάνουν τα εξής:

Τόσο το παράδειγμα όσο και η επιστημονική κοινότητα εγγενώς καταστέλλουν τις προοπτικές αλλαγής και συμβάλουν αποφασιστικά στην διαίωνιση ενός στατικού και μονολιθικού πρότυπου που αντιστέκεται σε οποιαδήποτε αλλαγή. Η επιστημονική κοινότητα είτε αρνείται να αναγνωρίσει ανωμαλίες ή αντιμετωπίζει εγνωσμένες ανωμαλίες ως κουνιανούς γρίφους (puzzles) ή ήσσοнос σημασίας προβλήματα. Ως εκ τούτου, σχεδόν ανύπαρκτο παραμένει ένα περιθώριο ελπίδας ότι στο μέλλον συσσωρευμένες ανωμαλίες μπορεί να πυροδοτήσουν μια διαδικασία παραδειγματικής αλλαγής. Συνεπώς, τα ευρήματα της έρευνας αυτής επιτρέπουν το λογικό συμπέρασμα ότι η κρίση των οικονομικών που προκλήθηκε από την πρόσφατη οικονομική και χρηματοπιστωτική κρίση δεν μπορεί να διευθετηθεί εντός των ορίων του σημερινού παραδείγματος και την προκειμένη επιστημονική κοινότητα. Στην τρέχουσα κατάσταση των πραγμάτων, δεν μπορεί λογικά να αναμένεται παραγωγή νέας γνώσης εντός των παραδειγματικών πλαισίων και από τη συγκεκριμένη επιστημονική κοινότητα. Πιο συγκεκριμένα:

Στον απόηχο της κρίσης η επιστημονική κοινότητα, δηλαδή λεγόμενοι ‘mainstream’ οικονομολόγοι, εστιάζουν την προσοχή τους σε θέματα πολιτικής ή σε ειδικές θεωρίες παρακάμπτοντας τις γενεσιουργές αιτίες της εξηγητικής ανεπάρκειας των οικονομικών. Ειδικότερα, η περί αλλαγής αντίληψη των οικονομολόγων περιορίστηκε στη θεωρία της αποτελεσματικής αγοράς, τη θεωρία ορθολογικών προσδοκιών καθώς και στα δυναμικά στοχαστικά μοντέλα γενικής ισορροπίας (DSGE). Οι θεωρίες αυτές αναδεικνύονται ομόφωνα αποδιοπομπαίοι τράγοι και αξιολογούνται μεμονωμένα σε επιστημικό κενό χωρίς αναφορά στην ιστορία και τα εννοιολογικά θεμέλια των κυρίαρχων οικονομικών.

Όπως επαρκώς αποτυπώνουν κειμενικά στοιχεία, εξέχοντες ‘αντιφρονούντες’ σαφώς τοποθετούν εαυτούς στην κυρίαρχη επιστημονική κοινότητα και υποστηρίζουν επισκευές και μικρές αλλαγές στα προαναφερθέντα επιμέρους παραδείγματα, τις οποίες συμπληρώνει μια δόση συμπεριφορικών στοιχείων. Παρά ταύτα, αξίζει να σημειωθεί ότι δεν υπάρχει καμία ένδειξη ότι έχουν δρομολογηθεί έστω και αυτές οι επιχειρήσεις μικρο-επισκευών. Συνεπώς, ακόμη και αυτή η ιδέα εμβλασματικών διορθωτικών παρεμβάσεων αποτελεί ρητορικό σχήμα. Με άλλα λόγια, το επάγγελμα μπορεί να μάθει να «ζει με όχι

και τόσο αποτελεσματικές αγορές» (Zingales 2010). Η εφαρμογή στρωμάτων επί στρωμάτων 'μερεμετιών' στην οικονομική θεωρία φέρεται να εγγυάται τη συνέχεια και την παράδοση στο παράδειγμα. Εν τούτοις, η προσέγγιση αυτή είναι επιζήμια για το μέλλον των οικονομικών και την ικανότητά τους να συμβάλουν στη γένεση νέας γνώση. Και τούτο διότι, μετατρέπει το παράδειγμα σε ένα πτολεμαϊκό σύστημα σύνθετων κύκλων [compounded circles] του οποίου η «πολυπλοκότητα αυξανόταν πολύ πιο γρήγορα από ό, τι η ακρίβειά του» έτσι ώστε «μια απόκλιση που διορθώνεται σε ένα σημείο πιθανότατα εμφανιζόταν σε ένα άλλο σημείο» (Kuhn 1962:68).

Έτσι, η κυρίαρχη επιστημονική κοινότητα εμφανίζεται να ασχολείται με τη διασφάλιση και διαίωηση του μαύρου κουτιού αντί της εμπλοκής της σε μια πορεία ικανή να παράξει γνώση. Αξίζει να σημειωθεί ότι, κυρίαρχη επιστημονική κοινότητα αποφεύγει κάθε συζήτηση σχετικά με τις θεσμικές και κοινωνιολογικές παραμέτρους με αναφορά στις επιδόσεις του επαγγέλματος μπροστά στην οικονομική κρίση. Στον απόηχο της κρίσης, ο λόγος είναι αποπολιτικοποιημένος και «τεχνοκρατικός». Αγνοεί, ιδίως, τους περιορισμούς που επιβάλλονται από την υπόρρητη κοινή κοσμοθεωρία των 'mainstream' οικονομολόγων, και τους «περιορισμούς που επιβάλλονται από την εξουσία στο σύστημα και το περιβάλλον της φυσιολογικής επιστήμης» (Ward 1972: 31). Με βάση την ανάλυση του Kuhn και του Ludwik Fleck (1979), το παρόν δοκίμιο φωτίζει το «συγκεκριμένο αστερισμό πεποιθήσεων, αξιών και επιταγών» (Kuhn 1970: 249), που επηρέασε τη συμπεριφορά της επιστημονικής κοινότητας κατά τη διάρκεια της κρίσης.

Μια παραδειγματική αλλαγή δεν μπορεί να δρομολογηθεί από τα μέλη της επιστημονικής κοινότητας τα οποία έχουν εκπαιδευτεί στην παράδοση του παραδείγματος και δεν "βλέπουν απλώς" αλλά βλέπουν "μέσα από τον ερμηνευτική φακό του παραδείγματος (Hands 1997: 103). Με άλλα λόγια, όπως τονίζει ο Fleck, "βλέπουμε με τα μάτια μας, αλλά κατανοούμε με τα μάτια της συλλογικότητας" (Cohen και Schnelle 1986). Ως ένα «δομικά πλήρες και κλειστό σύστημα» της συλλογικής σκέψης (thought collective), η mainstream επιστημονική κοινότητα αποτελεί παράδειγμα της εξαιρετικής «αντοχής των κλειστών συστημάτων γνώμης» και της διαρκούς τους αντίστασης σε "οτιδήποτε έρχεται σε αντίθεση" με το "στυλ σκέψης" (Fleck 1979:28-32). Οι 'mainstream' οικονομολόγοι ασφαλείς στο κλειστό τους αξιωματικό σύστημα και περιχαρακωμένοι από την ιδιαίτερη κοινωνιολογία που διαμορφώνει την επιστημονική κοινότητα αναδύονται ως «παραγωγοί και επικυρωτές της στέρεας γνώσης» (Kuhn 1962: 178) και την τοποτηρητές-φύλακες του κυρίαρχου παραδείγματος.

Αξίζει να σημειωθεί ότι στις συνθήκες παραδειγματικής ηγεμονίας, η αναγνώριση

παρατεταμένων και σοβαρών ανωμαλιών που θα δρομολογούσε παραδειγματική αλλαγή, ενέχει ανασφάλεια και κινδύνους για τους οικονομολόγους σε ότι αφορά ζητήματα σταδιοδρομίας, δημοσιεύσεις, ερευνητικές επιχορηγήσεις, ευκαιρίες απασχόλησης και τη συνολική κοινωνική τους καταξίωση. Η αμφισβήτηση του παραδείγματος ή «η οικονομική της μη-συμμόρφωσης» έχει ιστορικά αντιμετωπιστεί ως αίρεση ξεκινώντας από τη δεκαετία του 1890 που σηματοδεύτηκε από διωγμούς οικονομολόγων όπως οι Richard T. Ely, Edward W. Bemis και Edward A. Ross (Goodwin 1998).

3.3 Ο δρόμος προς τα εμπρός;

Συμφώνα με τον Kuhn, η ύπαρξη ενός εναλλακτικού πειστικού νέο πρότυπου αποτελεί προϋπόθεση για την πρόκληση παραδειγματικής αλλαγής ενώ "μόνο μια αλλαγή στους κανόνες του παιχνιδιού θα μπορούσε να προσφέρει εναλλακτική διέξοδο" (Kuhn 1962: 40). Αφήνοντας κατά μέρος την επιχειρηματολογία για περισσότερα μαθηματικά και εμπειρική έρευνα, η παρούσα μελέτη διαπιστώνει ότι δύο επιλογές προτείνονται ως δρόμος προς τα εμπρός: μια κεϋνσιανή αναβίωση και τα συμπεριφορικά οικονομικά.

Πρώτον, ακόμη και μεταξύ των υποστηρικτών της κεϋνσιανής αναβίωσης, η ιδέα υπήρξε βραχύβια και παροδική. Η σχετική συζήτηση κορυφώθηκε στις αρχές του 2009 υποχωρώντας από τα μέσα του 2010. Επιπλέον, η βαθιά πίστη των μελών της mainstream επιστημονικής κοινότητας στον καπιταλισμό, διατυπωμένη γενικά ως πίστη στην ελεύθερη αγορά, αποκλείει κάθε ιδέα για ρυθμιστικά μέτρα ή μεταρρυθμίσεις που παραπέμπουν στην κεϋνσιανή σκέψη. Καθώς, λοιπόν, προέχει η διατήρηση της καπιταλιστικής κοινωνικής και οικονομικής τάξης, οικονομικές και άλλες μεταρρυθμίσεις δεν πρέπει να απειλήσουν τον καπιταλισμό και τα κέρδη του. Άλλωστε, όπως χαρακτηριστικά τονίζουν οι Becker και Murphy (2009) η «αποκαλούμενη καπιταλιστική απληστία» είναι ακριβώς αυτό που παρέχει κίνητρα σε επιχειρήσεις και φιλόδοξους εργαζόμενους σώζοντας «εκατοντάδες εκατομμύρια» από τη φτώχεια.

Δεύτερον, όσον αφορά τα οικονομικά της συμπεριφοράς, η μελέτη αυτή κατάδειξε ότι η σχετική επιχειρηματολογία και στις τρεις ομάδες αντιδράσεων είναι ανειλικρινής και κατά κύριο λόγο προσβλέπει στην ενίσχυση της συμπεριφορικής έρευνας με στόχο την επέκταση των εξηγητικών εργαλείων του κυρίαρχου παραδείγματος χωρίς ουσιαστική απόκλιση από το εννοιολογικό και μεθοδολογικό του υπόβαθρο. Η παρούσα έρευνα πιστοποιεί, επίσης, ότι οι ίδιοι οι οικονομολόγοι της συμπεριφοράς εμφανίζονται ρητά απρόθυμοι να απομακρυνθούν ουσιαστικά από το κυρίαρχο παράδειγμα. Θεωρούν ότι οφείλουν να παρέχουν πιο ρεαλιστικά συμπεριφορικά θεμέλια που θα μεγεθύνουν την

ερμηνευτική εμβέλεια του κυρίαρχου παραδείγματος παραμένοντας όμως μέσα στα όρια του. Με άλλα λόγια, ακόμη και αν ο homo economicus πλέον μοιάζει περισσότερο με ανθρώπινο, τα οικονομικά της συμπεριφοράς διατηρούν το αναλυτικό πλαίσιο του μεθοδολογικού ατομικισμού χωρίς επαρκή προσοχή στους κοινωνικοοικονομικούς παράγοντες που καθορίζουν την ατομική συμπεριφορά. Συνεπώς, η φερόμενη ως ελπιδοφόρα συγκρότηση και ανάπτυξη μιας νέας θεωρητικής και ερευνητικής περιοχής συντελείται ουσιαστικά εντός του καθιερωμένου στατικού θεωρητικού-ενοιολογικού χώρου των κυρίαρχων οικονομικών.

3. ΕΠΙΛΟΓΟΣ : ΠΟΥ ΟΔΕΥΟΥΝ ΤΑ ΟΙΚΟΝΟΜΙΚΑ;

Λίγοι τομείς της επιστημονικής αναζήτησης έχουν τόσο πολλές κοινωνικές, πολιτικές και οικονομικές επιπτώσεις, όπως τα οικονομικά. Ωστόσο, η εικόνα που προκύπτει από αυτή την παρούσα διατριβή δικαιολογεί την περιγραφή της οικονομικής επιστήμης ως «ζοφερή επιστήμη». Σε ότι αφορά τη μορφή και τη συνολική τους συγκρότηση, τα οικονομικά παραμένουν σε μεγάλο βαθμό αμετάβλητα για περισσότερο από έναν αιώνα. Πρόκειται για ένα επίτευγμα που δεν απαντάται σε άλλη επιστημονική περιοχή. Επιπλέον, το κυρίαρχο παράδειγμα εξέρχεται από την κρίση όχι μόνο αμετάβλητο αλλά με ενισχυμένη τη θεμελιακή του θεωρητική αρχιτεκτονική και την τεχνική του εργαλειοθήκη και επεκτείνεται σε όλο το φάσμα της κοινωνικής επιστήμης (Fine 2013: 6).

Ιδιαίτερα στενάχωρη είναι η σύγκριση της παρούσας κατάστασης με αυγή της πολιτικής οικονομίας. Αφενός, το δοκίμιο για τον Mandeville αποτυπώνει τη γένεση μιας επιστήμης που πάλλεται με πνευματική προσπάθεια, με την αναζήτηση γνώσης, την επιζήτηση επαρκούς εξήγησης, τη συνάρτηση μεθόδου με το αντικείμενο λαμβάνοντας υπόψη το ιστορικό και το κοινωνικό. Αφετέρου, στην άλλη άκρη του ιστορικού φάσματος, το τρίτο δοκίμιο ιχνηλατεί μια επιστήμη η οποία, υπό τις παρούσες συνθήκες, εμφανώς προορίζεται να παραμείνει σε "κατάσταση της πτολεμαϊκής αστρονομίας που αποτελούσε σκάνδαλο" πολύ πριν από την επανάσταση του Κοπέρνικου (Kuhn 1962: 67). Το δε δεύτερο δοκίμιο απογυμνώνει την κρίσιμη και επί πολλοίς σκόπιμη 'αδεξιότητα' των οικονομικών στην θεώρηση ενός οξυτάτου κοινωνικού προβλήματος, όπως η ανεργία, και δείχνει πώς η οικονομική θεωρία μπορεί να εξελιχτεί αντικοινωνικά προς όφελος των λίγων και εις βάρος των πολλών η εργασία των οποίων παράγει πλούτο και πρόοδο, όπως τριακόσια χρόνια πριν διέγινωσε ο Mandeville.

Συνεπώς, η διερεύνηση των εντάσεων και των περιορισμών που επιβαρύνουν τα

οικονομικά υπό το πρίσμα της πρόσφατης οικονομικής κρίσης προκαλεί αγωνία και εγείρει ερωτήματα σχετικά με το μέλλον της οικονομικής επιστήμης. Ταυτόχρονα, η παρούσα διατριβή συνηγορεί στην ανάγκη αμφισβήτησης και επανεξέτασης της μονόδρομης σκέψης που πρυτανεύει στα οικονομικά ενισχύοντας την προβληματική της πολιτικής οικονομίας:

[O] κύριος στόχος για την πολιτική οικονομία σήμερα είναι να διατηρήσει, ενάντια στην 'mainstream' άποψη, ζωντανές τις εναλλακτικές παραδόσεις, προς δικό τους όφελος, αλλά και εν αναμονή των βαθύτερων κατανοήσεων που θα απαιτηθούν μόλις η ανά τον κόσμο χρηματοπιστωτική υπερβολή αναγνωριστεί ουσιαστικά ως πρόβλημα του καπιταλισμού και όχι μόνο του χρηματοπιστωτικού πεδίου. (Fine and Milonakis 2011: 24)

Οι προκλήσεις που τίθενται από την ανισότητα, την ανεργία και την παγκόσμια οικονομική αταξία παροτρύνουν την αναζήτηση μιας νέας ανοιχτής και καινοτόμου οικονομικής σκέψης. Και τούτο διότι, ο εγκλεισμός της οικονομικής σκέψης σε στεία θεωρητικά και μεθοδολογικά όρια θαμπώνει το φως που τα οικονομικά επιχειρούν να δώσουν στον πραγματικό κόσμο. Το «πραγματικό» στην προκειμένη περίπτωση υποδηλώνει την επείγουσα ανάγκη αναπροσανατολισμού των οικονομικών μακριά από τη στεία νεοκλασική εμμονή για την καθολική εφαρμογή αφηρημένων εννοιών και τις μεθόδων που αγνοούν την κοινωνική και ιστορική ιδιαιτερότητα.

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