POLITICAL ECONOMICS AND SOCIAL ACTION*
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It is at least partly because mainstream economics lack the alternatives that have been offered the assertiveness, polish, and even elegance of orthodox doctrine that they have achieved little success. However, in the case of Adolph Lowe’s alternative conception of economic theory and policy, the lack of reasons it has received cannot be attributed to deficiencies in the mode of presentation. Lowe has used all his remarkable skills and vast knowledge and has taken extreme care to demonstrate his reasons for deviating from the path of orthodoxy — only to be confronted with the standard response of a petrified establishment: What is true, is not new, and what is new, cannot be true. In Lowe’s case, this dismissive response and the undisturbed continuation of the business of the day cannot even be explained by a fundamental discrepancy in political values between the hetero- and the orthodoxy. Lowe’s Political Economics has consistently aimed to preserve “the fabric of Western society”, accepting that “decentralized decision-making based on private ownership of the means of production is the core of capitalist organization” (Lowe 1969, p. 356). Thus, the reasons why Lowe’s proposed Political Economics has not found more support must be other than faulty or obtuse presentation or unacceptable political values.

I will argue that the main reason lies not in the radical character of Lowe’s economics, but in his break with the traditional concept of the economy, a break which not only implies a different conception of the object of economic knowledge, but also a different role for the economist. The concept of the economy turns out to be more complicated and the role of the economist much less comfortable than tradition has it.

I will first describe and discuss the traditional concept of the economy and its corresponding idea of economic policy. Secondly, I will present Lowe’s criticism of these traditional concepts as an implicit controversy about the nature of economics as a social science. Finally, Lowe’s Political Economics will be discussed as the only feasible answer to the predicaments of positive economic theory — at least, as long as the prevailing framework of “naturalism” continues.

The Naturalistic Concept of the Economy

By naturalism, I mean a mode of theorizing in which the object is taken as given (just as in classical philosophy) with the theorist acting as an outside observer, describing, classifying and analyzing data and processes conceived to be independent of the knowledge-generating activity itself. In economics, the first implication of naturalism is that “no significantly different method of theoretical reasoning is required in social inquiry than in natural science” (Nagel, 1969, p. 62). A second implication consists in the strictly contemplative role of the economic theorist. A third implication, extending into the very content of economic theory, is to be found in the pervasive

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tendency of traditional thought to "naturalize" the economy, i.e. systematically, to neglect those properties which differentiate it from a natural object.

These differentiating properties can be classified summarily as the "action dimension" and the "social dimension" of the economy. The action dimension refers to the constitutive role of "intentional" behavior in giving rise to the relationships we call "the economy." The social dimension refers to the interactive aspect of those relationships, where each actor has to take into account appealing, competing, or cooperating others. The action and the social dimensions are distinguished here because not all actions are social, although the social dimension always refers to actions. The distinction is important for an understanding of the tendency to "naturalize" the economy. In its most extreme form, the tendency is manifest in the elimination of social actions, where all activity takes the form of individuals responding to the market.

Complete abstraction from social action is a characteristic of structure of production models. A close examination of Sraff's (1960) for example, shows that there is only an implicit reference to action in the sense of stipulating some agency which will transform a given situation (say, the state of the economy at the end of the uniform period of production) into another situation (the economy ready to start production again). But only some aspects of the transformative transformation are necessary to ensure reproduction), while the requisite action(s) are taken for granted. They are not part of the expository problem.

A parallel argument can be made about the neglect of the social dimension in neoclassical theory. Starting from individual action and its determinants, initial endowments and utility functions, neoclassical theory is concerned with interactions among agents only in terms of special cases like bilateral monopoly. For these cases, no results are obtained in the sense of determining prices, whereas the standard reference state in neoclassical theory, that of perfect competition, allows for a determination of prices only by eliminating the possibility of interactions among agents. Other agents disappear behind the anonymous mechanism of the market, which generates prices. The "parametric function of prices" (Lang, 1971, p. 41) guarantees that all individual agents behave as if the market were nature, to be adapted to, but not to be changed.

The reasons for sketching these implications of naturalism in economics will become evident when we turn to Adolph Lowe's alternative. To prepare for this discussion, the parallel between the traditional notion of economic policy and the required for the economic policy needs to be examined. In the sense of confronting the economy as a given object from the outside, traditional theory and policy both share the naturalistic perspective, except that the policy-maker is a manipulator whereas the theorist is a contemplator.

Contemporary Economic Policy

In the traditional concatenation of economic policy and theory, theory serves as a means because — as everyone knows — successful intervention presupposes a correct appraisal of the causal factors shaping a given situation . Theory is supposed to determine such causal factors, thus insures the proper political instrumenta for manipulation towards politically stipulated ends. The relationship of economic theory to economic policy is a means-ends relationship structured as a sequence, where knowledge of the economy needs to be examined. As a background for discussing the economy as a given object from the outside, traditional theory and policy both share the naturalistic perspective, except that the policy-maker is a manipulator whereas the theorist is a contemplator.

This simple relation between theory and policy becomes more complicated once the economy undergoes successive policy modifications. Thus, one might claim, as Keynesians have done, that the mixed economy of mature capitalism is the result of a succession of political interventions prescribed by Keynesian theory. The induced structural change then requires a shift in the focus of theory from the study of a pure market economy to that of a "mixed one." The change in its real object requires a parallel change in theory: still, the simple, naturalistic concept of the economy and the complementary technique-like version of economic policy would seem to be quite adequate. However, by extrapolating the Keynesian scenario, with its assumed underlying process of structural change, in the direction of an economy not only controlled by state intervention, but more and more state directed on Keynesian principles, one can observe a problem which soon makes such naive concepts of the economy and of economic policy inadequate. With its increasing impact on policy, and the increasing impact of policy on the economy, theory will rapidly come to face its very own embodiment as its object of explanation. Economic theory will then be confronted with an economic reality which is the intended result of the continuous application of theory.

Of course, this circular constellation is the result of extrapolating to the extreme. Nonetheless, it serves to demonstrate that the naturalistic concept of the economy and its complementary technique-like version of economic policy in which policy is, in essence, "state-made," is inadequate, simply because the economy is left in its natural state of self-regulation. While one can still debate the virtue of this 19th century notion of economic policy, one cannot deny that we have gone far beyond a state for which it could have any descriptive relevance. While one can maintain that economic reality is still predominantly the result of spontaneous forces originating from individual agents pursuing their individual goals, it must be recognized that this reality is also profoundly influenced by the intended and unintended results of the political application of economic theory.

The most conclusion to be drawn from such a state of affairs is that economic theory has to have a reflexive nature, i.e. it has to be recognized that theory itself enters into the determination of its object. Methodologically, this conclusion warrants a postulate, namely, that the conditions of possibility of economic theory must always be re-ascertained — among them the properties of economic reality which are subject to historical change. In adopting such a postulate, Lowe finds that the 20th century capitalist economy lacks the "regularity of state and motion" (Lowe 1969, p. 148) required for the generative concept of the economy needed to be examined. As a background for discussing Lowe's position, it is relevant to point to some implications of different "layers" of economic reality, specifically those deriving from spontaneous, atomistic market forces and those resulting from the intended and unintended consequences which follow from the application of theory in practice.

Naturalism and Social Action

It is possible and, I think, necessary to generalize observations about the political application of economic theory beyond the roles of the theorist who generates knowledge and the political agent who applies it. Economic agents gather experiences, learn and generate knowledge in much the same way as the theorist. They also use their knowledge to intervene in market processes in order to pursue their ends in much the same way as a political agent would. Analogously, both the theorist and the government official are involved with the economy in the practical, simple, everyday ways of any economic agent. Though they earn a living by or by applying regulations,
granting subsidies, collecting taxes, and otherwise thinking and writing about the economy, does not separate them from the overall social metabolism to such an extent that their roles as "normal" economic agents can be overlooked. While the differences between any economic action and the specialized functions of a theory of government agents should not be neglected, they are not of a qualitative kind in terms of the methodologically relevant action dimension.

As a consequence, one can argue that the discredited interventionist economic policy based on Keynesian theory is the result of faulty abstraction. This abstraction endows economic theorists and policy-makers with a role outside the economy, instead of placing them within the economy alongside all the other agents, sharing their constraints and action potentials. As a first step toward a concept of the economy that corresponds to the reflexive nature of all economic theorizing it must be recognized that human agents "make" the economy, just as they construct theories or plan and implement policies. The economy is not a given object but an object of inquiry, in which we, as members of the species, should be able to recognize our own doings. This recognition facilitates "understanding" (Weber 1964, p. 80) economic actions by discerning the intentions associated with a given outward behavior -- a mode of explanation not applicable to natural objects.

If one looks at general reflections on the nature and significance of economic science, there does not seem to be any need for insisting on the concern of economics with certain forms or aspects of human actions. One might even find explicit references to social action in definitions of economics. But once one examines the types of explanations given in the main body of economic theory, its naturalistic bent and the restrictions on its explanatory capacity become evident. To put it simply, one cannot expect a theory to explain economic actions and their results, if the theory is constructed not to explore, but rather to exclude economic actions as a problem. This happens whenever a shortcut is taken to eliminate questions about the cognitive and motivational conditions of actions (not to speak of the complications involved in analyzing social actions).

A sure signal that such a short-cut has been taken is the dominance of equilibrium concepts. Normally, they define conditions of compatibility for interdependent elements and their relations on a system level, i.e. some goal-state of the system as a whole (for example, a state of balanced growth). There is no need to refer to the action dimension for the definition of such a state. The assumption of rational actions predicated on the perfect information of agents ensures the calculability which allows equilibrium theory to allocate agents in accordance with the system's requirements. Thus, equilibrium theory uses assumptions which eliminate the relevant aspects of the action dimension by presupposing properties on the part of the agents which they do not and, more importantly, cannot have. The trick is not to ignore the problem of analyzing (social) actions, but to redefine it in such a way that it ceases to be a problem: for example, the necessity and difficulty of incorporating agents' expectations, is recognized on the one hand, while on the other, it is postulated that expectations are "rational" thereby avoiding an exploration of the action dimension.

The alternative to this mode of solving problems by redefining them, thereby moving away from empirical and practical relevance, lies in an exploration of actions and social dimensions that deliberately omit naturalistic restrictions. The idea of such an alternative (apart from possible idiosyncrasies in its formulation and derivation) is original. It has been postulated repeatedly in the history of economic thought, most often as an articulation of empiricist or radically subjectivist positions. When a postulate parenthetically remains a mere postulate, there must be good reasons not only for its persistence, but also for its non-fulfillment. It seems as if a fresh investigation of economic action as social action, instead of opening the way for an alternative to mainstream theory, leads into the dead-end of the old controversies of value theory. The problem of "unconsciousness" in the old critique of Ricardian Bailey confronted the Ricardian idea of one determinant of value with a wide array of possible factors that influence acts of exchange by their impact on the subjective intentions of agents. "Whatever circumstances... set with assignable influence, whether medially or immediately, on the mind in the interchange of commodities, may be considered as causes of value" (Bailey 1825, p. 1824).

To postulate a full exploration of these "circumstances" without the support of the non-trivial behavioral equivalent which will narrow the range of possible actions) leads straight to the question of the possibility of economic theory. The foreseeable future would be filled with descriptive and classificatory tasks, with all hopes for a positive science actually explaining prices, income, growth, crisis hopelessly dashed. Bailey knew it all. "On a review of the subject it appears, that economists attempt too much" (Bailey 1825, p. 231).

The attempt to explore determinants of economic action beyond the traditional maximization hypothesis appears to be frustrated before it is seriously undertaken, because it involves the loss of a limited and well-defined object of exploration without any assurance of positive results in the direction of the intended increase in realism. Economics is thus caught on the horns of a dilemma. Either we have a theory which is empirically empty, or we have descriptively relevant knowledge which cannot be sufficiently ordered by theory. The dilemma is real, but it is self-inflicted. It is the result of the naturalistic concept of the economy, and of the concomitant idea that economics must at least be "an Intermediately hard science" (Samuelson 1965, p. 14) - without having examined the conditions for the possibility of economics as a positive science.

Political Economics

Lowe responds to this dilemma not by suggesting one or the other modification of traditional theory, but by putting forward a wholly new approach to the economic problems of modern capitalist societies. He incorporates a different concept of the economy and a different role for theory in the conception and implementation of economic policy. Lowe arrives at his proposed "Political Economics" by way of a critical and sober examination of traditional theory, taking into account the inescapably reflexive structure of economic thought and the necessity of assessing its conditions of possibility. Above all, his concern is a political one. Economists bear a moral responsibility to be aware of the practical economic consequences resulting from changes in the structure of modern economies, for some of which their theories are responsible. In Lowe's vision, these changes are of a destabilizing kind, resulting from an ongoing erosion of the texture of capitalist society which, ironically, is due to its very success in securing an increase in standards of living while maintaining a certain degree of freedom for individual decision-making. Lowe's new approach to economics must be seen as a response to a diagnosis of a progressive loss of self-ordering for capitalist societies left to their own spontaneous development.

The aim of "Political Economics" is to install consciously devised stabilizing mechanisms where the spontaneously operating ones of the old capitalist order have broken down. Repressing into states of laissez-faire can only have ugly consequences, whereas increasing public controls of the economy is part of a historical trend in which "more and more of the macro-processes of society are conceived by more and more observers as objects suitable to, and even in need of, planned intervention."
always ended in a cul-de-sac. Employing the story of Robinson Crusoe, he explains certain features of economic action by having us imagine an isolated individual appropriating nature to fit his needs. The introduction of social action then takes the form of another actor encouraging Robinson's freedom to act according to his whims. Thus, the problem of explaining social action is viewed as the problem of explaining the socialization of isolated individuals. In Lowé's terms, the problem of the "socialization of the technological core processes" (Lowé 1965, p. 18) which are performed by Robinson Crusoe. Even if Lowé adopts this course of explanation only for didactic convenience, the consequence is that he inherits a problem from the tradition of individualism which has not yet found a satisfactory solution: Why isolated individuals, presented as being perfectly capable of providing the material means of their survival, engage in any kind of social action, especially if the interference of other actors implies the imposition of new constraints? The traditional answer of the mutual advantage which rational actors can gain from the division of labor, exchange, etc., is not acceptable to Lowé. But Lowé himself does not explore alternative approaches to the problem of explaining socio-economic action. In contrast to the traditional ordering, in which individual action appears as the a priori of social action, the latter resulting from the "socialization" of previously isolated individuals, a radical alternative would reverse this ordering. Why not consider the individuation of action in a species which can accommodate the appropriation of new means necessary for its reconstitution only in a social process as the real problem?

It is not possible to explore this alternative to traditional individualism here, but it seems as if much of Lowé's argument about the impossibility of positive economic theory could well fit into a framework in which the historical process of a progressive individuation and rationalization of economic action is understood as a unique feature of modern capitalism which thrives on the consumption of its very own social foundations, ending them to the point where the impossibility of an economic composed of monadic nomadic economic becomes evident. As Lowé shows, there must be "extrastatistical" factors, constitutive, automatic, or institutional "pressures" (Lowé 1965, p. 64), to make agents act in the ways which traditional theory explains as the outcome of individual rationality and irrationality. My point is that these extrastatistical factors could be drawn into economic theory, once economic individualism is discarded in favor of a framework in which the idea of reproduction as a social concern is adequately combined with the self-evident fact that all action is, first of all, action by individuals. The difficulty in constructing such a framework consists in transcending the realm of subjective sociology associated with the traditional idea of economic action, while not falling into the trap of postulating some super-subject of intentional action, like the state, the system, society, and all that. Such a framework has not been developed, so it is a matter of consistency with his own problem-setting that Lowé leads to bid farewell to the idea of economics as a positive science and in order to present his own alternative, Political Economics, with its core, instrumental analysis.

A Final Apologia

Heilbroner (1967, p. 273) has aptly termed Lowé's Political Economics "a final apology for economic theory." Leaving behind the ways of positive sciences, Lowé ingeniously devises a mode of theorizing which promises to address the two main problems which proved to be critical for traditional theory. There is on the one hand, the destabilizing tendency of modern capitalist systems which prohibits any theory presupposing a "sufficient regularity of state and matter", on the other hand, the irrefutable social dimension of economic action. Economic theory is to be saved by becoming "non-positive", by becoming an integral part of a practical project of transforming economic reality. The function of theory is to conceive of such a
transformation, given politically stipulated goals, i.e., intended future states or properties of the economy, and sufficient information on the initial state and properties of the economy. Instrumental analysis consists of the construction of a path along which the economy must move in order to realize these goals. It is obvious that all the layers of the economic problem as faced by positive theory reappear in such an analysis, from a proper account of the technological core and its transformations to the issue of determining the types of motivations of actors to accomplish them.

But it now seems plausible to expect solutions for two reasons. First, there should be no difficulty, in principle, to determine the required technological core processes, along with the requisite actions to realize them, once a stable and socially valid set of macro-goals is specified. The remaining problem is to induce actual agents to perform in the manner required of them. Second, this remaining problem can be approached in a learning-by-doing manner in which the conditions of possibility of theory are created by the translation of successfully improved theory into mechanisms of control structuring the behavior of agents such that it falls more and more into the patterns necessary for the realization of the macro-goals. This turns Low's "assertion that only prior ordering of reality itself can provide us with a tractable object of theoretical investigation" (Low, 1969, p. 185) into a self-fulfilling prophecy.

This all too brief sketch of the structure of instrumental analysis may be sufficient to support one final remark on Low's approach. It can meanwhile and make use of precisely these elements of traditional theory which, in the first part of this paper, have been criticized as falling short of the requirements of positive theory because of the abstraction from the action and social dimensions of the economy. In Low's terms, these elements of traditional theory are concerned solely with technological core processes, a concern forming both the basis and the simplest part of instrumental analysis.

Moving beyond the restrictions of the naturalistic concept of the economy prevalent in mainstream theory allows Low to show that its claim as a positive science is unfounded. This has led him to a mode of theorizing which may be termed "prescriptive-analytical," excising the normative force of the idea of positive science which induces mainstream theorists to forward claims that are inconsistent with the context of their theory. Low's Political Economy is unique in being consistent by adjusting explanatory claims to the present state of economic knowledge without sacrificing the potential and actual political relevance that economic theory has. This achievement deserves much more attention than it has received, because it provides a framework for instituting truly pragmatic economic policy — regardless of whether one still nourishes hopes for breaking the twin fetters of traditional economic thought, naturalism and individualism, within the realm of positive theory. Such hopes find support in Low's dismantling of naturalism and in his marking — perhaps against his own intentions — exactly the locus where a fresh systematic exploration of the social dimension of economic action would have to start. However, seen against the background of Low's concern with an economic system in crisis, such hopes may amount to indulging in the intricacies of the ivory tower.

Bibliography