



## Revisiting evolutionary understandings of the dismal science: A fundamentalist outlook.

**Unmilan Kalita and Madhumita Das**

Department of Economics, Cotton University, Guwahati, India.

Independent Researcher, Guwahati, India

### Abstract

With the global economy being inflicted by financial market upheavals or dysfunctional political economy, a need for substantive reconsideration of the principles of modern economics is fundamental. Economics was not originally regarded as a science but as a form of moral philosophy or social morality. With time, the need for economics in which all relevant facts were presented as quantities in a rigidly mathematical model with the possibility of being treated with all the rigour of a science was emphasized upon by contemporary economists. This essay makes an attempt to discuss the existing state of economics as a discipline and whether it can adequately work as a remedy for all sorts of disruptions in an economy. The write-up deals elaborate on how the discipline has move away from its fundamentals into the ambit of mathematical sciences. The need for revisiting its intricate theoretical understandings has been emphasized upon. The study concludes that restructuring the workings of the discipline so as to include different aspects of human philosophy and deeper workings of an economy, can considerably augment the quality of policy prescriptions as a remedy for disruptions in an integrated world economy.

**Keywords:** Dismal Science, Meta-economics, Meso-economics, Moral Philosophy.

### 1. Introduction

When there was talk about founding a professorship for political economy at Oxford 200 years ago, many people were by no means happy about the prospect. Edward Copleston, the great Provost of Oriel College, did not want to admit into the University's curriculum a science "so prone to usurp the rest". Even Henry Drummond of Albury Park, who endowed the professorship in 1825, felt it necessary to make it clear that he expected the University to keep the new study "in its proper place". The first professor, Nassau William Senior, in a bid to reply to critical comments in his inaugural lecture, he argumentatively predicted that the new science "will rank in public estimation among the first of moral sciences in interest and in utility" and claimed that "the pursuit of wealth... is, to the mass of mankind, the great source of moral improvement." The discipline Economics has spread its wings across all other disciplines since then and has proved itself to

be a fundamental ground-zero that every academician needs to prudently tread upon.

To say that our economic future is being determined by the economists would be an exaggeration, but that their influence is playing a far-reaching role on our lives can hardly be doubted. Economics plays a central role in shaping the activities of the modern world just like it supplies the criteria of what is economic and what is uneconomic (Chen, et al., 2002). There is no other set of actions that exercises a greater influence over the actions of individuals and groups as well as over those of governments. Therefore, it may be believed that one should look towards the economists for advice on how to overcome the dangers and difficulties in which the modern world finds itself, and how to achieve economic arrangements that vouch safety, peace and permanence (Dopfer, 2005). As such when an economist delivers a verdict that an activity is economically sound, or rather,

uneconomic, two important and closely related questions arise. First, what does this verdict mean? And is the verdict conclusive in the sense that practical action can reasonably be based upon it? The answers are debatable and require a change of perspective towards economic solutions as policy prescriptions.

## 2. Understanding economics atypically

What does it mean when we say something is uneconomic? It simply refers to the object under study as an illness: you are better off without it. An economist is supposed to be able to diagnose the illness and then, with luck and skill, remove it (Elsner, 2007). Admittedly, economists often disagree with each other and, even more frequently, about the cure. This proves that the subject matter is uncommonly difficult and economists, like all other humans, are fallible. A buyer is essentially not concerned with the origin of goods or the conditions under which they have been produced. His sole concern is to earn the best value for his money. The market, as such, represents the surface of the society and its significance relates to the momentary situation as it exists there and then. There is no probing into the depths of things, into the natural or social facts that lie behind them. Neither buyer nor seller is responsible for anything but himself. It would be “uneconomic” for a wealthy seller to reduce his prices to poor customers merely because they are in need, or for a wealthy buyer to pay an extra price merely because the supplier is poor. Equally, it would be uneconomic for a buyer to give preference to home-produced goods if imported goods are cheaper. He does not, and is not expected to, accept responsibility for the country’s balance of payments!

This brings us to the paradigm of non-economic values and their place in the framework of economic calculus. Economics generally uses a legitimate and a given framework which lies within theological boundaries (McDonald, 1997). If an economist remains unaware of the fact that there are boundaries to the applicability of economic calculus, he is likely to make an error just like the ones that medieval theologians committed when they tried to settle questions of physics by means of biblical quotations. This makes it clear enough that if economic thinking pervades the whole of society, including non-economic values like beauty, health, or cleanliness, these values can only survive if they prove to be economic (Chen, et al., 2002). Henceforth, what can possibly be done to alter this institutionalisation of individualism and self-interest?

## 3. Economics in a theoretical bondage with Mathematics

Economics was not originally regarded as a science but as a form of moral philosophy or social morality. It is not incorrect when we call the forefathers of the discipline as philosophers. However, neo-classical economists and marginalists such as Carl Menger, founder of the Austrian School of Economics, indicated the need for economics in which all relevant facts were presented as quantities in a rigidly mathematical model with the possibility of being treated with all the rigour of a science (Caldwell, 2003). Menger’s view is arguable on several fronts. Without doubt the mathematization of economics has had good effects, but in its over-developed form, it has had two noticeable bad effects.

The first is that within the new framework human beings have become an abstraction in order to fit in with the equations, and this is recognized in the term *Homo economicus*, a species which responds mechanically to the pressures of supply and demand, but is never moved to act economically through emotions such as greed or fear or base motives such as fraud. The second effect is one that affects almost all sciences to a greater or lesser degree: in converting observations to measurements, and then into complex equations, mathematical imagination has tended very often to take precedence over observable fact (Hall, et al., 2001). Certainly, there is a major role in economics for mathematics, as there is in many human activities, from architecture to agronomy, but it should be the servant in economic theory and not the master. For instance, if an economist-turned-econometrician is asked to calculate the Gross National Product of a country and by purely quantitative methods he established that the GDP has risen by, say, 5 %, he is generally unable to face the question of whether this is to be taken as a good thing or a bad thing. The idea that there could be pathological growth, unhealthy growth, disruptive or destructive growth, might be a perverse idea to him. It is of course true that the idea of quality is much more difficult to handle than that of quantity, however it is time for majority of economists to not deem their science as scientific and precise as physics and be driven by quantitative thought.

One can also cite evidence of this inadequacy when the area of first-hand field experience is called into question. Economists are not trained to think like doctors, and are rarely afforded clinical experience in their advanced training (Boland and Warlow, 2003). A graduate student in an Oxford Ph.D. program in

Economics may very well study the development crisis in Africa without ever setting foot in the country or countries under study. An adviser may hand over a data set, say for Nigerian households, and ask the student to do a statistical analysis without the benefit of context, history or direct observation. Years later, the student may have the opportunity to show up in Nigeria for the first time.

#### 4. The Time for deliverance of modern economics

With the global economy being inflicted by financial market upheavals or dysfunctional political economy, a need for substantive reconsideration of the principles of modern economics (Sheng and Geng, 2012) is fundamental. Nobel laureate Ronald Coase has explicitly indicated micro-economics to be filled with black box models that fail to study the actual contractual relations between firms and markets. He pointed out that when transaction costs are low and property rights are well defined, innovative private contracts might solve collective-action problems such as pollution (Lynne, 2015); but policymakers rely largely on fiscal instruments, owing to economists' obsession with simplistic price theory. In short, the simplicity and elegance of micro and macro models make them useful in explaining the price mechanism and the balance or imbalance of key aggregate economic variables (Elsner, 2007). But both models are unable to describe or analyze the actual behavior of key market participants. In the juggle between microeconomics and macroeconomics, the branches of meta-economics and meso-economics have been essentially ignored. Meso-economics studies the institutional aspects of the economy that are not captured by micro or macroeconomics and lays emphasis on the structures under which these forces play out, and how to measure these effects (Kirdina-

Chandler, 2015). Meta-economics delves deep into functional aspects of the economy, understood as a complex, interactive, and holistic living system. It asks questions like why an economy is more competitive and sustainable than others, or how and why institutions' governance structures evolve. In short, the "study of economics is too narrow and too fragmented to lead to valid insights, unless accompanied by a study of meta-economics" (Schumacher, 2011).

#### 5. Conclusion

It is a fundamental need of the hour that there should be a paradigm shift in the substance, rather than in the form of Economics. This would be a move which will, paradoxically, take economics back to its origin in the field of moral philosophy. It won't be surprising to realise that when the existing paradigm is examined for its appropriateness to humanity's needs, it will be seen so inadequate, dysfunctional and socially destructive that a new economic paradigm would have to be called for. Be it the Greek Depression wherein consumers were literally turning into 'beggars' or China's unexplainable burgeoning growth, the economic rollercoaster into which the world is going through is precarious and the recommended policy prescriptions needs to be revisited again. In this journey, human evolution will not make any total progress. Therefore, the real revolution, be it meta- or meso-economics, must surely lie not in establishing a global rule book for the manipulation of profit driven motives or money itself, but returning to a more simple understanding of economics based on the exchange of goods and services of real value to the community. Quoting Garrison Keillor: "*Even in a time of elephantine vanity and greed, one never has to look far to see the campfires of gentle people. Lacking any other purpose in life, it would be good enough to live for their sake.*"

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