The World in Transition: Towards A Holistic Humanistic Paradigm In Economics

ASE Glasgow Conf 2012 Sub

Corresponding Author: Mr Theocharis Kromydas / University of Strathclyde (PhD Student in Economics Department)

theocharis.kromydas@strath.ac.uk

Co-author: Mr Thucydides Moutsopoulos / University of Glasgow (MSc Student in Public Policy and Management)
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Abstract

The current publication is a brief presentation of the authors’ views on the current state of economics, which was based on a wide and critical review of relevant literature. The trigger for this study was the current prolonging economic crisis. The main axes of our analysis are five: a) The crisis developed as the aftermath of policies mainly influenced by the mainstream/neoclassical economics approaches. Unfortunately mainstream/neoclassical economics approaches are also suggested as the way out of the crisis. We present a list of critiques for the epistemology and methodology of mainstream economics based on economics, social science and philosophy literature. b) Solid alternative statements in economics are available but were until now stubbornly ignored c) Economics have become alienated from the other fields of social science in the last decades, not following the advancements and transformations that have taken place within social science. Economists have overwhelmed social scientists and society as a whole by producing a complex system that practically nobody understands. We argue that the rest of social science is better equipped to deal with the complexity of today’s post industrial world. d) We attempted a philosophical analysis of economics based on Bertrand Russell’s narrative in the History of Western Philosophy, one of the most influential philosophy books in the twentieth century. e) Finally, in order to describe the transition towards a system of holistic thinking we present an array of theories of change. Based on these we state that delay in change is due to vested interests. We make no claim of novelty in this critical review. However what we think is important is the synthesis of classical literature of different disciplines and its’ application to the modern social conditions. We believe that we offer a literature compass to any further research attempt to delve deeper into such an endeavour. The core outcome of our literature review is that the existing theoretical framework in the social and political sciences combined with novel systems of economic indicators provides a solid starting point for policy analysis. Our future work will concentrate on qualitative and quantitative analysis of policy interventions in health, environment, labour and education policies and the interactions and correlations between them.
1 Introduction

Our intention is to present the current crisis as not merely an economic anomaly but really as the turbulent transition from the industrial world to the post-industrial world, as presented by Daniel Bell (1973). Economics, we argue, needs to fit in a wider framework of an integrated social science, a post-industrial era philosophy. This philosophy needs to be humanistic and its epistemology needs to be holistic and move away from the positivism of previous decades. It needs to be relevant to modern conditions so that it provides a tool for us to plan and understand our lives on a personal level but also to design and analyse our policies on a social and political level.

Initially, in chapter 2, we describe the social transition that has taken place in the West from industrialism to post-industrialism, and place emphasis on the social aspects of that change. From the production of goods we have shifted to the production of services but that is only the tip of the iceberg and a number of social implications stem from that. The standard of living is not measured by the quantity of goods, so in a purely materialistic manner any more, and health, education and recreation are deemed as much more important. In the industrial context the individual was the social unit and relationships were impersonal with persons treated as things. Today, the community has become the social unit, social networks and bonds are deemed important, social rights and political claims have multiplied.

Subsequently the evolution of modern mainstream economics is briefly described in order to demonstrate how their evolution does not seem to have incorporated the social transition. We accept the onset of modern economics to be the 18th century industrial revolution based on the theoretical foundations set by Adam Smith, Ricardo, Malthus and Marx. Modern economics was formed by the incorporation of Keynes’ contribution in the 1930s. We accept today’s economic paradigm as carrying influences from the Chicago School of economics, based on the doctrines of Hayek and Friedman.

The alternative economics statements that are presented right after that, in chapter 3, seem well adjusted and relevant to today’s needs but are still not widely accepted. We begin by presenting Galbraith’s early critique in the 1960s claiming that economics formed in an era of extreme poverty only creates distortion when used in an era of affluence. In more recent days a number of economists as Minsky, Varoufakis and Keen have challenged mainstream economics based on methodological and ontological objections. Finally, the use of alternative indices incorporating crucial non-market notions such as wellbeing and the environment is discussed as proposed by Stiglitz, Sen, Fitoussi, Lawn and Jackson.

Chapter 4, is a brief description of modern social and political science which seems to us incommensurable with mainstream economics but in accordance with some of the alternative economic statements. Epistemology and ontology in the rest of social...
science appears to be not strictly positivist, as opposed to economics. Sociology places emphasis on social capital and treats people as parts of communities and not as isolated individuals, just like politics, which also denounced positivism and methodological individualism decades ago, gradually adopting the network model which is founded on the notions of reciprocity, sharing, cooperation and trust. Modern psychology, as represented by Maslow and Yalom, accepts self – actualisation and happiness as proportional to wealth only in covering basic needs, therefore contradicting mainstream economics’ implicit assumption of a causal relation between happiness and wealth which leads to the demand for ever growing GDP.

In chapter 5 the philosophical implications of economics are discussed. We accept that economics by engulfing issues relevant to value, society, ontology, epistemology and psychology has philosophical implications. In this chapter we try to investigate the characteristics of the philosophy that mainstream economics implicitly represents and the problems that this entails. We come to the conclusion that economics was inaugurated as an empirical, utilitarian and materialistic branch of ethical philosophy, in 18th century Britain, but in modern years its focus on the use of models and abstractions has turned it into an idealistic theory, the philosophical opposite of empiricism, utilitarianism and materialism. Most philosophers would claim that idealism is obsolete and “does not have a future” (Craig, 2010, p.429). Russell (1946, p.623) further claims, that idealism can have dangerous implications as historically it has produced extreme personalities and disastrous conflicts. We further question whether mainstream economics is scientific, as it claims to be, or if it actually incorporates more religious than scientific elements. We have borrowed this rationale of treating self-proclaimed “scientific” theories in social science as potentially religious from Russell (1946, p.338) who has criticised Marxism as such. Following the Hegelian method of dialectics we conclude that the aforementioned transitions and conflict of idealism and empiricism within economics is part of its transformation to something new. We argue that this new agglomeration could lead to an organic integration of social science which will include economics and its alternative statements.

In chapter 6 our starting point is that the current crisis is a period of transition. Our view is that this crisis is the opportunity for a new paradigm to arise. This need for a novel social paradigm was expressed decades before the current crisis, when Chomsky and Foucault (1974, p.50) called for a “humanistic social theory” in order to create a vision for a future just society. We feel that economics needs to transform itself in order to fit that new humanistic social paradigm. We present theories of change from the natural sciences (Kuhn, 1970) and the social sciences (Foucault, 1970; 1980) which seem to agree on two main points: a) Successful transitions require a change of general framework of thought b) The implementation of change is political and the groups that have vested interests in the existing situation will inevitably oppose change. Finally, in chapter 7 we discuss all the above and put forward proposals for future work.
We make no claim of novelty in this critical review. However what we think is important is the synthesis of classical literature of different disciplines and its’ application to the modern world. We believe that we offer a literature compass to any further research attempt to delve deeper into such an endeavour.

2 Current state of socio-economic affairs

2.1 The evolution of society in the western world

Daniel Bell (1973) was amongst the first scholars to clearly describe the transition from industrial to post industrial society in *The Coming of Post–Industrial Society: A Venture in Social Forecasting*. According to his description, the traditional type of society in which mankind has lived in for thousands of years is preindustrial society. Life is a game against nature and its pace is set by the elements. Main occupations are farming, mining and fishing and muscle power and tradition are key drivers of the economy. Productivity is low and bears little connection to technology and rates of underemployment are high. Social life revolves around the extended household, which is the unit of social life, and social structure is often authoritarian.

In an industrial society the predominant economic activity is the production of goods. Life is a game that is played against a fabricated nature of cities and factories and its pace is machine driven. That set a social context in which work would take place in the artificial environment of the factory where workers, typically semi – skilled, would tend the machines being involved in pure mechanistic tasks. An industrial society revolves around schedules and awareness of the economic value of time. The standard of living is measured by the quantity of goods, so in a purely materialistic manner. Large bureaucratic and hierarchical organisations manage the complexity of goods production and distribution. These organisations hold specific roles for their members and their operations tend to be impersonal with persons treated as things.

Currently the western world, Europe and the USA, are in a post industrial phase. In post-industrial societies quality of life is measured in terms of health, education and recreation and as a result provision of services is considered to be very important. Information and knowledge are key skills that play the role that muscle power plays in pre-industrial societies and machine efficiency in industrial societies. Life is a game played between people and as social rights and political claims multiply, social life becomes complicated. The community becomes the social unit replacing the individual and the extended household.
2.2 The evolution of economics in the industrial western world

Before the end of the 18th century economic systems were merely depended on political aspirations as part of a national goal to increase wealth. Capitalism as a form of economical system did not happen miraculously but replaced Feudalism after having been boosted by the previous systems of Mercantilism and Physiocracy (Blaug, 1996).

Mercantilism appears in Britain as the earliest progenitor of capitalism. In Mercantilism the nation’s wealth was measured in precious metals (gold-silver that each nation turned into its own coins) and the ultimate goal was the maintenance of a positive nation’s balance of payments (Mills, 2002). During the same period of time France developed an economic system known as Physiocracy. Physiocrats saw market and economy as governed by objective laws similar to natural laws, and land was considered the core and the only productive factor of production. Their view gave rise to a social class analysis based on people’s role in economy. (Varoufakis, 2011)

The division of labour and the automatisation and mechanisation of agriculture and manufacturing rendered industrial capitalism as the absolute master of economic life, displacing mercantilism and feudalism which now seemed as obsolete and primitive. Adam Smith tried to theoretically establish capitalism with respect to factory relations as opposed to the “law of nature”. According to Smith surplus cannot solely extracted from agricultural sector but from all the sectors of economy as it is merely related to the notion of profit. Profit is the crux of market’s reinforcement and development and the main mechanism of its surplus dynamics. (Smith, 1776)

David Ricardo had a lot of similarities with Adam Smith. They both share similar perspectives on the automatisation and rationalisation of production, the efficient division of labour, as prerequisites for allowing competition to function freely and untrammelled by any external intervention. However, Ricardo was an opponent of the income acquired by rent, distinguishing it from profit, because of the idleness that causes in the economic growth (Ricardo, 1817). However Malthus (1820), criticised Ricardo for his abstractions and rather sketchy generalisations.

Karl Marx was a strong proponent of social structuralism and a fierce critic of capitalism. All his work revolves around the basic idea that social reality depends on the social institutions built by the relevant dominant class. In capitalism (meaning the highly industrial one of his time) this class is the bourgeois, which exercise its dominance by the establishment of capitalism as the only nature state of any society (Marx, 1909). Marx argues that the “essence” and “appearance” of capitalism differ but is not easily distinguishable, implying that the essence is alienation under the appearance of creation of wealth. Marx concludes that labour is the only valid determinant of value and surplus-value is the part of the value created by the workers but accumulated by capitalist employers as being part of their “generic gross profit” (Marx, 1909a). The division and mechanisation of production process leads to an abnormal situation where workers are alienated from the product they produce.
rendering them as ‘‘wage slaves’’, severely exploited by bourgeois who control the means of production (Marx, 1902). In that context, governments’ main concern is to reproduce capitalism and maintain power to the dominant class of bourgeois. Marx additionally notes that because profits rates have the tendency to decline in the long-run, capitalism is a finite system, sealed to an end. Its natural end will inevitably give rise to a transition to socialism (Marx and Engels, 1848).

The 19th century highlights the need for a new banking system, looser and less personalised. Companies distributed their stakes to those who could buy them irrespectively of their class and nationality. (Ferguson, 2008) The Banking sector started to increase profoundly spreading its activities globally, paving the way for the oncoming financial engineering. Capitalism, through banking started to be mystified as the deity of well-being, lubricating the engine of investment and profit globally, relentlessly gaining ground over all other social activities. (Appleby, 2010)

As Bookchin (2007) argues, capitalism is an economic system of which the basic format is both pervasive and mutable, penetrating all aspects of social life. Capitalism in the 20th century changed phases dramatically, but still remained its basic premises: capital dominance over everything else. Capitalism evolved into an economic system highly pervasive to all areas of human life, constantly transmuting itself, exceptionally easily (Appleby, 2010). Historical events such as the Russian Revolution and the massacre of two World Wars played significant roles in these transformations. Classical economists and Marginalists were those who transformed economic affairs under the dogma of laissez-faire et laissez-passer, letting the economic deity of the invisible hand take charge neglecting the dire consequences which could entail. The world would soon fell into the dire straits of the 1929 crash which played a significant role in sparking WW II. Under those circumstances a new doctrine would have to be invented and John Maynard Keynes was the first who threw down the glove.

2.3 Where are we now?

In that context of the 1929 crisis, Keynes stepped in by arguing that an expansionary economic counter-cyclical policy could be the remedy to an economic and financial dumb. He challenged the conventional wisdom of his time of the entrepreneurs’ ‘‘animal spirit’’ by claiming that if we let the market free to overcome the crisis that has itself generate, we will end up in a situation of high unemployment complemented with zero investments (liquidity trap) where monetary policy tools are useless. Keynes’ view was that government should intervene by increasing public spending, backing up employment generating jobs which will in turn increase the aggregate demand of an economy and thus consumption. (Keynes, 1936)
During the same period of time Von Hayek, offer an extreme liberal approach to the way a society can overcome a severe economic crisis such as that of 1929. Highly influenced by the emergence of National Socialism and his persecution as a dissident of Nazi’s, he argues that government intervention will make things far worse as the debt will surge to astronomical numbers. What we have to do is to let the market do what it thinks is best. Societies are damned to both good and bad effects of the business cycle natural procedure. Since people’s optimism reinforces their reckless and hasty decisions while economy was booming, it is them who also need to suffer from an inevitable shock after the party is over. A period of a deep recession, subjected even to the most dreadful of the consequences, is a necessary condition for the realisation of the previous mistakes and the implementation of a more frugal economic behaviour from all parts of a society. (Hayek, 1944)

Keynes’ theories of economic growth and distribution policies became the mainstream economic approach, rendering the classical economic doctrines, of the pro 1929 era, obsolete and their proponents academically and politically alienated. In the 1970s Keynesianism fails to theoretically overcome stagflation which leads to its displacement by a dynamic economic / political regime, neoliberalism. Neoliberalism’s background is based on the notions of liberalism: individual freedom, free-market and the minimum intervention of State. However, its actual implementation differed a lot. Harvey (2005), following a Marxist approach uncovers it’s essence as opposed to its appearance. He argues that there is an inherent paradox in neoliberalism which renders it highly controversial. While liberalism essentially requires minimum state intervention, neoliberalism cannot function without government’s protections over the institutions which mandate and impose strictly contractionary policies under the guise of free-market mechanism.

In the short term, privatisation orgasm of the 80s worked quite well boosting economic growth but in the expense of increasing social inequalities between and within countries. GDP growth was the absolute terminus of a society. After the 80s and while the gap between “have” and “have nots” was exponentially surging, largely due to various austerity policies brutally imposed, a tremendous amount of money accumulated and needed to be reinvested following the basic capitalist principle. Financialisation came in as a “deus ex machina” creating a huge funnel for all accumulated capital. Such apparatus was highly inventive constructing financial products of an extreme complexity, solving the problem of capital idleness but creating a bigger one: the structural dismantling of all productive areas of the global economy, where financial engineering services were the great regulator of all facets of social life. Adequate attention was not given to the possibility of a bubble burst, causing a crisis which under those circumstances could be proved inevitably shattering. There has been more than 4 years since then, sinking most of developed and developing world into the mires of a “toxic” recession (Ferguson, 2008).
3 Alternative statements in economics

Galbraith (1958) criticises the use of classical economics, formed in an era of extreme poverty, to describe human transactions in an era of affluence. According to Galbraith it is a huge distortion to treat the need for food and warm clothes in the same manner as the desire to satisfy the craving for elegant cars and erotic clothing. He was also amongst the first to discuss the impact of modern rates of production on the environment. Rephrasing and combining theories and putting them into context in different time periods and cultures is a demanding task. It requires creative thinking, innovation and overcoming change barriers and the status quo: the conventional wisdom of the era. Unfortunately, it seems like capitalist doctrines are still used unchanged today without having been adjusted to the modern conditions of affluent post-industrial societies.

In more recent years, a number of leading economists have challenged the fundamental assumptions of mainstream economic science: abundant information, perfect competition, rationale expectations, unhindered capital and labour mobility, are not accepted as absolute truths anymore. Some theorists have even taken things further by claiming that the whole of mainstream economics needs to be revised from scratch and possibly altogether cancelled (Keen, 2001).

Policies are still designed based on the principle of inherent stability of markets where supply and demand constantly and dynamically reach a point of equilibrium. That has been contradicted by world – leading economists like Keynes (1936) and Minsky (1986) who argue that there is no such equilibrium and markets are inherently unstable. The assumption of equilibrium goes hand – in – hand with the neoclassical doctrine of not taking into account the fact that crises will at some point occur. This assumption either overlooks economic history, as crises do occur (Ferguson, 2008), or suggests a Darwinian temperament which would applaud the “fit” thriving and the “unfit” failing. We should note that many prominent thinkers have argued that nature does not evolve purely on antagonism but also on mutual aid (Kropotkin, 1902).

This idea of linear perpetual growth, ignoring crises, led to the construction of highly complex macro - economic mathematical models to forecast the future outcome of present assumptions, actions, non – actions, interventions and investments. Model building is an excellent mental exercise that gives scientists the opportunity to do research for available data relevant to their problem, represent them, try to understand correlations and synchronisation between the evolutions of different phenomena and try to assume possible outcomes of different actions, as well as to clearly demonstrate his thought to colleagues and the public. If modelling was actually undertaken for research and communication purposes there would be no room for criticism, but unfortunately once the model is built outcomes of decisions taken under very specific biased assumptions are often presented as universal “scientific” truths. (Varoufakis, 2011; Keen, 2011)
The mainstream economical approach to understanding and projecting the progress of a society is by means of a perpetually growing GDP per capita. Even though the human and social need for perpetual evolution and progress is widely accepted, still the utilisation of the GDP as the main, the sole really, indicator is clearly problematic and suboptimal. Stiglitz et al (2010) propose a composite indicator to replace GDP that would include the distribution of income, consumption and wealth, non-market activities, a subjective as well as an objective measure of quality of life, a measure of social equality, a sustainability index and an environment index. Lawn (2006) further proposes a number of indicators that take into account sustainability, the environment and welfare.

Clearly the issue of selecting new economic indicators complements the discussion of shifting form growth to sustainable development. Sustainable development is a term that practically came into existence with the release of the Brundtland Report by the World Commission on Environment and Development and has been widely used ever since. In the aforementioned report, sustainable development is described as the attempt to meet the needs of the present without compromising the ability of future generations to meet their own needs. Sustainable development implies limitations on the use of environmental resources imposed by the present state of technology, social organization and the ability of the biosphere to absorb the effects of human activities. Sustainable development requires meeting the basic needs of all and extending to all the opportunity to fulfill their aspirations for a better life.

Meeting essential needs requires not only economic growth, but also an assurance that those poor get their fair share of the resources required to sustain that growth. Such equity would be aided by political systems that secure effective citizen participation in decision making and by greater democracy in international decision making. According to the report, sustainable global development requires that those who are more affluent adopt lifestyles within the planet's ecological means, and special emphasis is placed on the use of energy (UN, 1987). It becomes evident that according to the initial and most widely used definition of sustainable development, it is a notion not only relevant to ecology but to politics and economics as well. The Earth Summit in Rio de Janeiro in 1992 and the widespread promotion of the UN’s Agenda 21 (UN, 1993) firmly established sustainable development as a policy objective globally (Lawn, 2006). Tim Jackson (2009) is one of the leading modern theorists to attempt to detach the concept of prosperity from the concept of growth. Alexander Gillespie (2001) comes to the conclusion that modern societies in their obsession with growth live in illusions of progress.

The question of what indicators should be preferred in economics is clearly, apart from practical, also social-philosophical-ontological-epistemological. Economics should be dealing with issues of value, what is important in life and what is not, it should be dealing with the way society is structured, how policies are designed and delivered, market and social transactions, culture, individual and social wellbeing; instead it currently solely deals with money-value. In this context moving away from
the GDP and towards a multiparametric system, like the ones previously presented, will be much more representative of the state our societies are in currently, post-industrialism where quality of life and the community should be the core values, and away from purely industrial era thinking, where materialistic – individualistic thinking prevailed.

4 Modern social and political science

Economics is stubbornly fragmented and many would claim alienated from the rest of social and political science (Varoufakis, 2011; Keen, 2011). The aforementioned alienation renders economics as a science incapable to grasp and respond to social problems. What was inaugurated as an empirical branch of ethical philosophy with the aim to deal with issues of value, has turned itself into an idealistic religion, methodologically subdue to indicators and incapable to understand and describe social dynamics as it is introvertedly constrained within itself.

Social research is classified into two main ontological stances: objectivism which sees the emergence of social phenomena as independent of social actors and constructivism which conceives reality as the product of interconnected social acting. Objectivism implies positivism as a research epistemological tool whereas social constructivism is closely related with subjectivism. Critical realism falls somewhere in the middle binding interpretivism’s methodology with positivist’s ontology, creating a novel methodological synthesis in social science (Bryman, 2004).

Ontologically, mainstream economic science perceive reality by the representation of “economic objects”. These are translated to commodities, goods, money-value, price, and exchange which all reinforce the market mechanism ruled by exact and objective laws which can be applied to any individual. Then, by studying individual’s behaviour economics generalise to an aggregate level (methodological individualism) assuming that they all behave rationally selecting combinations of goods that maximise their utility given their budget constraints (Zuninga, 1999). So, mainstream economics remains strictly objectivistic in an era when the rest of social science has widely accepted that some issues need to be treated in context.

Casting some light into the epistemological debate between qualitative and quantitative researchers we note that by using qualitative research techniques insights could be provided into interpretations that are beyond the description of patterns and numbers per se (Lawson, 1997; 2003). Ziliak and McCloskey (2009) distinguish between statistical significance, scientific verities and economic meaning. When statistical significance prevails over the interpretation of the economic importance of the actual effect of variables, scientific meaning takes the form of arbitrary and ambiguous scientism. ‘‘Significant Does Not Mean Important and Insignificant Does Not Mean Unimportant’’ (Ziliak and McCloskey, 2009, p. 2306). Conversely, the use of a qualitative approach could provide greater depth to the analysis, and allow a more
nuanced understanding of why patterns emerge in the quantitative data analysis. However, qualitative approaches do suffer from a number of criticisms including problems of reliability relating to qualitative findings made using a small sample, including the representativeness and external validity (generalisability) of investigating a particular sample (Bryman, 2004). Mixed methods, which combines quantitative and qualitative methods tries to offer an alternative for overcoming the disadvantages of particular methods, but again the use of mixed methods does not necessarily reveals robustness, as it depends on the research context (Bryman, 2004). Even though this interesting debate has been open for many years now, economics insists in being mainly quantitative and strictly positivist.

In sociology, the introduction of the idea of social capital in the social sciences was extremely important as it demonstrated that not only financial capital (Smith, 1776), tangible material goods or means of production (Marx, 1909) are important but also networks of social bonds can have immense contribution in a person’s success and well being. The notion of social capital was also crucial in highlighting the importance of social networks as opposed to social class, which was the main focus of sociological analysis up to that point. Amongst the pioneers of the use of the notion and term “social capital” was L.J. Hanifan (1916) and Pierre Bourdieu (1972). Economics, on the other hand, insists on the importance of financial capital and attempts to translate all social interactions in money values, thus oversimplifying complex phenomena.

In policy analysis, the methodological context has changed considerably over the last decades. Herbert Simon (1957) proposed the rational model for policy decision making, which was a methodology, a set of rules, for the decision maker to maximize his values. According to Hill’s (2005) analysis of the rational model, it is not an oversimplifying, nor a politically naive model. Simon was also aware of the complexity of the idea of rationality. Still the model had a number of limitations, among which the inability to adequately describe the complex collective processes involved in policy decision making. In that sense incrementalists (Braybrooke and Lindblom, 1963) provided a more sophisticated model by incorporating the idea of multiple independent decision makers coordinating, bargaining and negotiating. Lindblom kept refining his ideas over his career gradually accepting in Politics and Markets (1977) his original views about negotiation to be optimistic and that there is a bias in favour of businesses and corporations. A few years later, Kingdon (1984) saw the policy process as chaotic and unpredictable. Kingdon’s model has been challenged by evidence that systems may be more organised than he suggests. Typical examples of such organisation could include political parties, administrative / bureaucratic systems and stable policy networks and communities (Hill, 2005). Sabatier and Jenkins – Smith (1993) treat the policy process with an approach that shares many features with the network theorists. Hajer and Wagenaar (2003) describe the deliberative approach to policy analysis as a model that encompasses and helps deal with the conflict that is inherent in human communities. In that sense it is a model that
is political, as opposed to rational policy analysis that proposes a scientific approach to policy. They further describe the deliberative approach to policy analysis as interpretative and practice oriented. Hajer and Wagenaar (2003) also see deliberative policy analysis as empirical and practice – oriented, on contrast to rational policy analysis which is normative and which follows the tradition of August Comte who was highly suspicious of practitioners and believed that it is essential to keep them away from decision making (Lenzer 1975).

The modern approach to policy analysis is network theory. Policy networks are defined as conglomerations of public and private actors interacting around specific policies or projects. According to the authors, core attributes of networks are notions of reciprocity, sharing, cooperation, and trust, thus they are humanistic. They point out that policy networks lose their meaningful sense and are distorted into groups of retinues when they begin to rely on market power or administrative legitimacy (Windhoff-Heritier, 1993; Heinelt and Smith, 1996). It accepts that power is distributed amongst various social groups and provides us with a methodology to represent members and the connections between them. Network theory engulfs classical structuralism / Marxism as it accepts the idea of stronger groups prevailing over weaker groups as the Marxists do (Marx, 1909). We could further claim that networks have not just incorporated structuralist criticism but are also an advance on structuralism / Marxism itself as they go beyond just recognising economic power and they add the notion of social capital. Network theory accepts the possibility of informal connections in the network that exercise power not only in financial terms but also in symbolic terms, so it engulfs post – structuralist rationales as well (Foucault, 1970; Degeling and Colebatch, 1984). According to post-structuralism, rhetoric of equality may be used just to mask inequality. Dominance of certain groups is implicit in the concept of structure as well as in our institutions. These groups could be ethnic, religious, males, bureaucratic elites and so on. Their dominance could be implicit in institutions, ideology, language, demography, technology, and so on. The prevailing power is not constant and is continually renegotiated (Hill, 2005). It could also be seen as an advance on neo-liberal / economic views of politics as it does not assume “abundant information” for all, but by representing the network it demonstrates how some members have abundant information when others need to decide under “bounded rationality”. Of course the network model does not completely solve the policy analysis problem but only assists us in making some sort of sense out of the apparent chaos of governance, as Knapp and Wright (2001) say. The role of the analyst that will use the model is the crucial part of the analysis and his / her education and intuition (Hill, 2005) will be critical in resulting in meaningful analysis.

Mainstream modern economics, as opposed to modern political science, insists on rationality, positivism and methodological individualism, thus ignoring the social context and not examining the behaviour of groups and networks within the market. It also ignores the role of practitioners in the implementation of economic policies, assuming that they will conform to the designed model. Complexity economics which
moves towards the direction of trying to engulf some of the social interconnections is still not widely accepted by the mainstream economics community.

The needs of the individual consist of a crucial point in economics. In psychology possibly the most widely accepted hierarchy of human needs is that described by Maslow (1943; 1968). According to Maslow healthy individuals originally need to fulfill physiological needs, like the need for food or sleep, that are connected to material goods and then they move on to fulfilling non-material needs like the need for friendship, self esteem, esteem by others and creativity. It is interesting how modern psychology only accepts a proportional relationship between human happiness and material goods, or services that can be purchased, only at a very initial level. After that point, happiness is seen as independent of economic status, or at least not as linearly proportional. Another widely accepted hierarchy of human needs is that proposed by Epicurus in the early Hellenistic era. Epicurus was an Athenian philosopher whose work recently attracted a lot of attention from psychologists as well as lay people after the American psychologist and Stanford University Professor Irvine Yalom based his book *Staring at the Sun* (2008) on Epicurus’ theories. Epicurus’ hierarchy of human needs is in agreement with Maslow’s work in accepting that material and purchasable goods are important in covering basic physiological needs like the need for food or sleep. He further claims that accumulation of wealth in the attempt to cover vain or “non-necessary” needs leads to misery (Koen, 1995). It sounds slightly self-contradictory, but this ancient “hedonistic” and “materialistic” philosophy reminds us today that the modern over-consuming and over-indulging way of life is bound to drive us to misery. Modern economics, ignoring that, propose or imply a fully proportional relationship between wealth and happiness (Johnson & Krueger, 2006; Gardner and Oswald, 2007; Frey 2008).

4 The philosophical implications of economics

One of the core issues that economics deals with is that of value, what is important and what is not and for whom. In its attempt to understand markets, it analyses social transactions and individual psychology using specific methodologies. It becomes evident that economics by engulfing issues relevant to value, society, ontology, epistemology and psychology has philosophical implications. In this chapter we try to investigate the characteristics of the philosophy that mainstream economics implicitly represents and the problems that this entails.

In western philosophy, since it’s onset in ancient Greece, and till the 20th century there have been two schools of thought always opposed to each other. The one school, the idealists, was inaugurated by Pythagoras and some of the main members would be Plato, Thomas Aquinas and the Catholic Philosophers, and Kant and his disciples the Romantics. The opposing school was inspired by the empirical sciences and the main members would be Democritus, Aristotle and the modern empiricists from Locke onwards (Russell, 1946, p738). Idealism is a philosophy
which deems the physical world dependent upon the mind, the “idea” so it focuses on
the abstract rather than on the tangible. Empiricism focuses on experience and treats it
as the sole epistemological means (Craig, 2010). Economics was inaugurated as an
empirical, utilitarian and materialistic branch of ethical philosophy, in 18th century
Britain. In modern years economics focus on the use of models and abstractions, so
has turned into an idealistic theory. Most philosophers would claim that idealism is
obsolete and “does not have a future” (Craig, 2010, p429). Russell (1946, p.623)
claims that idealism can have dangerous implications as historically it has produced
extreme personalities like Hitler, and disastrous conflicts like WWII. In the same
historical context, Hitler’s opponents, Roosevelt and Churchill were influenced by
Locke and empiricism. The idealists’ philosophical line of Pythagoras and Plato is
descended from Dionysus and Orphism, the ancient religions, and survived till today
in the Christian doctrines. As a result idealist’s conceptual frameworks resemble
religion. We could also note that Russell further insists how this ancient religious line
of philosophers was always keen on worshipping numbers: Pythagoras, the
inaugurator, was the one who said “all things are numbers”. In this context we
could claim that the awe caused by modern economic models is pious rather than
scientific (Varoufakis, 2011; Wolff, 2009; Wolff and Barsamian, 2012; Keen, 2011)

We have borrowed this rationale of treating self-proclaimed “scientific” theories in
social science as potentially religious from Russell (1946, p.338) who has criticised
Marxism as such. When Marxism emerged, it was originally the main critique for
capitalism, and later evolved to be the main critique to mainstream economics.
Marxism, apart from an economic school of thought, it is also considered to be a
philosophy. As such it shares all the characteristics previously mentioned for the
philosophy embodied by mainstream economics. It was inaugurated as a scientific and
materialistic theory which now seems rather idealistic and engulfing religious
elements. Russell (1946, p.338) directly compares Marxism to Judaism, mirroring
Marx to the Messiah, the proletariat to the people of Israel and the communist party to
the church.

It seems like mainstream economics, alike Marxism, nominally are utilitarian,
materialistic, scientific and empirical but in essence they have become a problematic
hybrid of empiricism and idealism. They treat financial capital as an “Idea” to be
worshipped; they follow a religious rather than scientific approach to things, turning
the ontological materialism, an explanation of how the world is made, to
consumerism, a prescription of how human life should be led, a perpetual
accumulation of wealth. According to Hegel (1816) and his dialectics opposites are
always transient and interact with each other, so this agglomeration of contradicting
notions, namely empiricism and idealism, should come as no surprise. Hegel further
argues (Varoufakis, 2011, p.69) that eventually the conflict of opposites will produce
something radically new, the Hegelian “synthesis”. Will Hegel’s theory be verified in
the case of economics and will this conflict produce something radically new? Could
it be the case that this synthesis has already taken place and the radical new notions
exist but have not yet been widely recognised and positioned in a coherent and institutional wider framework? In our view denying that seems naïve; we believe that the alternative economic statements previously presented, organically incorporated within a unified social science meet the modern, post-industrial, post-scarcity challenge which we face on an intellectual, social and environmental level.

6 Understanding the crisis as a transition

The last years and after the beginning of the current crisis the necessity of new economic and socio-political rationales has been widely discussed. We argue that this change has been incubated for some decades now and that social theorists have been stressing that need. Russell (1946, p.456) argued that the rise of science gave men a much different outlook than the philosophers of the past. Technical science and its achievements gave men a sense of power as due to technical achievements they became much less at the mercy of the environment. As a result philosophies inspired by scientific technique were power philosophies (e.g. Nietzsche) and regarded everything non-human as raw material. The distortion that era introduced, according to Russell, was that “ends are no longer considered; only the skilfulness of the technique is valued”. Russell saw that as a “form of madness, the most dangerous form of madness of our age, one against which a sane philosophy should provide an antidote”. It is worth mentioning that he was one of the greatest mathematicians of the 20th century. Chomsky and Foucault (1974, p.50) appear to agree with each other that it is necessary to create a vision for a future just society. In order to achieve that they saw as necessary the creation of a “humanistic social theory” they thought was missing at that point in time. We argue that it is still missing today, that it should be a goal for social science research and practice and that the crisis might provide an opportunity for it to emerge. The excessive use, and misuse, of econometrics in economics and policy making could be viewed as a continuation of that technical approach, seen as “madness” by Russell. In this chapter we present transitionary theories as proposed by Kuhn and Foucault in order to provide theoretical foundations on how social change occurs and the common barriers it faces.

This necessary change of theoretical framework has been described by Bachelard (1938) as an “epistemological break”, by Foucault (1970) as change of “episteme” and by Kuhn (1970) as “paradigm shift”. Bachelard challenged the intellectual status quo of his time which argued that scientific progress is a linear procedure, by arguing that it is not the case. What he saw as the medium that produces change as well as the evolution of science, interrupting pre-existing linearity, was scientists’ mental patterns which totally change peoples’ perceptions about concepts. Foucault (1970) treats systems of thought as contingent outcomes produced by various unrelated causes which cannot be easily separated for investigation. With his ‘genealogical’ approach he offered a systemic thinking on how the process of transition occurs within social systems (Foucault, 1980). He relates knowledge to power so, according to his theory,
changes occur in a context of social control. According to Foucault, dominant regimes influence and control knowledge by deliberately directing research. So, Foucault’s rationale is an advance on Bachelard’s theory which is more complete as it engulfs the political dimension of change. Kuhn sees paradigms as the rules, norms, theories or methods shared by a research community to generate and develop a research consensus and tradition where all its members will commit to in order to explain and understand the world around them. Paradigms after anytime established are being educationally reinforced by certain apparatus within that tradition such as lectures, lab experiments, textbooks and curriculums, which main goal is to maintain paradigms’ dominance and its members’ prevalence over all others who do not share the same worldview. The most of the research carried out under that context is “puzzle solving”- like, irrespectively of its applicability within social reality, and no radical and revolutionary views can be consolidated and reconciled within the existent paradigm. This is the process of “normal science” as opposed to the “revolutionary” one. The main purpose of the latter is to provide an alternative shift to the existent paradigm after this reveals its weaknesses and enters a period of crisis where customary research endeavours fail to represent what happens to the real world. Two competing paradigms are always “incommensurable” according to Kuhn. Kuhn comes to agree with Foucault on the political implications of change and the fact that change will always be opposed by the establishment. In that context, the delay we are experiencing in the change in economics and social science which many leading scholars have been proposing for decades is a product of the inertia of the existing paradigms.

7 Discussion and Future work

We attempted to put forward a system of humanistic and multidimensional, still transparent, thinking in economics versus indicator-worshipping and one-dimensional approaches. We described the social and economic transition that took place in the West from industrialism to post-industrialism concentrating on the social aspects of that change. From the production of goods we have shifted to the production of services but that is only the tip of the iceberg and a number of social implications stem from that. The standard of living is not measured by the quantity of goods, so in a purely materialistic manner any more, and health, education and recreation are deemed as much more important. In the industrial context the individual was the social unit and relationships were impersonal with persons treated as things. Today, the community has become the social unit, social networks and bonds are deemed important, social rights and political claims have multiplied.

We then moved on to describe the evolution of the science of economics until today. We argue that after a point there has been a divergence between mainstream economic theory and socioeconomic reality, which became even more notable with the prevalence of neoliberalism in the 1970s. This was the first step in the path
towards the financialisation of the 1990s and 2000s, with its immense complexity, which led to corruption (The inside job, 2010; Ferguson, 2008) and collapse. We mainly build our arguments on Galbraith’s (1958) rationale that economics, conceived in an industrial era of extreme poverty, was incommensurable with the affluence of a post – industrial world. Examining economics as a philosophy, and building on Russell’s rationales, we argue that there are ontological and epistemological gaps as well as contradictions in modern economic systems. Following the Hegelian method of dialectics we conclude that the aforementioned contradictions within economics are part of its transformation to something new. We argue that this new agglomeration could lead to an organic integration of social science which will include economics and its alternative statements in a holistic and humanistic system of thought. The alternative economics statements as well as modern socio-political science seem well adjusted and relevant to today’s needs but are still not widely accepted by mainstream economists. Alternative indices incorporating crucial non-market notions such as wellbeing and the environment is discussed as proposed by Stiglitz, Sen, Fitoussi, Lawn and Jackson. Epistemology and ontology in the rest of social science appears to be not strictly positivist, as opposed to economics. Sociology places emphasis on social capital and treats people as parts of communities and not as isolated individuals, just like politics, which also denounced positivism and methodological individualism decades ago, gradually adopting the network model which is founded on the notions of reciprocity, sharing, cooperation and trust. Modern psychology, as represented by Maslow and Yalom, accepts self – actualisation and happiness as proportional to wealth only in covering basic needs, therefore contradicting mainstream economics’ implicit assumption of a causal relation between happiness and wealth which leads to the demand for ever growing GDP. Summing up, mainstream economics seem to insist to perceive positivism as synonym to science. The title of Kolakowski’s book: The alienation of Reason: A history of Positivist Thought is descriptive of the consequences of that illusive assumption.

We make no claim of novelty in this critical review. However what we think is important is the synthesis of classical literature of different disciplines and its’ application to the modern social conditions. We believe that we offer a literature compass to any further research attempt to delve deeper into such an endeavour. The core outcome of our literature review is that the existing theoretical framework in the social and political sciences combined with the systems of economic indicators proposed by Stiglitz, Sen, Fitoussi and Lawn provides a solid starting point for policy analysis. Our future work will concentrate on qualitative and quantitative analysis of policy interventions using, apart from GDP, the set of alternative indicators. Our main focus is the analysis of local and regional interventions, under the constraints placed by the available data. The basic axes of our research will be health, environment, labour and education policies and the interactions and correlations between them. We will attempt to investigate, to the extent that the existing data allows, possible distortions in the way policies were delivered and evaluated as a result of GDP economics.
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