Economics and politics: some bad reasons for a divorce

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‘When I was young and naive, I used to imagine that my career as an economist could eventually branch out into one as a general social scientist.’

Paul Krugman, Why I am an economist (sigh), 1999.

‘In the long run, force alone determines social forms: the big mistake of the nineteenth century was to have forgotten this principle.’


ABSTRACT

The article goes through the works of a dozen of the founding fathers of economic science as well as current renown economists. It tries to show that the separation between economic and political analysis is not as obvious as economists often believe. It underlines that the arguments put forward by the economic literature to justify this divorce are far from convincing and sometimes contradictory.

KEYWORDS

Economics; political economy; politics; Adam Smith; universal laws; mathematical abstraction.

1 INTRODUCTION

The majority of economists today take for granted the existence of an independent discipline called ‘economic science’, whose tools make it possible to analyse society in a scientific way; that is to say, free of any moral, philosophical or political consideration. The history of economic thought is thus generally presented as being one of a gradual evolution from a confused age of economics, integrating several aspects of societies, through to the introduction of a pre-scientific form inaugurated by
Adam Smith and ending with the work of Walras, the first of the scientific economists (Blaug, 1985; Leroux et Marciano, 1998: p.25). This evolution has been summed up well by Alfred Marshall, for whom the raison d’être of economics ‘as a distinct science is that it deals above all with those human actions which are most subject to the influence of measurable motives’ (1907: p. 149), measurable in terms of ‘the amount of money [a person] agrees to pay in to order to obtain a desired gratification’ (p. 98). This is a definition of a specific field of study which Marshall (1879) describes more precisely as being in opposition to the political economy of the time. It frees itself from the analysis of the struggles for power and domination linked to conflicts of interest:

The nation used to be called the ‘body politic’. So long as this phrase was in common use, men thought of the interests of the whole nation when they used the word ‘political’ and then ‘Political Economy’ served well enough as a name for the science. But now ‘political interests’ generally mean the interests of only some parts of the nation; so that it seems best to drop the name ‘Political Economy’ and speak simply of economic Science, or more shortly economics.

(Deane, 1989: 119)

Is this promotion of an economic science independent of any consideration of power justified? Before going any further, two preliminary remarks are necessary. The demonstrations that follow do not pretend to exhaust the subject of the history of the relationship between economic and political approaches. They are meant rather as an incentive to examine this research topic. It is the case that, on the one hand, this paper reads this history solely from the point of view of economic literature, without taking into account the evolution of political science, and on the other hand it relies on the study of a mere dozen or so writers who, while certainly being considered the ‘major classics’ of economic science, cannot do justice to its full richness.¹

It is also necessary to clarify what is meant here by ‘politics’. Political science, which has been above all devoted to analysing the state, has contributed to a perception of politics that reduces it solely to the actions of the public authorities. We would wish rather to rely on the definition of politics proposed by Susan Strange, as being those mechanisms and structures which determine the respective weight given to the principal values (wealth, security, justice, freedom) for a society as a whole, as well as their allocation to each social group and individual (1996: 34). Drawing on Bertrand de Jouvenel and Hannah Arendt, Strange then defines political action as the aggregation of wills in the service of a shared objective, in terms of the hierarchisation of values and their allocation. How do these aggregations form? What are the results of them?
Who benefits from them? Which values do they promote? What happens when they disappear? What are the reasons for this? These are some of the many questions which make up political analysis. In order to answer them, a problematic of power clearly has to be adopted. Here again, in an effort to move beyond those approaches which are centred on the state, Strange proposes the most comprehensive possible definition as ‘the ability of a person or group of persons so to affect outcomes that their preferences take precedence over the preferences of others’ (p.17). It is these definitions of politics, political action and power that we shall use to analyse the way in which they are or are not taken account of by economic science. We will then group together under the general heading of ‘political economy’ those economic approaches that, in one way or another, integrate these dimensions of politics and power.

A close look at the economic literature reveals that there is nothing obvious about the progression from this type of political economy to an ‘economic science’ as defined in our introduction. The possibility of being able to make a division between these two types of approach represents, without any doubt, an important objective since several major figures in economic science have directly confronted the issue, offering different justifications. An examination of these will show that they are far from convincing. The abandonment of politics is also justified, more indirectly, by the need to move economic analysis on towards more scientific methods, that is, free of the subjectivity associated with a consideration of the political and moral aspects of society. The least that can be said is that there is by no means a consensus among the ‘great writers’ who have influenced economic thinking as to what should or should not be considered scientific, and on its relationship with other dimensions of society. Finally, the rejection of any political consideration is a result of the demand for total abstraction put forward by some economists and the claimed right to reflect on the conditions in which a ‘pure economics’ might operate. But, as we shall see, here again there is a divergence of opinion among economists.

Overall, defining an economic field that is specific in that it should be separate from political analysis as defined above does not seem as clear-cut as contemporary economic science would have it understood. On the contrary; it can even be maintained that the major writers who have contributed and still contribute to a definition of the investigative field of economics appear far more open, in terms of principles, to the integration of politics than the defenders of a more scientific economic science and their critics could imagine. We will take as an illustration of this, in conclusion, the change of attitude that seems perceptible at the very heart of some of the dominant contemporary literature on economics. An end to the mutual neglect of economic and political science, which has long been called for by specialists in international political economy
2 DIRECT BUT UNCONVINCING JUSTIFICATIONS

Many economists have felt that the separation between economics and politics was not self-evident and required justification. This is the view taken today by Edmond Malinvaud who stresses that ‘this is a crucial choice which therefore demands consideration’ (1991: 33). Four main arguments can be identified which have been used for this purpose through history and which, although powerful, are nonetheless largely contestable.

Setting boundaries

1 Justifications

The most frequently advanced reason is that it is an illusion to believe that there can be one general theory of society that encompasses all its different dimensions. This would be possible in an ideal world for, as Jean-Baptiste Say notes, ‘all social questions relate to mutual interests which can be evaluated’ (1840: 4). Nevertheless, Say adds, ‘if we do not want to embark on an endless task, we would be well-advised to circumscribe the object of our research.’ The mixing up of sciences may even lead to chaos, according to Stanley Jevons (1871: 12), who advocates the development of economics as a distinct science, ‘because there is a need of subdividing a too extensive sphere of knowledge’. The same discourse is found in the work of Carl Menger who has to combat the domination of the Germanic social sciences by what has since been called the German historical school. He thus addresses ‘those who want to have the phenomena of economy understood only in inseparable connection with the social and political development of nations’ (1883: 75) to tell them that in the field of theories ‘there is not even one which could per se provide us with universal theoretical understanding of the world of phenomena’ (p.77). The solution is thus to divide up the analysis of society into different sciences each of which enables us to understand ‘partial social phenomena in their meaning and function for the whole of social structures’ (p. 135).

For Vilfredo Pareto, the separation of knowledge is necessary for the study of the different properties of the social body. Of course,

real man is made up of homo oeconomicus, homo ethicus, homo religiosus, and so on, but he cannot be apprehended in all his dimensions and it is better to ‘slice up the subject to be studied. It is a serious

Strange, 1970; RIPE, 1994, among many others) is perhaps on its way to being achieved. It is therefore all the more important to ask oneself how and why this divorce was able to take place.
mistake therefore to accuse those studying economic actions – or *homo oeconomicus* – of disregarding or even disdaining moral and religious actions, etc.

(1909: p. 18)

For all these slices can be seen as representing completely independent worlds and it is wrong ‘to accuse political economy of not taking account of morality; it is like accusing a theory of chess of not taking account of the culinary arts’. For his part, Alfred Marshall stresses the fact that ‘the totality of the actions of humans living in society is too vast and too diverse for one single intellectual effort to be able to analyse and explain it’ (1907: 95). Today, when Edmond Malinvaud wonders about the specificity of an exclusively economic approach compared to ‘alternative paths which aim to cover a larger field’, he concludes that he does not believe

for the time being, in the success of attempts which set out to understand, precisely and in its entirety, economic and social development [. . . ], the point being for economists to concentrate research on the study of those [macroeconomic] phenomena without seeking to gain a broader understanding of the institutional structures and social transformations which they fit into.

(1991: 37–38)

All these various stands can be summed up in the opening sentence of Jean-Baptiste Say’s *Catéchisme d’économie politique*: ‘Political economy is not politics; it does not deal at all either with the distribution or the balance of power’ (1821: 309). The matter thus seems to be settled. And it would indeed be if a number of arguments, put forward for the most part by the economic literature itself, did not call it into question.

There is no question that it is extremely difficult to define a field of investigation and a problematic that encompass the whole of society and the transformations which it undergoes. It only remains to circumscribe the boundaries that will make possible an interpretation which ensures that the division used does not produce a bias which is detrimental to an understanding of the phenomena being studied. As Maurice Allais points out ‘reality can, safely and profitably, be simplified, if this simplification is not liable to change the actual nature of the phenomena. On the other hand, on no account must a concern for simplification lead to the very essence of reality being changed’. Yet if economists quite rightly refuse to seek *the* overall theory of the dynamics of societies, they do not necessarily set out the criteria which make it possible to define where the dividing line must be drawn. There is nothing in the economic literature that makes it possible to justify economics alone being represented as the appropriate division. On the contrary, it presents two very strong counter-arguments.
2 When economists involve themselves in politics

The first counter-argument is that economists themselves cannot avoid including a political dimension in their analyses. Of all the founding fathers of economics, it is certainly Adam Smith who most recognised and used political analysis and his role in defining modern economic science merits further attention. As Rosanvallon (1979) has shown, Smith seeks to represent society in its entirety but, as a philosopher, his main concern is that of the intellectuals of his time who try to conceive of society as being self-instituted. That is to say, not resting on any order which is external to man, particularly a divine order. In doing so, his main concern is to reflect on the conditions of the institution and regulation of social matters. For Smith, the concept of the market is first and foremost sociological and political. In his eyes, economics does not represent a separate field of scientific investigation. Moreover, his work was to be discussed principally by philosophers before the neo-classical school took it over, retaining not Smith’s line of questioning but his answer to the institution and regulation of social matters, namely the market economy. As Marshall and Schumpeter have shown, in terms of economic theory, Smith was no more than the man who produced a good synthesis but did not make any major innovations (Marshall, 1907: 73; Schumpeter, 1983: 262–3).

The liberal school was able to instrument his work because, through the answer which Smith proposed, he twice disposed of politics, in the sense that traditional political science understands it as the role played by the state. He did this firstly by making economics (the natural propensity of men for trade and the division of labour which follows from it (1809: Book I, Chapter 2, p. 23ff.)) the principle for the institution and regulation of society. He did it a second time, destroying the principles of the mercantilist approach, by carrying out a deterritorialisation of the economy (1809: Book I, Chapter 3 and Book IV, Chapter 3).

The extent of the market is not defined by its borders or its limits, it is generated from the inside by the system of communication and human location. It is to this extent that Smith can apprehend the market as a network and no longer merely as a place and that he can develop economic geography which no longer has any connection with political geography.

(Rosanvallon, 1979: 89)

This is the reason why we find already in Smith’s work contemporary questions concerning the lack of concordance between the interests of governments, located in a particular territory, and those of private economic actors who are supposed to have evolved in a globalized world without borders. ‘A merchant is a citizen of the world, because he is not necessarily attached to any country in particular’ (1809: Book III, Chapter 4, p. 283).
For Smith, it is economics and the market and not politics reduced to the state which are the first vectors of socialisation. Civil servants are classed as unproductive workers and public expenditure intended to maintain ‘great fleets and armies’ is condemned as being part of ‘the folly’ and ‘the public extravagance of government’ (1809: Book II, Chapter 3, p.159 -160). This is an interpretation which totally misses out the role played by military issues and the protection afforded to capital accumulation by the British state’s military strength (Fourquet, 1989: 134 –5).

It would nevertheless be a mistake to deduce from Smith’s refusal to grant any role to the state in the regulation of society that there is no analysis of politics in ‘The Wealth of Nations’. In the chapter in which he explains all the profit that countries can derive from free trade, Smith declares himself to be in favour of the navigation act of 1651 that established protectionist measures against the Dutch navy and aimed at reducing its supremacy. According to Smith, this was the right measure because the Dutch navy was powerful and posed a threat to the security of England. Of course, the measure was not optimal in economic terms but ‘as defence, however, is of much more importance than opulence, the act of navigation is, perhaps, the wisest of all the commercial regulations of England’ (Book IV, Chapter 2: 358; Fourquet, 1989: 153).

Beyond that, conflicts of interest in Smith’s work are not reduced to conflicts between individuals that are ultimately settled by the market through compensation of the losers. Contrary to the definition of economic science given by Marshall, that was recalled in the introduction, there is a great deal about power relationships between social groups in Smith’s work. Of the ‘three great, original and constituent orders of every civilised society’, people with independent means are presented as indolent and thus incapable of assessing the importance of laws. Those on salaries, for their part, do not have a voice in the chapter. Only merchants and manufacturers, those who are most enterprising, are in a position to influence laws, something which goes against the general interest, Adam Smith maintains. Referring to this last category, the writer emphasizes that

The proposal of any new law or regulation of commerce which comes from this order ought always to be listened to with great precaution ... It comes from an order of men whose interest is never exactly the same with that of the public, who have generally an interest to deceive and even to oppress the public, and who accordingly have, upon many occasions, both deceived and oppressed it.

(1809: Book I, Chapter 11, p. 489)

Consideration of the political role of private actors, who constitute one of the spearheads of the approach of contemporary writers
(Susan Strange, 1996; Cutler, Haufler and Porter, 1999; Higgott, Underhill and Bieler, 2000; Hall et Biersteker, 2001), was already one of the subjects of Adam Smith’s reflections. This is a problematic which was to be lost by the dominant current of economics which nevertheless presents itself as the heir to Smith but which has refused, following Say’s example, (see below) to follow him into this field.

But Smith is not the only one to have thought about politics. In this respect, Carl Menger appears far removed from his image as an economist-mathematician. In one chapter he discusses the origins of the law (1883: 223–37); this in itself is a surprising subject for an economist. Here, individualism can be seen to emerge from the marginalism that explains how laws result from the pursuit by each person of his individual interests, before the protection which they provide is imposed as a common good. But a few pages further on Menger opens up a discussion on the other source of the law which seems important to him: power. He analyses its role in the genesis and dynamics of the law by showing how the latter, by becoming the speciality of some people, can be put to the service of the powerful. It is surprising today to read in a work specially dedicated to reflections on economic method the extent to which Menger reveals his preoccupation with politics; here discussing the notion of the state in Aristotle, there the development of German political science in the nineteenth century, or comparing the role of history in the political theories of Machiavelli, Aristotle, Plato and Bodin.

Marshall, for his part, challenges Ricardo’s work, observing that it is influenced by the view of economics held by experts in the City, that prevents them from ‘putting themselves in the position of a worker, and does not emphasize the importance of his feelings about being human, . . . his class hatred and his class solidarity’ (1907: 82–3). He even stresses from a methodological point of view that ‘specialists who never look beyond their own field are not inclined to see things in their true proportions’ (p. 96).

Pareto appears to be equally motivated by questions which go beyond the mere field of economics. Of course, his sociological work is well-known, as is his work on ‘socialist systems’ (1903). This sets out a critique of all those doctrines, including liberal ones, which are based on reason (a precursory echo of his 1917 Treaty on General Sociology, which draws a distinction between logical and illogical human behaviour) by pointing out the effects of feelings and a taste for power. But there is also a direct interest in politics in his work on economics. In an approach which neither the American institutionalists at the beginning of the Twentieth Century or the French regulationists today would have repudiated, he shows for example how the level of inflation depends on the balance of power between the different social categories (1909: 469–70). Pareto is

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moreover keen to specify the conditions that enable him to accept the 'slicing up' which he advocates for the study of society (pp. 17–20). The first is that no one social science, including economics, is superior to another. The second is that once we move on to the analysis of concrete events, we have to reassemble the different forms of knowledge again, but he does not specify how this reassembling can take place. The third is the recognition that while some phenomena are more economic, others are more political and still others fall somewhere in between. Yet, here again, no key is given, either to making a distinction between all these phenomena or to how those that fall in between should be dealt with. All in all, according to Pareto, an economic interpretation by itself would not allow us to understand the world.

3 When economists involve themselves in ideology

A second counter-argument makes the justifications offered by economists unconvincing. It is that, beyond their interest in politics, they have not always been able to avoid taking ideological positions. Thus, if Stanley Jevons recognizes that there may be a number of reasons for British prosperity, he asks his readers to attribute it to free trade because 'we have to believe in it' (1871: 75). Vilfredo Pareto certainly remains the most ideological of the scientific economists. In this respect, his Manual of Political Economy is truly surprising. In a chapter entitled 'introduction to social science', he condemns in turn Marxism, social democracy, universal suffrage and democracy in general. Further on, he writes,

in every race there are dregs which have to be eliminated by selection. The pain caused by this destruction is the price to be paid for perfecting the race; it is one of the many cases in which the good of the individual is in conflict with the good of the species.

(1909: 424)

How then can we distinguish Pareto, the economist and sociologist, from Marquis Vilfredo d'Amaso Pareto who was to award an honorary doctorate in economics to his former pupil Benito Mussonoli? Without going to such extremes, we must recognise along with Edmond Malinvaud (1991: 575) that 'macroeconomic research is not totally at right angles to the ideological dimension'. The Nobel prizewinner in economics, Maurice Allais, even doubts whether economics can ever totally succeed in becoming a real science 'its raw material being so bound up with interests and ideologies' (1968: 6). He notes that 'in every period of history, the success of economic doctrines has been assured, not by their intrinsic value but by the strength of the interests and feelings to which they seem favourable' (p. 24). And he concludes that 'economic science, like all the sciences, does not avoid dogmatism, but here
dogmatism is significantly strengthened by the power of interests and ideologies’ (p. 27).

The neutrality of political regimes

The second kind of justification is that economists do not need to include political analysis in their work because political regimes are neutral with regard to the level of prosperity. Of course, political liberalism is considered preferable but it is not the only regime able to nurture the wealth of nations. This type of argument can be found in the work of Jean Baptiste Say who is keen to stress that representative government alone can respond to the needs of societies but also emphasises the fact that enlightened despots, that is, despots who are liberal in economic terms, can achieve results: ‘Henri IV was not one of the least despotic kings of France, and yet France prospered during his reign, because people did not worry about details’ (1840: 27–29). This argument is also found in the work of Adam Smith: ‘If a nation could not prosper without the enjoyment of perfect liberty and perfect justice, there is not in the world a nation which could ever have prospered’ (1809: Book IV, Chapter 9: 254–256; Hirschman, 1997: 94).

This debate continues today in the thinking on ‘the political economy of reforms’ in developing countries, initiated by the World Bank. In the 1997 edition of its World Development Report, the Bank clearly indicates its preference for democracy, the conditions for whose establishment and good operation it is the state’s responsibility to ensure (p.129). However, the report sounds a note of caution about the links between political regimes and economic development: ‘No single type of regime can guarantee economic and social progress’ (p.149), paving the way for in-depth analyses of the political paths of different countries, which can explain the crosscutting dynamics of political legitimization and economic transformation.

In fact, to say that there is no one-to-one relationship between the nature of a political regime and a country’s rate of growth and development is not the same as saying that the political and social balance of power plays no role in it. The World Bank recognizes this itself in its report, which comes close to saying that a real economic, political and social revolution is a sign that reforms are succeeding:

The consequences of reform are often measured using quantifiable yardsticks, such as national income, exports, or inflation. But an equally important aspect of reform is whether it succeeds in reshaping the values and norms of the state and the state’s relationship to the economy.

(1997: 155)
The document’s conclusion then stresses the idea that the interventions of the World Bank must fit into a long time frame. They must take into account and thus analyse in detail the politico-social paths being followed in the countries where they are taking place. Also, that each path presents its own special characteristics and that as soon as reform of the state is touched on, opposition and resistance are encountered that are part of the process of transformation and that they must be apprehended and managed over time. Today there is a plethora of economic literature dealing with the relationship between political dynamics and strategies for accumulation. Even if its conclusions are contradictory, it puts forward a problem that gives a significant place to the crosscutting study of symbiosis or interrelationships, depending on point of view, between the two worlds of economics and politics.

**The comparison between politics and violence**

In the work of Jean Baptiste Say there is a critique of Adam Smith which rests on what is, in Say’s view, the exaggerated place that Smith gives to institutional history, ‘a depository of facts’ which are of no interest and are reduced to ‘long digressions’ providing details which ‘fill out the book, not without purpose, but without purpose in terms of its principal object, which is the development of principles of political economy’ (1803: 36–37). In particular, Say has his sights set on the sections which Smith devotes to the analysis of international conflicts, because they suggest that violent relations between Nations might have a link with economic analysis. Say strongly contests this point of view for if economics concerns itself with the international balance of power, this will lead to it taking sides and thus supporting conflict and barbarism to the detriment of prosperity (1840: 20–27). Politics is put into the same category as violence, which results in a loss of wealth. Say appears to have developed this position for three reasons.

It is a critique of the mercantilist position that he has always condemned. It is also a defence of the axiom of political neutrality that is helpful to Say in supporting the scientific nature of economics (cf. below). Above all, it is the idea that an economic approach, by revealing good and natural laws, represents an antidote to the murderous passions of the Princes, which are destructive of wealth. Economic theory, for those who are acquainted with it, ‘by teaching us that our gains are not necessarily, or even very often, other people’s losses, calms hateful and jealous feelings; by showing us what men have to gain by maintaining benevolent and peaceful feelings towards each other, it is eminently sociable’ (184: 51).

In doing so, Say paves the way for a confusion between the principles advanced by the dominant economic theory of the future and the
market economy. As Albert Hirschman has strikingly demonstrated in a more general context, the idea that combining individual interests is a remedy for the folly of political leaders rests in fact on the idea that it is the liberal working of economics, and not economic theory in the application of these supposedly neutral principles, which is supposed to make possible periods of what Montesquieu called 'doux commerce' ('sweet trade') and pacified relations (1984; 1986; 1997). Thus, in the end, the rejection of politics as a source of violence relates back to a more ideological and normative argument in defence of the market economy.

**The distinction between economics and morality**

The final argument used by economists to reject politics rests on the claim that there is a necessary division between morality and analytical intelligence. As Albert Hirschman stresses, this claimed separation between economics and morality is based on what is presented as simple common sense: 'Our analytical activity automatically becomes suspect if we force it to serve a moral conviction, and, conversely, moral conviction is not a matter of analytical reasoning' (1984: 101). This distancing from morality is clearly expressed by Say, for whom economists must be able to 'study phenomena only from a point of view which can throw light on their science. In their eyes, fraudulent gain is a transfer of wealth while moralists will condemn it as an injustice' (1840: 6). Equally well-known is Léon Walras' observation that 'Whether a substance is wanted by a doctor to cure a patient or by an assassin to poison his family is a very important question from other points of view, but of complete indifference to ours' (1874: 43).

The separation from morality is achieved through the application of a new meaning to the notion of utility by economic specialists, who thus present themselves as working in a separate field which gives its own 'scientific' definitions of common words. Say is the first to undertake this redefinition. He stresses that 'You only call useful what is useful in the eyes of reason, whereas we must understand by this word everything which is liable to satisfy the needs and desires of man as he is. Yet, his vanity and feelings sometimes give rise to needs which are as pressing as hunger' (1821: 315). This is a notion of utility that dismisses any rational foundation and is defined in relation to the desires of man, his vanity and feelings. As Jean-Joseph Goux notes, with this radical definition of utility Say refutes any moral judgement and claims the axiological indifference of economics which will serve to nurture its status as a science (1995: 111–12).

In order to go further, this definition of utility has to be put back into the context of implicit political philosophy which economic science is
constructing. As Rosanvallon (1979) has shown, this construction comes in response to the philosophical question which the thinkers of the time asked themselves: how is it possible to explain the fact that men who are independent, that is to say, masters of their destiny because they are free from God, end up living in society? Economists reply that it is because they are universally rational and motivated by self-interest that relations between them institute society, (Leroux and Marciano: 1998). Self-interest, like the desire for monetary gain, becomes

the general equivalent of emotions or motives for action, just as money becomes the general equivalent of goods. The promotion of self-interest to the rank of hegemonic motive corresponds in emotional terms to the promotion of money to the rank of universal mediator in trade, as a unique measure of values and as the preferred embodiment of wealth.

(Goux, 1995: 121)

From the moment that the social space is constructed around the pursuit of individual self-interest, the main motive of economics changes from subsistence to the accumulation of wealth. But if there are enough goods in nature for everyone to be able to subsist, there are not enough in the economy for everyone to become rich. Hence the introduction of an important notion, that of scarcity, following from the definition of ‘economic’ resources as those which make it possible to become rich. ‘Economics is the science which studies human behaviour as a relationship between (given) ends and scarce means which have alternative uses’, according to Lionel Robbins’ famous definition (1947: 30) but which is not concerned with how the ends are defined, since this all belongs to the ‘sociological penumbra’ (p. 128).

Thus the primary objective of economists will be to discover how the goods which enable people to become rich are produced and exchanged. Trade is thus promoted as a universal behaviour which creates social links, on principle and without reference to, specific historical, political or moral conditions. The market thus becomes the place where, through their participation in it, individuals signal their consent to becoming socialized, which answers the original question (Smith, 1809; Say, 1840; Polanyi, 1944; Goux, 1995; Hirschman, 1997; Hodgson, 1998; Leroux and Marciano, 1998).

The ‘progress’ of economics and its transition to the status of a science will then consist in systematising the analysis of the reciprocal interactions of individual choices, by moving from fragmented questions of production to the question of the general equilibrium (Robbins, 1947: 70–77). This will remain of course within the same logic of neutrality with regard to ends since ‘equilibrium is just equilibrium’ and ‘economics cannot pronounce on the validity of ultimate judgements of value’
(Robbins, 1947: 139, 142). It then remains to determine the optimal conditions for this general equilibrium and to show that the 'hypothetical regime of absolute free competition' proposed by Walras corresponds to this optimum.

However, once these two stages have been digested, normative and moral questions will once more gain partial acceptance through the recognition that a social optimum is not the same as a unanimous vote from those participating in the markets. Also, that as Arrow was to show, 'it is impossible to move from individual choices to collective choices without some individuals being forced to comply with decisions taken by others and which are not necessarily their own' (Hugon, 1999). This was to be followed by the demonstration of the formal logic of Sen according to which individual freedom and Pareto's optimum are incompatible.

Nevertheless, politics, the balance of power and power are totally absent from the economic literature. For the economic analysis of social institutions considers itself to be a science that can recognize but does not have to concern itself with the human will.

3 THE SCIENCE OF UNIVERSAL FACTS

One of the indirect justifications for economists' refusal to take account of politics results from the separation which they have established, since the beginning of the nineteenth century, between natural facts, which can be the subject of scientific economic analysis, and facts resulting from the human will, whose analysis they leave to others. But here again, on the one hand economists are by no means in agreement on the question, and, on the other, their position remains contested.

Say is perhaps the first to draw a parallel between economics and the sciences in the most noble sense, by presenting it as a physiology of society. This has important consequences for the analysis of politics for if Say is prepared to recognize, for example, as Smith had done, the power of private interests, he immediately rules out any analysis of this in the name of an interest only in universal and not politically established laws (1840: p 6–7). In fact in his work a distinction is made between natural facts and human facts when he identifies 'a way of things in societies which does not depend on the will of man' (1840: 2). The same distinction is found in Menger (1883: 129–132) or in Walras, who makes a distinction between 'natural facts' and 'humanitarian facts' (1874: 39). The difference between the two types of facts is important because the first, which follow 'laws of nature', are universal, whereas the second are historically, politically and socially established. For economics to be a science, in the way that the 'hard sciences' are, it can only concern itself with the first type.
Pareto is certainly the most explicit about the need for economic science
to centre on the analysis of ‘uniformities’ and on the impossibility of
being involved in economics if one does not accept the existence of
universal natural laws (1909: 5–9):

- such a rejection would amount to denying the existence of a rela-
tionship between cause and effect. This is a questionable position. It
can also be assumed that when laws relate to society they are neither
universal, nor natural, but linked to a given context and the result of
the balance of power;
- if we reject the existence of natural laws, we can no longer say anything
about the future. Here again, the case is closed. The point of view
can be defended, as it is for example by the school of regulation,
according to which the periodisation of phenomena must be estab-
lished. We can also try to identify the weak points in the existing
political compromises which will create the opportunity of switching
from this or that appraisal at a given moment. Rejecting universality
is not the same as being blind to the future;
- finally, Pareto points out, if a universal law is not respected, it is
because its effects are hidden by another natural law which has yet
to be discovered. It will not be difficult to acknowledge the weakness
of these arguments . . .

In addition, this stress on the search for universal and natural laws is
clearly not shared by everyone. Carl Menger is the first to refute the
scientific analogy proposed by Say and to refuse to be satisfied with an
understanding of society based solely on the identification and analysis
of its natural laws. First of all, Menger points out, even for those parts
of societies which are not the result of human actions, it cannot be
deduced from the fact that the parts and the whole are in ‘causal inter-
action’, as in natural organisms, that society evolves in the same way as
a natural organism. The analogy is vague and unconvincing, in Menger’s
view (1883: 132). Above all, social organisms ‘simply cannot be viewed
and interpreted as the product of purely mechanical force effect’ (p. 133).
This is a position which is found again today in the work of Malinvaud
who emphasizes that, unlike the hard sciences, economics does not make
empirical discoveries and that ‘the discoveries of mathematical economics
are not sufficient for the construction of our science’ (1996), a point to
which we shall return later.

In the same way, a scientific approach to economics relegates history
to the status of a laboratory element. As Robert Boyer stresses, it becomes
no more than an arena for validating a general model that is valid always
and everywhere (1989). The importance of history is thus refuted by all
the founding fathers of modern economic science. As Frédéric Lordon
has shown, this rejection is essential to economists’ willingness to involve
themselves in science:
Deploying the full range of economic terms starting with something as small as an axiom is a titanic performance and the sign of a power of procreation which is recognised as the distinguishing mark of true science. That is why history is the enemy in this matter. It increases the number of idiocies and eats away at the vigour of 'laws' through the profilation of its singularities.

(Lordon, 1997: 32–33)

However, this rejection can by contested for at least three reasons:

- it can be shown that at different periods in history there are different theories which depend on their time and that even if invariance can be identified through history (hegemonic processes, revolutions, globalization, and so on) their form and significance vary according to their time;
- what is interesting then is to try to understand changes over time, when we move from one mode of meaning to another (from one mode of regulation to another, the regulationists say), which requires an understanding of the changes taking place by postulating that these transformations do not fall from the sky but are a function of the technological appraisal of knowledge, representations, balances of power, that they are contested and negotiated and that they are formalized in institutions which only take on meaning within this particular framework (Amin and Palan, 1996; Boyer, 1989; Boyer and Saillard, 1995);
- the whole is then based on the recognition of the plurality of social times in an approach which increases the number of ways of looking at reality and the number of actors involved (Braudel, 1958).

If in Malinvaud's view economic studies based on this other conception of history cannot be used to define scientific economics, they nonetheless have two advantages in his eyes: they 'clearly contribute to the knowledge of economic and social reality' and they act as 'the economists' bad conscience, by reminding them how inadequate and crude their theories are' (1991: 34–35).

4 THE DEMAND FOR MATHEMATICAL ABSTRACTION

The final justification given by economists for their refusal to take account of politics is based on a demand for the requisite mathematical abstraction of their science. Menger looks for the laws of an 'abstractly conceived economic world' (1883: 73) and Walras works on developing a pure political economy which is the physico-mathematical science of natural facts, by reasoning on the basis of 'pure truths' and ideal types (1874: 51–2). Jevons, like Marshall, thinks that everything can be reduced to
quantities, which means that, in his view, social laws are mathematical laws which are only waiting for a development in statistics for the economic approach to be able reveal its full worth. He even takes the trouble to explain that ‘when mathematicians recognise this subject as one which they can profitably use, I shall be happy to leave it to them!’ (1871: 9). If the world is imaginary and purely mathematical, economists can certainly not concern themselves with politics, history or anything else, which either they do not want to include in their analysis or which they regard as remainder, analysis of which does not concern them.

It is hardly necessary to say that there is no consensus among economists on this position. The first to oppose it a priori is Jean-Baptiste Say: ‘The progress of political economy is hindered when principles are established through reasoning which is too abstract’ for ‘this alienates the public from studying the science’, as well as quality researchers (1840: 44). Above all, working in an imaginary world is not recommended because ‘these abstractions must not take the place of experience or observation, and they are good for nothing if what they propose is in fact the opposite of reality’ (p. 45). Similarly, Lionel Robbins, a man of action who was heavily involved in the debate on British political economy within the framework of the Economic Advisory Council set up by Ramsey MacDonald in 1930, refused to reduce economics to a ‘mere system of formal inferences having no necessary relation to reality’ (1947: 106). François Perroux for his part refused to accept the similarity between abstraction and scientific work by showing the normative bias of such an approach and the way in which it served to eliminate any analysis of the balance of power. Instead of asking ‘under what conditions, in fact, is competition economically favourable and efficient, with what general rules of the game can one hope to get an extensive supply of low-cost products?’ another question has been substituted, ‘under what conditions, even if they were completely unreal, can I consider that prices and quantities are mathematically determined as a whole?’ (1991: 140). ‘By this means, one could present a model of competition with a normative purpose. In the model of pure unfettered competition, competition automatically becomes efficient . . ., in competitive markets as in individualist democracies, an impersonal rule is supposed to replace power struggles and conflicts of will’ (p. 141).

But the strongest critique of abstraction in economics comes from those who have worked hardest to develop it in France. Maurice Allais, the Nobel prizewinner in economics, thus noted in 1968 that ‘mathematical formulation has the invaluable advantage of forcing the mind to be reflective and precise. It provides an opportunity to discover all the consequences and nothing but the consequences of accepted hypotheses, and therefore to reveal fully their actual content’(p. 17). But he goes on to say that,
it would be impossible for someone to be a good physicist or a
good economist simply because he had some knowledge of and
skill at mathematics. Today, the real danger in economic science
no longer lies in an unjustified resistance to the use of mathematics
where it is necessary, but in the temptation to misuse it. . . . Today,
one has only too often the impression that economics is simply
seen as an excuse for doing mathematics, and that the beauty of
what is demonstrated is preferred to any resemblance to reality.
Theories which are often splendid from an aesthetic point of view
are built on dubious hypotheses.

(1968: 19–20)³

Nearly thirty years later, Edmond Malinvaud offers an identical assess-
ment. ‘Econometric results remain tainted with doubts’, the economist
observes and then comments directly on the recourse to mathematical
economics: ‘In my view, the true function of mathematical economics is
to provide rigour where it is needed. It is not to produce abstract models
for imaginary economies’ (1996: 937–39). Above all, economists ‘are often
given too much praise for an initial work on very specific models of
imaginary economies, work which leaves the task unfinished, whereas
more useful and difficult explorations of their appropriateness to the
real world hardly receive any attention’ (p. 940). Malinvaud suggests
that economists use such methods solely for pedagogic ends or as means
of discovery, but that instead of stopping there, they make a further,
more difficult but necessary effort to come back to the real world. And
Malinvaud concludes that rather than ignoring ‘literary contributions,
we should reflect on them and ask ourselves about the quality criteria
for what remains an important approach in large parts of our discipline’
(p. 940). These contributions have two kinds of role, Malinvaud (2000)
stresses:

One role is that of positive and critical conceptual analysis. In our
field, as in so many others, it is necessary to base our thinking on
the correct abstract view of the world. Yet, this is not given a priori
and once and for all. We therefore have to ask ourselves whether
the abstractions being used are effective, and this is done through
literary approaches. On the other hand, there is historical analysis.
Economic facts, their concomitance with other political and social
facts, the movement of history, all of this is helpful in constructing
a complete economic culture which mathematical economics alone
cannot provide.

(2000: 57)
5 CONCLUSION

Whatever the type of justification offered, be it direct or indirect, the refusal of economists to take account of the political dimension of social phenomena does not appear to rest on any well-established foundation shared by all. There is an intellectual openness in the work of the major writers on economic science which seems to have been lost in the course of the twentieth century, although the contemporary stands taken by Maurice Allais, Edmond Malinvaud or Joseph Stiglitz show that this attitude has not completely disappeared. Be that as it may, in terms of their relationship with politics, economists do not fall into the positivist classifications to which they are generally confined ('classical', 'neoclassical', ...).

The division between economics and politics results in part from the distinction introduced at the end of the eighteenth century between the state and civil society (Cox, 1981: 126) with, on the one hand, a society of individuals based on the contract and relations of the market and, on the other, political action reduced to that of the state. The conceptual separation between the field of economics and that of politics is thus an integral part of the development of the idea of economic liberalism (Polanyi, 1944).

This view of the world was contested from the beginning of the nineteenth century. Sismondi points out the link in Smith's approach between economics and social matters and criticizes the embryonic development of economic thinking which is in his eyes 'speculative':

Adam Smith considered political economy to be an experimental science; he endeavoured to examine each act in the social state to which it belonged, and never to lose sight of the different circumstances to which they were linked and the different outcomes by which they could influence the national fortune.

(Sismondi, 1819: 69)

Sismondi reintroduces the state as the guarantor of national solidarity which is necessary for the continuity of society. List, for his part, reacts to what he calls the 'cosmopolitanism of the liberal school' by reintroducing the national space, which is an unavoidable space with a political identity, as a pertinent level of social analysis (List, 1841: book II, chapter 1).

Today, the question of the links between economics and politics is once again beginning to preoccupy economists. Economic thinking on development, after Hirschman, has devoted a number of works to this question since the end of the eighties but the approach is still one of trying to preserve the distinctive character of an economic field defined in the strictest sense (Hugon, 1998; Sindzingre, 1998). In this approach,
economics remains fundamentally independent of the political order and is only made to concern itself with it to the extent that an economic analysis of political behaviour is developed. As Philippe Hugon observes, the complexity of the interdependencies between actors is reduced to that of bilateral interactions between two, or perhaps three parties, and thus to the interpersonal level... in the standard and neo-institutionalist theories, favouring individual subjectivities, there are thus individual agents who make independent choices without influencing each other and interdependencies through the market, through contracts or direct links, and not actors interacting in a given context.

(1997: 2–3)

Hence the appeal for a real consideration of power and the balance of power in analyses (Hugon, 1999), an appeal to which the World Bank appears not impervious as has been shown above, with Joseph Stiglitz, one of its former vice-presidents and chief economist declaring that ‘the boundaries between economics and other fields of action and thinking are less clear than might be thought’ (Alternatives Economiques, 1999).

In the Anglo-Saxon countries, the links between economics and politics have been developed within the framework of public choice approaches. As in the dominant approaches of the economics of development, economics here remains independent of conflicts. In fact, these approaches apply a method based on microeconomics, econometric modelling and game theory to the study of political events. This is welcome progress in their eyes which at last makes it possible to inject a certain scientific rigour into a discipline, political science, which is considered to be too ‘verbal’ (Miller, 1997: 1199). Their political economy is based on a utilitarian conception of the state that seeks to endogenize political variables by defining the utility functions of those in power. Based on a line of questioning in the style of Mancur Olson, they ask themselves how the sum total of decisions emanating from individuals who are a priori rational can lead to ineffective collective action. Public choice analyses, which are focused on the study of rent-seeking bureaucracies whose only purpose is to survive, have had recourse to the traditional tools of individual optimisation. Research topics have subsequently been expanded by the new political economy which introduces politics through the study of maximizing behaviour by states and through the way in which ‘market politics’ balances factional interests and the pursuit of the general interest. Alongside this utilitarian conception, a functionalist line has also developed inspired by neo-institutionalism.

Through their insistence on cultural and institutional phenomena, their refusal to assume an individual to be rational and maximising, and their recourse to interdisciplinarity (sociology, history, etc.) for an under-
standing of economic reality, the American institutionalists of the begin-
ning of the century have sought to build a political economy which is
different from the one which imposed the dominant economic approach.
The latter nevertheless tried to take it over by also becoming interested
in 'institutions'. But there is an essential difference in that the neo-
institutionalists seek to explain its existence by reintroducing models of
individual rational behaviour. They assume an initial state of nature
without institutions and, starting with the notion of individuals assumed
a priori to be rational, explain how their interrelations lead to the emer-
gence of institutions. The neo-institutionalist current thus makes 'an
abstraction of the historicity of economic facts, the balance of power,
vioence, hegemony or domination, the construction of collective actors
and thus of the state. It makes the market a natural referent when it is
in fact a historical construction' (Hugon, 1999: 25).

This method leads, in the view of Hodgson (1998) to a theoretical
impasse: in order for there to be interrelations between individuals, it
is necessary to suppose that there already exists a social framework in
which these interrelations can take place. A typical example is the well-
known approach of Coase-Williamson on the role of institutions in the
reduction of transaction costs in a situation where there is imperfect
information and bounded rationality: these writers presuppose the exis-
tence of markets through which interactions between individuals
proceed. They then explain how these individuals end up creating busi-
nesses because these enable them to reduce transaction costs. But markets
are already institutions which rest on social norms, habits, information
networks, whose existence must first of all be explained and which cannot
be taken for granted.

In France, fifty years after François Perroux's still very valid observa-
tion that 'force, power and constraint are objects which are totally foreign
to the modern science of economics and which its most recent improve-
ments have not managed to integrate' (1991: 69), the debate on the
introduction of politics into economics is beginning to impose itself. It
is clearly evident in the school of regulation. In 1995, Boyer and Saillard
contented themselves with a minimal position pointing out that 'the
theory of regulation intends to benefit from the contribution of related
disciplines such as history, sociology and political science, some of whose
conclusions it is prepared to accept as hypotheses' (p. 11). Three years
later, the regulation school's publication L'Année de la régulation orga-
nized a debate about international approaches to political economy,
originating from international political economy specialists (1998). Today,
Robert Boyer stresses that 'once the introduction of economics into poli-
tics is recognised, and vice versa, it becomes extremely difficult to
anticipate being able to construct a pure economic theory ... any more
than a totally independent political science' (1999, 19–20). There has been
a progression from a need to look at what other disciplines are offering to a need to redefine the boundaries of the economic approach and of the social sciences in general (Boyer, 2000). For his part, Edmond Malinvaud emphasizes his desire to see 'a gradual reduction in the zone of incomprehension between specialists in the various social sciences', in what he himself calls 'a process of nibbling away at boundaries' (1991: 37). Maurice Allais was even more explicit:

The history of science teaches us that the greatest progress has been made when bridges have been built between the different disciplines, ... But for such progress to be made, we need men of enormous culture with a broad overview, and such men could not be supplied by an overly specialised organisation. ... It is by making a huge effort to achieve a synthesis that the social sciences can today make enormous progress. It is also eminently desirable to train economists who have a broad view of history, sociology and political science, to train historians well-versed in economic analysis and the study of sociology, and sociologists who have been trained both as economists and historians.

(1968: 28)

Without seeking the Eldorado of a 'total' social science which does not exist, the boundary between economic and political analysis seems to be a weak point in the division of the social sciences. Moreover, some political scientists are very aware of this, particularly specialists in international relations, who are increasingly interested in economics (Strange, 1970; Ripe, 1994; Chavagneux, 1998; Laroche, 1998; Smouts, 1998). This is what has happened in the case of globalization, whose multiple facets call into question the cognitive boundaries between the social sciences.

NOTES

1 We are thinking here particularly of the work of the mercantilists, J.S. Mill, the German historical school, K. Marx, F. Hayek, A.O. Hirschmann, F. Perroux, J. Robinson and many others who would deserve special attention in the context of a broader work.

2 See, among others, Bayart (1989); Bayart (1994); Bayart, Ellis and Hibou (1997); Chavagneux (1997); Hugon (1998); Sindzingre (1998).

3 Asked by the monthly magazine Le Monde des Débats at the beginning of the 1990s about his position, Maurice Allais declared 'I do not wish to change or add anything to what I said then'.

4 Defined as established norms and habits that are common to all individuals.

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