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Philosophy of Economics: A Heterodox Introduction

by **Oliver Schlaudt**

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The very title of Oliver Schlaudt's book announces two orientations: a *philosophical* articulation of economic categories, and a modest "introduction", or more precisely a "*heterodox introduction*" that discusses the most important issues of "economics" and "economy".

"Economics and philosophy": a *philosophical* coverage of economic relations has been recently on the rise, as there are corresponding books that testify to it, but are economists looking forward to it, and to what extent do they appreciate it? The questions relating to the perspective of heterodoxy can be summarized as follows: is economics doomed to be a slave to positivism that is a strong guide for orthodox directions?

Putting the economic categories in a philosophical perspective means that those categories are not self-evident, but are subject to constant re-examination. Moreover, many economists interpret the philosophical interest in the mentioned categories as a problematic interference that can threaten the stability of the economic interpretation. Is it possible at all for philosophy to help economists understand their subject better? Can it improve their methodological self-awareness or make their argumentation more analytically precise? There are different economic determinations, but what is their meaning? What is the relationship between "free decision" and "structural constraints"? How can the interpretation of this relationship shed light on the scope of economic explanations?

Besides, skepticism towards a philosophy that intervenes "from the outside" in the economic subject matter can "tumble" into a heterodox discourse. At least that is what is said from the perspective of orthodoxy. This is actually the reflexive stake of this book: does the implementation of a non-positivist philosophical articulation of economic moments *necessarily* produce a heterodox orientation? Does an attempt to process economic categories from a philosophical viewpoint open an *eo ipso* heterodox interpretation of economic phenomena? Is orthodoxy keeping a distance from the philosophical understanding of economic relations for a reason? Is there a *natural alliance* between heterodoxy and non-positivist philosophical articulation?

If someone develops a heterodox orientation, then they are, undoubtedly, taking a stand regarding orthodox views as well. We cannot imagine heterodoxy without criticizing the dominance of orthodoxy. This is especially pronounced in the economic

discourse because the void between orthodox and heterodox directions is quite specific compared to other scientific disciplines. At the same time, it would be especially true to say that the division of economic discourse into orthodox and heterodox orientations exists only from a heterodox position. The “orthodox” perspective views its position as self-evident and the heterodox as an unnecessary deviation from methodologically proven conceptual procedures.

Pluralistic philosophy would eagerly regard the relationship between “orthodox” and “heterodox” orientations as an endless (academic) dialogue in accordance with the idea of dialogic processes being the promoters of the conceptual capacities of economic science in terms of understanding the economic world. Dialogue is a generally recognized normative basis for a relationship between different opinions, while monologue is usually criticized as an expression of the unwillingness to discuss. Yet, the common basis of dialogue must always exist, and here, it has been questioned too often.

Therefore, the relationship between “orthodoxy” and “heterodoxy” is not pacified. “Heterodoxy” is, nevertheless, understood as a self-marginalizing orientation from the perspective of orthodoxy and it cannot be taken too seriously. On the other hand, dialogue is only possible between at least relatively equal partners, that is, principled equality should enable recognition of the other as a respectable interlocutor. So far, symmetry (desirable or even relative) between orthodoxy and heterodoxy has been definitely missing. In accordance with the orthodox discourse, the criticism by heterodoxy about orthodoxy chronically showing a lack of reality and complexity to encompass economic determinations and therefore is sent to an address that still takes little account of this.

Admittedly, some argumentations in the book provide evidence for a non-pacified, non-dialogical relationship between the mentioned directions: they rhetorically speak strongly about “hypocrisy” that is “typical of economics” (p. 45), give hints about “anti-marginalist revolution?” (p. 115), and present the “logical misery of neoclassical economics” (p. 36) (when Schaudt turns to a forgotten German philosopher Hans Albert, that is, his indication regarding neoclassicism: “model Platonism” and “immunization of empiricism” - although empiricism does not stand better chances in neoclassical frameworks either). Further on, there is an especially critical statement (p. 6): “Some economists have blood on their hands” (by Gregoire Chamayou). Undoubtedly, any connection between “blood” and “economics” represents a non-pacifist, robust critique of the dominant trends in economic discourse.

We know that one of the most famous *bon mots* in heterodox economic discourse is Joan Robinson’s statement: “The purpose of studying economics is not to acquire a set of ready-made answers to economic questions, but to learn how to avoid being deceived by economists”.

Many economists would probably agree with the first part of the statement as it implies certain pedagogical norms that emphasize the freedom of the addressee (“no to ready-made answers”). The second part of the claim, however, is much sharper and more provocative, because what Joan Robinson claims is that ideologizing is an inherent moment of economic discourse. Finally, Schaudt emphasizes that modern economic discourse has an excess of “justification” of the market instead of “investigating” the mechanisms of the market. The fact that standard economic discourse shows “market

interactions” reductively, that is, based on the pattern of “physical events”, can be attributed to this. The market, thus, becomes a complex of “physical” mechanisms and not a series of “social” events. Let’s put it this way: the heterodox orientation believes that orthodoxy “deceives” its addressees, and accordingly, it is necessary to clear the way for a concept that will demystify and even destroy the pillars of “orthodox attitudes”.

At the same time, it is worth noting that the affirmation of orthodox views, or their non-radical transformation, is not a “lack of personal honesty” (p. 26) of the concerned economists, but rather a structural problem. This is how Robinson’s point about resistance to deceiving must be understood. The fact that heterodoxy attacks orthodoxy cannot be explained by *ad hominem* argumentation (although some heterodox arguments are aimed at orthodox economists who are advisers to rulers and powerful corporations while building their theoretical structure by acting utilitarian).

The uncertain institutional status of heterodoxy forces it to deal with orthodoxy. Unsurprisingly, a significant part of the book deals with the self-understanding of the orthodox orientation. “Theory of general equilibrium”, “preference structures” that motivate the actions of economic subjects, and “methodological individualism” - just some of the critical subjects encountered in this book. We can say that heterodox conceptualization must go through the medium of criticism of orthodoxy before it relates to the economic determinations of the world. This also explains Schaudt’s attitude: the object of his criticism is neoclassical economics, or in the “contemporary form” of neoclassicism which is reductive when it comes to describing the motivational resources and goals of economic subjects. The monodimension of neoclassical economics with its focus on assumed non-social preferences is certainly the addressee of criticism for an author who wants to introduce the reader to the wealth of heterodoxy.

Moreover, there are some indications of Schaudt’s sophisticated critique of orthodoxy: when he criticizes the concept of “bounded rationality”, a term typically associated with the Nobel laureate Herbert Simon, he criticizes an orientation that is otherwise interpreted as a self-correction of the orthodox position. The same could be said about behavioral economics, which may intentionally appear as the bearer of innovations, but in fact “reproduces the most problematic biases of neoclassical economics” (p. 44). We can even say that for *New Institutional Economics* as well, which has attracted a lot of attention but has not even touched the basics of the mainstream.

In other words, the supposed self-correction of “economics” is much more illusory than it is believed to be in the orthodox circles. Heterodoxy cannot be satisfied with the self-transformation of orthodoxy which changes things as little as possible, leaving too much of it unchanged.

To avoid confusion, the goal of heterodoxy is not to get exhausted in mere opposition to orthodoxy. Orthodoxy was once believed to respect only the patterns of strict and consistent rationality, while heterodoxy was open to non-rational (affective, etc.) moments. Yet, that was opposite to the reality, which is nevertheless much more complex: heterodoxy would never be satisfied to be the Otherness compared to orthodoxy but would want an alternative explanation of *both* rationality *and* affectivity, and therefore their relationship. Thus, heterodoxy has more ambitions than merely negatively repeating the patterns of orthodoxy. Its objective is to present and explain economic

determinations in a way to be competitive with orthodoxy, and to explain the structure of the world.

As I have commented earlier, the subtitle reveals the modest ambition of the book. The introduction only foreshadows the upcoming comprehensive argumentation. Or, it infers that despite the numerous already existing articles and books, it still needs an “introduction” regarding heterodoxy. We could also see “introduction” as an indication of a pedagogical ambition: a virtual young economist confronting different theoretical possibilities could acquire basic knowledge about the differences in economic articulation by precisely employing a well-calibrated “introduction”.

Schaudt’s book could match an abundance of different introductions. Namely, the loss of the reputation of economic science in the ripples of various crises prompted many interpreters to start anew, from the very beginning. Thus, it can be argued that orthodoxy has taken the wrong path, already at the ontological level (Lars Pålsson Syll 2016), which causes a multitude of different consequences. Even *The Economist* devotes itself to an “introduction” to economics which “has a reputation as a dry, heartless subject, full of boring equations” (*The Economist* 2022).

Still, it must be said that despite the ambition of writing an introduction, the author leads us in many directions and thematizes lots of relevant economic areas. The attitude toward positivism in methodology, the meaning of legality in economic relations, and description *versus* normativism - are just some of the phenomena in this book. The key idea of the book is, as I would call it, a “Polanyi moment” dimension. “Economy in context” would be another name for this moment. Consequently, the “heterodox introduction” to the study of economic relations has as its main goal the “right basic vocabulary to adequately grasp economic processes as an integrated part of the social life process...” (p. 8).

Orthodoxy, namely, assumes the existence of autonomous economic rationality that is independent of other social patterns. In addition, this fact gives economics a special rank in the nomenclature of scientific disciplines: the rigor and analytical nature of economic reflection give it a reputation and authority. In other words, a distinctive autonomy adorns “economics”, which then sovereignly looks at the world and reflects based on its recognized relevance. That is why “boundary” is especially claimed (p. 7) to be the main idea of this book because, for orthodoxy, it is robust compared to other disciplines, while for heterodoxy, this phenomenon appears only in the context of “embeddedness”, the phenomenon commonly associated with Polanyi. An adequate expression for this could be Gary Becker’s ideological-declarative and research program on “economic imperialism” - he adapts the resources of other disciplines to this form of imperialism, by which even marriage is interpreted as an entrepreneurial partnership that is regarded from the perspective of strict economic categories.

We should not forget that the ecological aspect is strongly present in the book. As expected: ecological embeddedness represents a paradigmatic problem of “boundary”. It is by no means a coincidence that Schaudt verifies his findings from an ecological aspect (“nature as a commodity”, “ecological factors in cost-benefit analysis”, “value of eco-system”, and finally “economics as ecology”, “economics in a finite world”). Schaudt conveniently received the theories that have not yet been acknowledged in the mainstream economic discourse, such as world ecology (Jason Moore), or

world-system analysis (Immanuel Wallerstein). It is those theories, however, that clear up the way to the analysis of the structural dimensions of the crisis determination of capitalism (with a special reference to the events of 2007), or they are a medium through which a discussion on historical determinations of capitalism can be reached.

Normally, if an author wants to present the actor on the economic scene, s/he will quickly reach the most significant figure of economics: *homo oeconomicus*. It certainly reflects important tendencies and it has been mentioned several times in various criticisms of economics, but Schlaudt is careful enough not to fall into the trap of overly reductive and simplified quasi-criticism of this figure. It is also not criticized in terms of moralism, which is superior to the economic discourse (morality is thematized, more precisely the relationship between morality and markets). *Homo oeconomicus* is said to be the fruit of “social imaginary” and cannot be accused of hyperbolic egoism (a more precise term would be “self-regarding”). It is rather a case of “insatiableness”, that is, the “impossibility” to imagine this concept in a form of satisfying the human being.

Schlaudt presents economic affirmation of the measurement criteria with a joke based on Oscar Wilde’s point (p. 19). Consequently, neoclassical economics constantly “oscillates” between “cynicism” and “sentimentalism”. A cynic is “a man who knows the price of everything and the value of nothing” and a sentimentalist is “a man who sees an absurd value in everything and does not know the market price of any single thing” (ibid.).

Of course, this ironic hint is developed on the basis of the conceptual difference between value and price, which brings us back to the thinking of classical economics and to the general logical problem of surface and substance - we find that exactly neo-classical economics is destined to “oscillate” between “sentimentalism” and “cynicism” in the indicated sense.

I have called the Polanyi-moment as Schlaudt’s passage to bring in the “embeddedness” to the economic discussion and think of all the consequences of it. But the author also used some other important places to interpret categories such as power, “power relations”, “real power relations”, and “power inequalities”. There is capitalism too, as an indispensable dimension of the discussion; moreover, it is strategically said (p. 64) that *homo oeconomicus* is not antecedent to capitalism as it is assumed by the representatives of neoclassical economics. It is about the fact that the causal relationship starts from capitalism and *homo oeconomicus* is a “consequence” (which is also an answer to the question regarding the relationship between “structural constraints” and “free decisions”). Furthermore, the author contradicts Paul Samuelson’s assumptions regarding his reflexive horizon of the labor market and predicts symmetry in the mentioned market. We could cite some other examples.

We can only praise Schlaudt’s claim that it is wrong to think that the introduction of power into the economic discourse means the dilution of economics and the blunting of its analytical edge. We can also see how weak is the argument suggesting that the integration of power is nothing more than a dubious sociologicalization of economics, which would imply a weakening of its conceptual rigor and mathematical refinement. A significant idea of the author’s criticism is precisely the presentation of why neoclassical economics remains paralyzed in terms of the articulation of “power relations”.

Namely, the perfect market fiction is always contaminated by the arrival of various elements of power.

All this can prompt us to supplement the argument presented here with a comment that the same “embeddedness” is always *politically* framed. This brings us back to the paradigm of “political economy” - which Schlaudt mentions only tenuously (once on p. 21 when he writes about “older political economy” ... “from Ricardo to Marx”). However, heterodoxy cannot even begin to be developed without it because the “integration” of economics into “broader social contexts” always happens *via* politics.

Even orthodoxy as a discursive construction cannot be understood without certain relations between knowledge-power patterns. Truth be told, much about this topic can be deduced based on Schaudt’s aforementioned derivations regarding power. Discursive constructions contain many imprints of power, but after some time the reader forgets that this is “only” an introduction to heterodox logic and builds up the expectations for this book, but only to get the impression that the book lacks a more explicit attitude towards this issue.

Regardless of these short notes, the *Philosophy of Economics* has achieved its goal. With clear, elegant argumentation and comprehensiveness (the book is abundant in relevant discussions and comments on economic theory that I haven’t mentioned in this review), the author of the book convinces the reader that it is worth devoting oneself to the philosophical understanding of heterodoxy. Even that could not be argued if the book was rambling with verbal rhetoric - an economist trained in neoclassical-mathematical “style”¹ would first think that the book has no analytical edge, but only rhetorical virtuosity. Yet, that would not be true; it would represent a gross injustice to the efforts of the author of this book (see chapters on game theory, theorem of impossible Pareto-optimality, experimental psychology with the economic consequences, etc.).

The book, at its heart, really is an introduction, even more than just an introduction in relation to the heterodox orientation. The pedagogy of this “introduction” lies in the power of directing a young hypothetical economist towards the reception of heterodox economic theories, even at the risk of “self-marginalization”. It remains uncertain whether this book can convince an economist, who is unwilling to give up the elements of standard discourse, to read the observations in this book with due care. Otherwise, even Schaudt should not allow himself the luxury of being certain about the keen reception of the heterodox theory - it is symptomatic that when he gives a hint of the possibility of “paradigm shift” (p. 115), the “shift” does indeed appear, but only in the context of a question mark. A lot would have to be changed in the world to annul the question mark and talk about a realized “paradigm shift in economics”.

The virtue of this book, to proceed with my review, is also evident in the fact that it proves purposefulness for economists to delve into what philosophers offer. Philosophical presentation of economic categories is not a waste of time and it is not reflexivity that replaces the analytical effects of economics. A philosopher who is interested in the flows of the economy and the achievements of economics is not an incompetent intruder, but an interlocutor. Needless to say, s/he is not someone who “dictates the future development of economic science” (p. 143). The author of this book recognizes

¹ Use of “economic style”, see Bertram Schefold (1994, 1995) and Werner Plumpe (2016).

“economics as a discipline in transition” (p. 142): a philosopher, who systematically observes the dynamics of economic relations, as well as the discursive processing of these dynamics, may be given the role of an active participant in all of this. This book does exactly that: it explains the necessity of grasping it in the “transition” phase when the outcomes are not entirely clear. Nor can we be sure that the same outcomes will be entirely beneficial.

To be specific, my final assessment is that this book is for anyone truly interested in exploring economic issues while relying on philosophical insights that accept the results of heterodox economic theory.

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