

The Universality of Economics and Cultural Diversity

Alain Bienaymé

'Knowledge suffers from the lack of knowledge.' This observation made by Mme Aurore Dupin, who was to become better known as the novelist George Sand, illustrates among other things the limits imposed on our understanding of economics by ignorance of the cultural characteristics inherent in any society. Indeed, the very diversity of cultures impels the economist to respect a principle of modesty when it comes to specifying the degree of universality to which the science of economics can lay claim. In considering this issue we shall proceed in two steps.

Firstly, by reflecting on the ambition of certain forms of economic thought to arrive at truths which are universal.

In second place, by exploring the modes by which contemporary economic science participates in a renewed pursuit of a universalist doctrine.

I. The universalist ambition of economics

Dominant 19th century economic thought, along with many of today's economists, expressed at least an implicit aspiration towards establishing a doctrine of universality. A daughter of the Enlightenment and the political and social philosophies that emerged from it, economics essayed its first independent steps along with Adam Smith. Seventeen years after publishing his *Theory of Moral Sentiments*, this professor of moral philosophy brought out *The Wealth of Nations*. This founding document of the science of economics rejected the prevailing ideas of Machiavelli and Hobbes and demonstrated by what manner peoples can normally improve their material standard of living, that is, by the division of labour and by free exchange of goods and services. Subsequently, economics consolidated its status as an entirely separate discipline with the work of Ricardo, Malthus and Jean-Baptiste Say, a few decades before Tocqueville, Max Weber and Lévy-Bruhl in their turn established the disci-

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pline of sociology. The status of economics as a science was confirmed with Cournot in the 1830s, then with Walras and the neo-classical school of the late 19th century. These authors discovered the fruitful effectiveness of applying mathematical models, which seemed adapted to cover both the rudimentary production methods of the period as well as the psychology of the consumer. The derivative and continuous functions of mathematics offered an appropriate tool to calculate the marginal decline of labour productivity as well as the increasing saturation of individual needs in relation to a given good. And marginal calculation proves indispensable for determining with precision the satisfying equilibrium solutions when individuals meet in a market in order to exchange goods.

Economic reasoning aims at explaining the behaviour of people constrained by scarcity of resources. It privileges the criterion of individual utility. It rests upon an instrumental conception of rationality by which each individual, supposedly possessing the ability to reason and supposed therefore to be purely rational, seeks in all circumstances to optimise his situation, that is, to maximise the relationship between the satisfactions obtained and the sacrifices undergone in the attainment of his choices. This process presumes it to be natural that every human being undergoing a constraint of scarcity behaves as an enlightened manager of his own resources while at the same time being perfectly indifferent to both the well-being and the suffering of others.

Economic thought illustrates its claim to universality through the titles of its foundation works: *The Wealth of Nations* (Smith), *Mathematical Principles of the Theory of Wealth* (Cournot), *Capital* (Marx), *Elements of Pure Economics* (L. Walras), *Theory of Economic Development* (Schumpeter), *General Theory of Employment, Interest and Money* (Keynes). Right to the present day, the incomparable lustre of the neo-classical model still induces many economists to extol the tradition of pure economics for the incontestable merits of its logic. They hold that the economist must have the sole aim of pursuing to their highest level of abstraction the general laws of exchange and production, and this irrespective of any application to concrete cases: such concrete applications should, according to them, be left to specialist economic 'engineers', in the same way as engineers constructing hydroelectric dams depend on the laws of the physics of soils and materials which they themselves have not directly derived (Dréan, 2006). The over-arching role attributed to purely logical reasoning applied to problems, all of whose parameters are supposedly known to the decision-maker, significantly contributed to the imperialism of the science of economics (Woo, 1984). And the vision of a society considered through the prism of pure and untrammelled competition perpetuates the lustre of the dominant model, a little like the way the Parthenon dominates Athens: a pure and perfect competitive environment in which individuals engaging in freely consented processes of exchange can make full use of their freedom of choice, without prices being distorted by the arbitrary intervention of any particular power sector, whether this be the monopoly power of big business or decrees of State (Bienaymé, 1998).

This type of model is based on a set of totally unrealistic hypotheses. It has nevertheless proven its utility and its resilience. For it can serve as a yardstick in relation to which certain properties of the real economy may be deduced from the imperfections of the market. Those which are linked to the capacity of monopoly to

influence prices and to the asymmetries of the information available to players in the economy.

The universalist ambition affirmed in this way approximates to imperialism when economic analysis and the mode of reasoning that it manifests claims to shed a determining light on most of our choices which are neither solely nor even principally economic in nature. I am thinking here of that current of thought which could be qualified as economicist, typical of the neo-neo-classical school launched by Gary Becker of the Chicago School some sixty years ago. This current of thought firstly addressed behaviours in relation to educational choices in the direct line of the theory of human capital. But, by direct association with this, it also addressed choices concerning religious affiliation or the search for a second marriage partner by someone who is widowed or divorced, even going so far as to claim applicability to the behaviours of criminals who pause before committing their crime so as to weigh up the risk of being caught *en flagrant délit*, brought before justice and sentenced. In these fields which are essentially the domain of sociology, economists are known unconcernedly to apply the principles of rational economic calculation with the greatest of vigour, and the 'results' of these exercises are sometimes rewarded with prestigious prizes, such as the John Bates Clark prize which confers distinction on American economists younger than age 40. What search for an optimum in whatever domain it might be does this school of thought not inspire!

It would nonetheless be unjust to limit economic theory to this highly purified conception of our actions and confine it to the narrow sphere of formal logic and the search for purportedly 'general' laws (Bienaymé, 2006).

Many of the laws so presented can be conceived as such only at the expense of hypotheses that are too rarely made explicit in detail. Let's take two examples. The famous law of supply and demand affirms that the available quantities of a product increase and the demand for these decreases as their price goes up. But this is only true under certain conditions relating to the prior estimates made by the parties to the exchange and to the configuration of the market. Similarly, Jean-Baptiste Say's famous law of markets according to which the supply of a product creates its own demand is valid in a context of extreme shortage or to designate the virtuous cycle of growth which takes over certain sectors of economic activity whose products are strongly innovative.

In view of these observations, it seems useful to present the recent conclusions of contemporary economic thought which appear to be intentionally more open to the diversity of cultural contexts in which economic agents function. This will be the object of our second consideration.

II. The universalist potential of economics

To what extent can contemporary economic thought contribute to a renewed search for universality by taking into account the diversity of cultures that globalization renders more visible?

A prior question arises over what is understood by the word 'culture', a rather overworked word today. It covers a multitude of diverse realities. Its various uses

extend from the most prosaic customs of everyday life to the acquired familiarity with the most advanced achievements of the human mind and spirit enjoyed by a highly limited elite. These applications, however, do not have the same degree of impact on economic activity. Still, ancestral agricultural practices which have stood the test of time can at least in part find rational explanation. Henri Mendras demonstrated recently why French peasant farmers were so slow to adopt a particular new technique for the production of maize whose effectiveness came highly recommended by its promoters. Across their gamut of attitudes, the collective beliefs associated with taboos and interdictions constrained the freedom of choice of the economic agents. Such beliefs, which are naturally alien to the logic of economics, affect the productive performance of a society; but this may be considered an acceptable price to pay in order that other values might be preserved. The multiple senses in which the word *culture* is used in current language should not of necessity prevent economists and their counterparts in other social sciences from reaching agreement on more circumscribed senses which would permit them to undertake research in common.

Economists began experiencing initial doubts as to the universality of the precepts drawn from their discipline in the decades of the 1950s and 1960s. It became indisputably clear at that time that the key concepts, the functions linking the principal corresponding variables and the models within which these functions were associated were inoperative when attempting to impose them on the realities of the underdeveloped world (Austruy, 1965). One may cite as examples the concepts of savings or of hidden unemployment, the function linking labour supply to salary levels or the investment multiplier, or furthermore the 'habitual' levers which controlled economic policy. This observation foreshadowed the emergence of a new sub-discipline referred to as 'development economics', marked particularly by the work of François Perroux, Arthur Lewis and Albert Hirschman. But this period was still not sufficiently ready for economic thought to apprehend the internal diversity of the entity which Sauvy labelled as the 'Third World'.

Thereafter, economists turned their considerations to the part played by knowledge in the economic growth of nations so as to highlight its importance. Certainly, the idea was well established that science dissipates obscurantism, and that the progress of knowledge was a vector for the improvement of everyday life for all. But the time needed for the acquisition of knowledge by the individual remains a relative constant, such that the progress of human knowledge as a whole does not occur without making each of us more ignorant.

And the question of cultural diversity is not unrelated to the contemporary crisis experienced in the relationship of the society to science (Beck, 1992). 19th century science was productive of certainties and stimulated the hope of a world that was systematically getting better. Today's science and the technologies that it spawns progress through doubt, incites controversies, elicits uncertainties about the present and the future: previously unknown diseases spread, the looming risks represented by Genetically Modified Organisms (GMOs) are not very well circumscribed, the pursuit of productivity by industrialised societies carries, along with the concentrations of populations, dangers of climatic disorder. The social acceptability of technological innovation varies according to period and to country.

Furthermore, the progress of knowledge is far from being uniform. The viewpoint

of economists on the role of knowledge development makes a distinction between the fundamental discoveries of science, which are considered to be global collective goods, and the technical applications of these created through R&D, which, to the contrary, may be privately appropriated through the lodging of patents. Pythagoras's multiplication table or the principle behind optical laser pumping in theory serve or belong to everybody. On the other hand, international accounting norms are not unanimously endorsed by all societies, and the innumerable uses that lasers can be put to are the object of temporary protection for the benefit of their inventors. But this distinction can in its turn be questioned in the realms of atomic physics, biochemistry and communication and information technologies, so considerable are the military and economic consequences for certain areas of expensive and risky research. Further, the theory which assimilates fundamental science to the production of global collective goods is a pure illusion for many countries which do not have sufficiently educated or trained personnel to assimilate and apply such discoveries. Certain countries of the developing world, notably in Asia, have well understood the interest of massively expanding their own R&D activities.

But it is the very core of contemporary economic analysis which should command attention, in that it is manifesting a much greater openness to incorporating the psychologies of the actors within the economic process, together with the contexts in which they take decisions and actions to ensure their survival, feed their families, improve their lot in life, protect themselves from risk and accumulate wealth. The old postulates on which the neo-classical model was founded are thereby relativized or called into question, and even sometimes rejected altogether. This process is occurring on two levels: that of the psychology attributed to individuals, and that of the collective nature of economic activity and in broad terms of its political dimension.

First of all, concerning the psychology, we should recall the critique of substantial rationality to which Herbert Simon dedicated his study in order that he might propose to work on hypotheses of bounded rationality and procedural rationality. Traditionally one reasoned from the postulate according to which the perfectly informed decider will opt unhesitatingly for the choice whose substance brings him the highest level of satisfaction. Simon considers on the other hand that individual rationality is limited both by the gaps we may have in our information and also by the overabundance of information that we have difficulty in interpreting. He further considers that our decisions, notably those relating to production, are largely taken within groups, in collective organisations: villages, trade unions, administrative structures, managerial enterprises, estate and family trusts, and through procedures that vary according to the individual culture of these organisations.

Taking this line of investigation further, studies of economic psychology have multiplied on an experimental basis in order to show the diversity of behaviours in relation to risk, uncertainty, the pursuit of information, the scale of the stakes involved, and the frequency of the types of decisions taken (Kahneman, 2003). We should perhaps recall here the significance of the work of Amartya Sen – winner of the 1998 Nobel Prize for Economics – concerning morality in economics and the attention that deciders pay to the secondary and indirect consequences of their choices on the well-being of others. Or again the interest in the innovation of micro-credit lending launched by Mohammed Yunus, professor of econometrics at

Chittagong and Nobel Peace Prize winner in 2006. More generally, the concept of real freedoms, which are linked to development, implies that the economist should take account of cultural limitations which hinder access to such freedoms (Sen, 1999).

In short, contemporary economic science is more and more often exchanging a narrowly defined notion of rationality for a richer concept of intelligibility which recalls the mode of reasoning applied by Alexis de Tocqueville in *Democracy in America* (Boudon, 2005). Such progress prepares us to better understand behaviours which, as a Frenchman accustomed to Cartesian rationality and a European brought up on the philosophy of the Enlightenment, Tocqueville found surprising. It should inspire more prudence in economists who, reassured by the preciseness of econometric equations and the apparent uniformity of accounting report grids, tend to venture into asserting prescriptions of questionable validity, for example in the fields of work, employment and assistance for the unemployed.

Secondly, the postulate of a pure-state economy should not be taken literally. It should be taught and understood as a process allowing, like the battle of the Horatii and Curiatii, the difficulties to be divided into distinct parts. The generality sought by the pure theoretician has its price: it disregards any manifestations of power. The international economics of Ricardo and of Heckscher, Ohlin and Samuelson long described a binary world opposing the individual Nation against an undifferentiated Rest of the World. In such a world there was no state intervention; rather it was made up of individual entities involved in processes of exchange from which enterprises and political activities were absent.

In the wake of the neo-classical model, the 20th century thus abandoned the notion of a political economy in favour of that of a science of economics, and this at the very time when, paradoxically, Keynes was encouraging the State via his own model to intervene in economic mechanisms in order to stimulate activity and to face unemployment.

To speak of a political economy seems to equate to an oxymoron, to the extent that the economic sphere reasons according to criteria of utility, whereas the essence of the political sphere is built on the distinction between the Self and the Other, between friend and enemy, and relates to the linkage between power and collective solidarity within clearly defined territorial boundaries (Bienaymé, 2006).

However, the area of intersection between the economic and political spheres is all the more broad insofar as wealthy societies which still belong to the category of market economies have in fact become societies in which the wealth that is produced only by a minor fraction of their people is widely redistributed to the whole population. In the 18th century, 80% of the population at least was forced to work simply so as to stay alive; today only 30% of the French population produces the Gross Internal Product, which is then redistributed to the inactive sector (both young and retired), to the unemployed and others in receipt of various forms of assistance, and to the civil servants whose work does not directly participate in market productivity. It is well known that the financing of social welfare programmes (30% of French GNP) and of higher education is presenting certain problems which, even among the older members of the European Union, supposedly easily comparable, have been met with different political solutions which are the product and reflection of different histories and cultures. In this domain, the role of the economist who is consulted

on the appropriate reforms to undertake is that of identifying winners and losers and of seeking ways to compensate the latter without compromising the spirit of a reform judged to be essential by the legitimate political authority. Each major culture defends its own outlook in the matter of social justice on the basis of principles of social solidarity considered vital for preserving its identity.

Humanity, which is today confronted by a major danger arising out of the way it relates to the world of nature, is obliged to invent the strategies and instruments that will ensure a sustainable development. This issue is even more crucial given that the highly populated emerging countries are rapidly industrializing in imitation of the productivist and predatory model which has prevailed in the West, while those countries which have been left behind also legitimately aspire towards reducing their economic handicap. A new wave of Malthuses is now predicting that instead of reaching 9 billion, the world population that could survive the looming dangers of all sorts that will face the planet by 2050 could be no more than 2 billion. These types of problems leave traditional economic theory unable to cope. But nothing prevents a shared reflection with other disciplines on the way to best weigh up the interests of both present and future generations, and to engage local populations in a search for the optimal means of managing particular resources which are essential for their consumption.

This approach requires a revision of the current operating mode of economic analysis. First, by recognising that 'distinct from the engagement prescribed by classical economic doctrine, sustainable development supposes taking as the starting-point a non-idealised perception of reality in which the rationality of the agents is bounded and the social structures are not necessarily efficient' (Piau, 2007). The common awareness necessary to bring about a convergence of perceptions about the world and the stakes involved in development is today still not evident. Traditional, excessively socio-centric, economic theory projects a world that is too idealized to be able to provide the common basis for a shared awareness. To this extent, it is in fact not sufficiently universal. Furthermore, if the cultural factors which guide the decisions of individuals are deep ingrained in them and difficult to shift, the cultural referents of a particular generation are not necessarily incapable of variation: the rehabilitation of former agricultural land may be costly from a purely economic point of view; but this on the contrary may have value in regard to the maintenance of a viable ecosystem for the benefit of future generations. We do not live in a 'single-system world' governed by rationality and a homogeneity of cultural preferences. And we know nothing about what these preferences might be for future generations.

For its part, the amount of economic rationality that can be attributed to people in the most deprived circumstances is controversial. In the view of certain experts, the poor in developing countries invest little in production and devote an insufficient part of their meagre resources to a healthy diet, instead preferring to seek entertainment and distraction. In reality, poverty annihilates a sense of the future, as George Orwell observed in relation to the slums of London and Paris. Rationality more easily provides its aid to those already enjoying decent conditions of living. Daily modes of survival count for more in this regard than the diversity of world cultures.

In conclusion, the formalized logic of economic rationality presents a representa-

tion of the world that is incompatible with the diversity of cultures. The Kantian ideal of the maximization of social well-being is over-simplified in that it reflects a socio-centric viewpoint which is today incompatible notably with the universal perception of the need for sustainable development.

Nevertheless, in trying to ensure that economic thought participates more effectively in a renewed search for universality, two precautions must be respected which tend to put dampers on what we have attempted to show.

The neo-classical model of pure economics arises out of those modes of thought which are systematic to the point of caricature, are outrageous even, but which have the incomparable advantage of drawing out numerous points of discussion and, by that very method, of highlighting the 'imperfections' of the real world. One must hasten to add that 'imperfections' in this context does not carry any value judgement. Some of these imperfections have reference only to the base model. It is a model whose heuristic value certainly still remains unrivalled today. But other so-called imperfections arise from such a heterogeneous world that they raise 'a problem of society, indeed of civilization, and are not of that kind of imperfections that could be ruled out thanks to the optimizing virtues induced by the disciplines of competition' (Boiteux, 2002).

The world is rich in cultural diversity, as it is in its bio-diversity which is today under threat. Globalization has the advantage of being capable of sensitizing opinion to these treasures. But neither should they be raised to the status of absolutes. We must think both difference and unity. Cultures are not as distinct one from another as the animal and vegetable kingdoms are. Cultures are plural – but humanity is singular. Let us conjugate both the singular and the plural, both Humanity as a single entity and its multiple human diversities. Otherwise, how could we remain in solidarity with one another when the evolution of the world is making us ever more interdependent?

Alain Bienaymé

University of Paris IX-Dauphine

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