Abstract

Transition is not just transition of formal institutions, convergence of price levels and living standards. The closure or the gap in formal institutions is probably less time demanding than the closure of ideological or mental gap, created in many fields in academy or social life. Social sciences have been erased during half a century and post-soviets still struggle for academic prestige of these areas. We have seen many misunderstandings concerning the interrelations, hierarchy and even object of study in social sciences. Superiority of economics is sometimes created by market signals, or superiority of some other discipline by “political signals”. Our aim is to show that in the body of social sciences economics is a normal science which can be defined by method, not by subject matter. We will introduce the alternative methodological approaches to rational choice and indicate their advantages and disadvantages. Mainly two questions are answered. First, is there some alternative methodology which has been more successful in producing efficient predictions and explanations of social affairs? Second, how methodological criticism has changed rational choice perspectives and can these changes be justified? Finally, changes in methodology of economics are discussed showing that there is no clear answer – how to parcel our social sciences?

Key words: rational choice, methodology in economics, structuralism

JEL classification numbers: B4, B5

1. Introduction

The roots of economics or political economy are in Hellenistic tradition of oikonomia, where it was used for denoting mainly efficient home management – creating social networks of slaves, animals and family members. Although in Aristotle (1992) the concept was eminently used not only for family management, but in a wider sense. This wider denotation stood for political or social management of society (polis) in general, concentrating on incentive schemes of citizens – political, power, trade and social hierarchy. Even more than two millenniums later we are still hesitant about the research
field of economics – many of us understand the economics as the study of economy\(^1\) – study of areas governed by monetary relations. The aim of the current essay is to clarify this “academic disarray” and indicate and find answers to the criticism towards economics – reductionism, false or up to date assumptions, individualism. The statement of the essay is that economics is defined by research method not by the field of research. Also we introduce critical approaches to orthodox economics, which avoid and defeat the main assumption of economics – *homo oeconomicus* – and indicate the current (and hopefully also future) trends inside the discipline. The essay is addressed to the post-soviet reader who has lost the “historical roots” in social sciences and fifteen years after the “end of history” still struggles to make up for this intellectual gap.

For us economics is defined by method and “language” (terminology), as in many social sciences the object of the study is social mechanism. In economics the normative distinction between the “good” and “bad” social mechanisms is determined by “reasonability” for an individual. The “measure” of the “good” can only be individual; and this liberal course of the thought has through historical evolution created methodology of economics,\(^2\) or economics as a “normal science” (Kuhn 1962). Although the first chapter of the essay will concentrate on historical evolution and method of economics for introductory purposes we highlight here the Hayek’s definition (Hayek 1945) of economic theory:

> The problem is precisely how to extend the span of out utilization of resources beyond the span of the control of any one mind; and therefore, how to dispense with the need of conscious control, and how to provide inducements which will make the individuals do the desirable things without anyone having to tell them what to do. The problem which we meet here is by no means peculiar to economics but arises in connection with nearly all truly social phenomena, with language and with most of our cultural inheritance, and constitutes really the central theoretical problem of all social science. (Ibidem, pp. 24-25)

Hayek sees no differences in the object of the study or the problem between social or behavioural sciences, rather all social sciences have a common aim – to find answer to the problem how individual can choose his pursuits and consequently freely use his own knowledge and skills. What kind of institutional setup, rules and regulations are needed for this? The assumption of free will is different from the materialistic

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1 Definition of economy in general is complicated, in everyday language the concepts of money, labour, inflation, growth etc are related to the study of economy. The original meaning of the word – social network for efficient management – is under the veil. In many transition countries also negative attitude toward trade and business is historically explanatory. Unavoidably bitter taste is related to the concept of money, and trade is considered to be something despicable or contingent. Eric Hoffer (Hayek 1989) has said: “Enmity of scholar against merchant is as long as written history”. Thus negative attitude is not just coming form social learning of socialist ideology, or from the social stratification, it is also academic disease common for many social sciences or humanities, which blame monetary relations for many social diseases.

2 This course of thought can be called paradigm, which can be metaphorically called “academic spectacles” and which allow seeing some ideas, institutions and phenomena especially clearly, at the same time putting some ideas in the shadow. Paradigm as the theoretical “world view” has taught us to see clearly some aspects of individual behaviour, thus cumulative historical knowledge as a normal science (Kuhn 1962) relates assumptions, concepts, models and theories. Inside the normal science it is difficult or even impossible to be critical to paradigm, thus objectivity can always be put under suspicion.
world-view, which is pre-eminent in natural sciences, stating that laws of nature and other materialistic constraints determine also human action (Uus 1997, pp. 2087-2112). At the same time, the individual choice is constrained by materialistic limits: time, natural laws, etc – that partially determine choice. This partiality is important because opportunity costs which determine the choice are always “notional” or “imaginary”, dependent on what is considered to be the second best alternative. And this knowledge is private.

If the research problem is related to the understanding of institutional and incentive schemes, which maintain freedom to choose our pursuits, then it is declared that the centre of the research must be individual. In economics this species is named *homo oeconomicus*. The historical reason for such a classification will be explained in the following section; here we just explain the concept. How to define *homo oeconomicus* - is he a rational individual with “free will” or rather Nietzschean übermenschen (Nietzsche 1967), somebody who is beyond herd instincts ruled by emotions, traditions and norms? Biologists state that the older parts of the brain, which direct emotional reactions, are very similar in all vertebrates, thus Keynesian animal spirit is a rather successful metaphor for a human behaviour led by instincts and emotions. Is a human being battlefield where rationality and animal spirit constantly fight? For Hayek this standpoint is rather erogenous:

> As Alfred Whitehead has said in another connection, "It is a profoundly erroneous truism, repeated by all copy-books and by eminent people when they are making speeches, that we should cultivate the habit of thinking what we are doing. The precise opposite is the case. Civilization advances by extending the number of important operations which we can perform without thinking about them." This is of profound significance in the social field. We make constant use of formulas, symbols, and rules whose meaning we do not understand and through the use of which we avail ourselves of the assistance of knowledge which individually we do not possess. We have developed these practices and institutions by building upon habits and institutions which have proved successful in their own sphere and which have in turn become the foundation of the civilization we have built up. (Hayek 1945, p. 25)

Consectuently our “abstracting brain” has no propensity towards emotional or mythical symbol schemes, but rather because of the limiting capacity of our brain we are rational by using symbols and emotions. We read and transfer coded messages, rely on abstractions and symbols, create behavioural norms and constraints including ethics and moral rules (Axelrod 1990/1984), make decisions based on some external sign or augury, because it allows to use our brain efficiently – to be an optimal information processor. Our rationality is like a game in two levels – to optimise the amount of information (not to overload our brain) and to make a rational decision based on this information (Kahneman 2003). Part of the brain led by ratio is not competing with the part led by emotions, emotions are rather “assistants” in the process of the rational decision making, as described by Evans (2002/2001).

The current essay is structured as follows: first, economic methodology is discussed and criticised, then some alternative paradigms are proposed, which may anticipate economics by the more efficient or precise explanations and/or predictions. Finally some conclusive remarks are made which can help familiarise the reader with
the current ambitions and trends in economics. Also problems related to the change of economic methodology are discussed.

2. Relativism, Individualism, Normativism and Positivism in Economics

The statements that economics is defined by method rather than the study of an object—economy, makes us find endorsement from the historical overview of the discipline. Classical economic thought or political economy, which retreated from the moral philosophy finally in the 18th century, defines our starting point. Later we try to find constituting ideas of economic methodology—starting from the assumptions economic methodology is based on and concluding with recent academic struggles for methodological “improvement”.

Commonly to all social sciences, economics is rooted in moral philosophy. While today moral philosophy is mainly after some universal normative doctrine a theory that should be right or good for the whole humanity, then the Smithian understanding of the objectives of the discipline was different:

*For Smith the most basic task of moral philosophy is one of explanation; it is to provide an understanding of those practices which traditionally are called moral. [...] Smith saw moral philosophy as central to a new science of human nature. For this purpose Smith analysed those features of human mind and those modes of interaction between several minds which gave rise to moral practices [...]. Furthermore, he traced the different patterns which these practices assumed in response to different social, economic and political circumstances. (Haakonssen 2002, p. 7)*

According to the tradition which started from Hume and was called philosophical relativism later, it is impossible to define or formulate a universal idea of good, or such a definition can be given in very general terms. Although Smith (2002) considers it possible to define “immoral behaviour”, we have the ability to recognise what is harmful to others even when we know little or nothing about that person. Thus positive virtue is much more uncertain than negative and only the latter needs a systematic treatment of “science of jurisprudence”, to regulate behaviour between strangers. However, what counts as injury is not a universal matter; it varies dramatically from one type of society to another. According to the development phases of societies, “natural rights” differ. “Just as the virtue of justice is the foundation for natural jurisprudence, so the virtue of prudence is the basis of political economy” (Haakonssen 2002, p. 10). The former discipline is concerned with characteristics or qualities which individuals acquire as rights in different societies; the latter study singles out just one quality, self-interest, without specifying its content and then works out how selfish people deal with each other. This kind of abstraction allows us to create a general system of rules for explaining mutual relations in society. Abstract individuals’ skeletons resemble to others—free form “collective morality”, subjective preferences and discretionary emotions, they act in their self-interest. Promulgation of self-interest is committed to analytical purposes; self-interest is like a common denominator, which allows analysing the behaviour of individuals with distinct interest, morality, institutional norms etc. If we gut and clean all “social layers”, then what remains is a skeleton which similarly to the constituting gene is selfish.
After a brief overview of the birth of economics we will make a long jump and land in the 20th century, where the metaphor of self-interested individual has been embedded into the orthodox economics. This neoclassical track follows the deductive logic – the basis of human behaviour is the free choice of hedonistic utility maximising individual, and universal social regularities or laws are explained as the consequences of such behaviour. This methodological individualism has been often misunderstood and widely criticised. Most of the criticism is still based on the assumption of *homo oeconomicus*, which is considered to be based on out-of-date psychology. Ideologically it is often forgotten that economics is not a normative discipline empowering egoistic behaviour. From the history the pronounced examples are Malthus population theories (1826/1798); Polanyi reprobate pauperisation and commoditification of labour (Polanyi 1944) supported by the ideas of political economy. Nowadays we know the expression “market fundamentalism” or “individualistic-liberal”, both indicating some kind of negative value judgement. It is clear that it is basically impeccable to fight against ideological criticism. At the same time, reasons for criticising *homo oeconomicus* as a presumption of rational choice models are similar to the criticising vacuum as the precondition of gravity models. The presumptions of the models are always simplifications from reality. Assumptions are important for abstraction of the complex phenomena, and they do not carry normative specification.

In so far as a theory can be said to have “assumptions” at all, and in so far as their “realism” can be judged independently of the validity of predictions, the relation between the significance of the theory and the “realism” of its “assumptions” is almost the opposite of that suggested by the view under criticism. Truly important and significant hypothesis will be found to have “assumptions” that are widely inaccurate descriptive representations of reality, and, in general, the more significant the theory the more unrealistic the assumptions (in this sense). The reason is simple. A hypothesis is important if it “explains” much by little, that is, if it abstracts the common and crucial elements from the mass of complex and detailed circumstances surrounding the

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3 Adding the word “social” to whatever procedure or phenomenon somehow seems to create the additional positive attitude related to the matter. At the same time, the adverb “social” does not bear the same meaning as fair, good or even friendly. Dictionaries of synonyms indicate “communal”, “public”, “group” or “collective”, and the antonym is “antisocial” rather than “individual”. Hayek (1989) indicates more than 160 pairs of words where the adverb “social” has emptied noun related to it from its meaning. Similarly, in today’s Estonia the most common examples from media are constructions “social contract” and “social preferences”. Starting from the latter, preferences indicate the individualistic different need for certain activities or commodities, preferences indicate the subjective characteristics of the choice. Thus the collocation “social preferences” is usually an empty form meaning, and we just robe from stupidity or from animosity “preferences” to the glamorous dress. Similarly “social contract” or “corporate social responsibility” are used without clear conceptualization. Social contract – concept which argues that the state is a more or less alienated form of agency, is a metaphor used to justify state authority. In current Estonia the concept is stressing a “real contract” between different interest groups in society. In post-soviet perspectives we know that “social aims” were obtained by coercive hierarchical political order, “individual aims” were depraved. Even when we admit that in some situations moving toward individual aims can be an inefficient road for all, it does not justify coercive adjustments.
phenomena to be explained and permits valid predictions on the basis on them alone. To be important, therefore a hypothesis must be descriptively false in its assumptions; it takes account of, and accounts for, non of many other attendant circumstances, since its very success shows them to be irrelevant for the phenomena to be explained. (Friedman 1956, pp. 14-15)

Freidman’s arguments help to deal with ideological criticism, but mainly address the second type of critical wave. This wave attacks economics on the ground of unrealistic assumptions – orthodox economics is considered to be unrealistic and dismal, because humans are assumed to be egoistic, money grasping, “calculator of pleasure and pains” (Veblen 1919/1898). A widely accepted criticism also asserts that assumptions of economics are up to date, and thus we need the reconsideration and reconstruction of economic foundations. Mainly the assumptions of perfect information, perfect competition, free market, homogeneity of labour are criticised. Although this type of criticism is often circumvention, unless in circumstances where proofs are added, what shows that different theories lead to better prediction, a wider scale or increased efficiency? Has economics been beaten by many alternative theories - it will be discussed in the next section and here we admit that criticism based on ideology or abstraction of assumptions cannot be taken seriously.  

Many economic experts, not to mention politicians, tend to mist the border between normative and positive science, often making no distinction. For Friedman positive economics is defined as:

Positive economics is in principle independent of any particular ethical position or normative judgments. [...] it deals with „what is”, not with „what ought to be”. Its task is to provide a system of generalizations that can be used to make correct predictions about the consequences of any change in circumstances. Its performance is to be judged by the precision, scope, and conformity with experience of the predictions it yields. In short, positive economics is, or can be, an „objective” science, in precisely the same sense as any of the physical sciences. Of course the fact that economics deals with the interactions f human beings, and that the investigator is himself part of the subject matter being investigated in a more intimate sense than is the physical sciences, raises difficulties in achieving objectivity at the same time that it provides the social scientist with a class of data not available to the physical scientist. But neither one nor the other s, in my view, a

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4 Friedman (1956) explains this fundamental misunderstanding, which assumes that descriptive punctuality and analytic correctness are positively related, thus economics based on unrealistic assumptions cannot have valid theoretical explanations. This criticism is characterised by the statement that all “truly significant” social phenomena are complicated and complex, thus whatever theory which will explain social realities must be complicated as well. “A fundamental hypothesis of science is that appearances are deceptive and there is a way of looking at or interpreting or organizing the evidence that will reveal superficially disconnected and diverse phenomena to be manifestations of a more fundamental and relatively simple structure. And the test of this hypothesis, as of any other, is its fruits – a test that science has so far met with dramatic success. If a class of “economic phenomena” appears varied and complex, it is, we must suppose, because we have no adequate theory to explain them. Known facts cannot be set on the one side; a theory to apply “closely to the reality”, on the other” (Friedman 1956, pp. 33-34).
It is argued whether it is important to take physical sciences as an etalon in behavioural sciences, or rather not? But we will not discuss this argument further, but will rather concentrate on finding some parameters for comparing the theories. We indicate that the ability to create an efficient body of testable hypotheses and predictions is the basis of comparison. And the success of “producing” predictions and “more productive” hypotheses than neighbouring disciplines is exactly what describes economics. Let us give the subjective ranking of some impressive achievements of economics. Hayek, in a political science discourse, described already in 1944 the main traps into which liberal societies and intellectuals fall. Stigler has many decades shown how our understanding of the new economy, without classical principles of competition, is a misunderstanding (Stigler 1985). Chicago school, starting from Knight, who has stated that there is no clear-cut distinction between these human activities which can be described by economics and others (Kirzner 1965), and ending with Becker, has been considered as a flagship of economic “imperialism”. Becker’s “discrimination”, “marriage”, “crime and punishment” economics are widely known. Almost as influential is the Virginian school – Buchanan and Tullock can be considered political philosophers, moral philosophers, classical-liberals, price theorists or even critics of neoclassical theories. Downs’ “theory of democracy” (Downs 1954) is considered one of the most influential texts in political economy. Nobel prizes to information-economists – Arrow, Stigler, Stiglitz, and game theoreticians – Nash, Harshanyi, Aumann, Schelling, illustrate the widespread usage of economics as a method in behavioural settings which are not described by market activities. Thus it is difficult to be hesitant about the ability of “reductionary individualism” to produce a “productive” body of hypotheses. At the same time we have to admit that critical addresses have influenced economics and economists relatively lot. The biggest effect is probably caused by game theory, which allowed analysing a new set of problems with only marginal changes in methodology.

In recent years economics has softened its assumptions about homo oeconomicus, without giving up most of its methodological framework. A widespread notion is that methodical individualism has been imprecisely perceived and thus also applied widely, assuming that not only means of achieving aims are rational but also the aim can be considered rational. The definition of rationality, often referred to as narrow rationality (Downs 1957), makes no assumptions about the aims of the individuals. Hardin (1982, p. 10) defines rationality as the “efficient way to achieve the goals”, distinguishing final aims from the procedure of reaching them.

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5 How far the methodological changes go depends highly on the school of thought. For example, New Institutional Economics gives up rationality at all, considering preferences as a result of dynamic development. North (1994) says in his Nobel speech:

*The Analytical framework [of new institutional economics] is a modification of neoclassical theory. What it retains is a fundamental assumption of scarcity and hence the competition and the analytical tools of microeconomic theory. What it modifies is the rationality assumption. What it adds is the dimension of time* (North 1994, pp.359).

Stressing time dimension means that preferences are not considered exogenous any more, rather as a result of historic evolution. North explains that perceptions of the individuals, groups and communities are determining their choices, which determine the procedure of historical learning.
Economic analysis thus consists of two major steps: discovery of the ends a decision-maker is pursuing, and analysis of which means of attaining them are most reasonable. ...The term rational is never applied to an agent’s ends, but only to his means. (Downs 1957, pp. 4-5)

Thus, we may say that rationality of ends is perceived only by us. How we make a decision that is good for us is formed by subjective preferences – cultural, social and why not biological. Preferences are a unique set of moral codes or value judgments. Rationality implies only to the process – how aims are achieved – for this efficient means are chosen from among alternatives. If we define rationality as “narrow rationality”, then we have a possibility to find different aims, like social goals or altruism, and predict human action accordingly. It is clear that this two-step procedure makes economic models more complicated (thus the main question – is change of methodology compensated by more productive results), because for explaining human behaviour or for making predictions we need to know individual aims, material constraints (time, physiology, social- and institutional boundaries). If we still assume that economics as a logical deductive system needs no empirics, then we are mistaken. Information about individual objectives and constraints is exactly what we do not have. Thus, in many cases classical “wide rationality”, assuming hedonistic utility maximises, who perceive world analogically, is the first best assumption to use instead of studying preferences. If we assume that narrowly rational individuals maximise utility, then we need preference orderings along with various payoffs. Payoffs are the results of some actions, thus choice of payoffs can be substituted by the choice of actions. Action can bring different payoffs in different social contexts or in different states of nature, thus rationality indicates that it is optimal to choose actions which bring better results in all social settings (states of nature). There are not too many situations like that – usually there are only some dominant or dominated actions and thus some kind of alternative choice rules are needed.

In these situations which we may call social traps, we see that individual rationality will not lead us to the collective rationality. Our individualistic world view can lead us to the calamitous choices like over-utilization of resources, cold war, mass production and why not even mass culture. Throughout the history, similar kinds of social traps are governed by evolutionary taboos and norms, which have been side-constraints to our individualistic rationality – whole civilizing process can be seen as an evolution of specific set of norms, which constrained individuality in the situations where it can be threat to others and to an individual himself. Even here we can argue–

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6 Game theory is analysing the situations where choice of actions is related to the set of possible outcomes. In such cases, it is perceived that states of nature are not chosen by Nature or God, but rather by fellow citizens. Many typical situations are described by games – paying taxes, bank run or well known co-ordination problems from political philosophy. In these situations individual rational behaviour may not lead to the collective rationality. But we can indicate the malfunctions of the society where individualistic behaviour will not lead to the collectively rational decisions.

7 One of the pathfinders in sociology – Elias (1939) – has no specific understanding about the promoter of the civilizing process; rather he describes the norms which will be created during the process. Elian states: “it is difficult to say that we completely understand why we punish ourselves”. Evolutionary economics tries to relate social traps to the rational institutions, where
occasionally we have to let damage to happen, because we don’t have historical “rational norms”, which could govern new and unexpected traps like abuse of drugs, political promotion, behaviour during natural catastrophes, modern media-military conflicts etc. If the civilizing process has been an evolutionary process, aiming to restrict egoist herd of homo Sapiens as far as they will not destroy their own meadow, then behavioural sciences have to consider not only aims of the homo oeconomicus but also constraining institutions.

We have reached the conclusion that modern economics is a relatively ambitious discipline, or at least as ambitious as historical political economy has been. If we give up the assumption of “wide rationality”, because it restricts the analysis of certain allies of human behaviour like altruism, uncoordinated co-operation, evolution of norms etc, then we have to include the study of preferences (ends) and constraints (institutions) in the “orthodox machinery of economics”. Do we need this kind of transfer? May be the body of behavioural sciences is already containing an alternative methodology which gives as good as or even better predictions with “cheaper” methodology. We hope to find some proof to these hesitations in the next section.

3. Alternative Methodologies, Alternative Metaphors

Every kind of usurpation or conquest to the neighbouring disciplines creates opposition. Even here we can use economic analysis – for every rational sociologist (this is just an example) it is rational to fight for his analytical methods and structural logic (to be mean we may say (like Kuhn 1962) that the sociologist has no clear and determinate paradigm), because vested interest lock him into protective positions. The same applies to the rational economist. In behavioural sciences we have to start from the fact that object of study is shared among various disciplines of anthropology, behavioural psychology, social history, sociology, political science and economics. For example, the cut between economics and sociology is air thin and is initiated from different metaphors, which pave the road to evolution of science. The central metaphor for economics is homo oeconomicus, in sociology a metaphor is more difficult to find. Relaying on Weber (1920) we may indicate that sociology concentrates on human behaviour, which is caused by the group identity and is not individually sensible or even not considered to be individually reasonable:

Some reactions are possible only because individual feels as a part of the “masses”, some other reactions are at the same time hindered. That is why some event or action may create very different feelings – joy,

the latter are institutional or rather structural solutions to the traps – thus traps are the cause of the civilising process.

8 Medieval scholastics used the metaphor of body (body politics) for describing the society, where in addition to the heart (that was symbolizing the two bodies of the kingship) also state was divided according to the functions organs perform. Heart was the vital organ for the functioning of the whole body (but king was a heart not a brain of the state), for defending heart some other less important organs can be sacrificed (like hand of foot). Economics rests on two influential metaphors – equilibrium metaphor from natural sciences and the metaphor of curing and purifying competition from evolutionary biology. Some of us may believe that metaphors have no room in the pragmatic scientific world, and metaphors are rather tools for fine arts or humanities, although our methodological frames and abstract concepts are still inherited from the past.
anger, inspiration, despair, various passions –, which never appear being alone. In many cases there is no consciously perceived relationship between individual behaviour and group belonging. [...] His behaviour may be caused by some alienate activity, but is not consciously perceived to be caused by that. (Weber 2002/1920, pp. 36-37)

That is why for Weber all kind of conscious mimicry or consciously perceived identification to the group (we will have a longer discussion about memetics in the next section) can be considered a rational act and will be well situated in the body of economic analysis without new disciplinary attention. Distinct discipline is needed if we assume that the object of study is not consciously making choice between various alternatives, rather implicitly follows some kind of norm, unreasonable system of concepts or some tradition. Probably we oversimplify sociological categories, but traditional contradiction has been “rational behaviour” versus “traditional behaviour”. In the latter we confront free choice and institutional setup, believing that institutions are not only constraints but rather “preference creators” by ethical or moral codes, which determine our ability to see possible alternatives or even their preference order. Sociological institutionalists claim that “individual rationality is constrained by individual world view” (Hall and Taylor 1996, pp. 936-957). Thus, the sociologist “world view” created a map for our brain – “world view” is the creator of our preference order, ethical values and obtainable alternatives. It follows that we have no reason to study individuals, but the “world view”. Although the “world view” is explanatorily influential, it is very difficult to handle as the object of study. Anthropologists have been after it for a long time using explanatory myths, material culture, habits etc, to understand weltanschauung or ideology. Modern media studies, context studies or even hermeneutics consider the “world view” the main object of the study. We know the shortcoming of this approach – if institutions (word view) create our identity, our self-concept, preferences etc, and then the question remains – who or what creates institutions. It is easy to see that belief in omnipotent institutions will lead us to the vicious circle – where this circle starts and how to alter the course. Also we are not that brave to argue that world view is something positive which can be explained as a code of practice for ourselves or others. Isn’t our consciousness something unique

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9 Often dual categories „rational” versus „irrational” are used, or „rational” versus „emotional”. The first comparison is rather tautological or the implication of the everyday language to the academic disputes, thus we comment only on the last duality. Although explanation may seem a trivial statement – without preference order based on emotions, we have no use of our rational brain – it is still difficult to prove. Empirical help is provided by neighbouring disciplines; neurologist Damasio (1994) described how he worked with some patients who had brain damage which made them emotionally apathetic. Despite turning to over-intelligent rational decision makers, who could make the decisions without disturbing emotions, they altered into humans completely unable to make any kind of decisions. Rationality (without emotions) will not allow us to make even simple decisions which require listing the preferences. Without emotional preferences our rational brain is useless, because there is no logical answer to the simple questions – is an apple better than a pear?

10 We have to admit that this criticism is a little unjust, because also historical institutionalism or „rational choice” institutionalism is able to explain institutional change, although the former can explain the path-dependence of institutions and the latter the cause of institutions (for review, see Hall and Taylor 1996).
and individual? If yes, then we have the courage to be of the opinion that our mind (or our consciousness) is not the object that we can study by statistical methods (however large is the sample). Inductive studies may not help us here.

Believing that these anthropologists, sociologists and historians who consider institutions the most important object of study in behavioural sciences, are effective critics of *homo oeconomicus*, but not as efficient in creating new generalisable theories, we have to keep looking in other subdisciplines. Because of the wide subject, we create some constraints for further excavations: first we introduce a wild scale argument that behaviour is caused by social learning; second, we introduce something new – memes. Following the second path we believe that behaviour is determined by memes, and successful are only those memes which reproduce themselves; thus the role of media and influential media heroes must be studied instead of *homo oeconomicus*. At last we will argue that our choices are mainly determined by structural constraints.

The road to the memes was directed by long struggle throughout the second part of the last century between supporters of the biological evolution (sociobiology) and supporters of cultural learning. Cultural learning initiative seeks empirical material to support the idea of cultural multiplicity (important subjects are related to sexual behaviour, taboos and eating habits), demonstrating that the majority of our intellectual apparatus is based on traditions and developed through social environment.\(^\text{11}\) Criticism of cultural learning ideology has grown after publication and wild acceptance of “the theory of selfish gene” (Dawkins 1976). We accommodate, because it increases the capability of DNE to replicate, but “DNA doesn’t care or dear, it just is and we play according to its rules” (Dawkins 2000/1995, p.147). Just the fittest genes survive, isn’t conscious learning then unimportant?\(^\text{12}\)

North (1990) suggested that learning can be the key to evolution. For him learning is not only adaptation to the external constraints, but learning itself as a cognitive process creates “rational” institutions, which create and alter the incentive systems, which allow us to cope better with given technology and environment. Famous Northian definition to institutions states that

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\text{Institutions are the rules of the game in a society or, more formally, are the humanly devised constraints that shape human interaction. In consequence, they structure incentives in human exchange, whether political, social, or economic. (North 1990, p. 3)}
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This kind of learning leads us to the incentive schemes or vested interests, supported by laws or social norms, which can also lead to the development retarding institutional setups. We can learn to create these institutions if they support our vested interests, like corruptive institutions, rent seeking institutions etc. Institutions create the rules of the games, which constrain free choice, decreasing uncertainty and creating collective gains at the same time. In Northian institutional economics the evolution of institutions is not the object of the study, institutions are rather side constrains (and their evolution or creation is also one of the interests), which we have to consider as important determinants of the choice, and those institutions itself are the object of the

\(^\text{11}\) Kollock (1998, p.194) even assures us that rationality and individualism are the products of social learning, because in experiments students of economics were relatively more individual and self-indulgent, and most of all less eager to co-operate.

\(^\text{12}\) The latest studies (e.g. Rolston 1999) about genealogy show that even basic emotions are rather transferred by genes, not by social or cultural context.
choices. Preferences according to these choices over institutions are the results of the historical learning, thus the question remains – is hypothesis of historical-dynamic learning important for theory building? Are the predictions based on Northian hypothesis of learning better and more efficient than predictions made using “wide rationality”? Institutional economics is still pre-science; that is why we leave the question open, but it seems that institutional economics can become the mainstream in economics or at least normal science.

Memetics unites two parts – gene and cultural learning, introducing a new replicator – meme. Dawkins wrote about memetics

The fact that we unconsciously imitate others, especially our parents, those in quasi-parental roles, or those we admire, is familiar enough.

But is it really credible that imitation could become the basis of a major theory of the evolution of human mind and the explosive inflation of the human brain even of what if means to be conscious self? (Dawkins 1999, p. vii)

Memetics, a “brand new branch”, explains the human actions, resting on imitation, human brain is seen like a machine which replicates, reproduces and selects memes. The term “meme” was used for the first time in Richard Dawkins’ book “Selfish Gene”, where the author explains the cause of evolution – competition between genes. At the beginning of the 20\textsuperscript{th} century, biologists have enthusiastically discussed the evolution “in favour of the species” being not too interested in the dynamic mechanism behind the process. For example, if in an organism all parts operate for common good, then the one who will not contribute can exploit the whole group. This single one is able to create more offspring, who will not contribute and finally cooperation breaks down. Similarly to the selfish gene, Blackmore believes that memes replicate indiscriminately, despite being useful, neutral or even harmful to the organism (meaning us).

We can say that memes are “selfish” that they “do not care” that they “want” to propagate themselves, and so on when all we mean is that successful memes are the ones that get copied and spread, while unsuccessful ones do not. … This is the power behind idea of memes. … Instead of thinking of our ideas as our own creations, and as working for us, we have to think of them as autonomous selfish memes, working only to get themselves copied. (Blackmore 1999. pp. 7-8)

Blackmore believes that brain is the product of the memes. Our ability to imitate our congener made us imitate only the best imitators, which genetically transferred their genes, who were dexterous imitators. Till we reach modern mass society, where instead of hunters and gatherers, huge crowd of people are living in urbanized environment, creating trend, booms and fashions by mitigating and imitating. “…[T]hesis undermines our most cherished illusions of individual identity and personhood”, as Dawkins (Dawkins in Blackmore 1999, p. xvii) equivocally admits. Can contradictory “memes” cross each other, e.g. the popular imitation meme and individualistic meme? Who is cancelling who? Blackmore states that ,[she] assumes that memes pressure us and lead our choices more than we realize (Blackmore 1999). However, even if only to think that we have “free will”, then in understanding our

\footnote{Later Dawkins wrote a book “River from Eden” (1995) where the main scientific body of the evolutionary biology is presented.}
behaviour, “rational choice” will still lead us to the valid results. Only humans are transferred to some kind of strange medium – greenhouses – where replicators, named memes, duplicate. Probably it is not appropriate to give a title of *homo oeconomicus* to the meme carrier. So, memetics can decrease the importance of rational choice methodology differently than other criticisms, namely results are not considered to be invalid, but method is considered to be the “second best”. The first best method should investigate why some memes are more successful, meaning that the preferences should be studied rather than free will. For orthodox economics preferences are considered exogenous, something out of the discipline. Is really the key of understanding human behaviour in understanding the formation of preferences?

Pinker (1994) believes that humans have more instincts than fellow species, thus learning is caused by the complexity of brain, not vice versa (Blackmore 1999). But we still “buy” the simple memes, supported by genes. In our preference ladder top positions are taken by sex, food, power; because these memes “press the right buttons”. And we consider that we have “freedom of choice”, actually a gene or successful meme chooses sex, food and power for us. Our drive to success, money and position can be explained by successful memes, not free will and opportunity costs. If economics is considered to be dismal science, then what could we say about memetics? Probably memetics is not able to destroy “paradigm of free will”, for this “free-will-meme” is too successful, but anyway this is definitely a challenge – new alternative view will appear to the duality of “free to choose–determined to choose”. Should we change the methodology of economics and rather start to pay more attention to the preferences than to choices and constraints?14

If in addition to our parents we mitigate somebody, then these are coryphaeus or idols whom we worship today. Due to horizontal liberalism in social structures, we are able to borrow ideas and preferences from our coevals. From historians, probably because the particularities of the discipline have often “fallen in love” with historical heroes, considering them creators of societies and traditions. Toynbee (2003/1960) describes *übermensh*, as an individual who is able to give reward to the whole society, make the society grow; he has achieved the greatest self-discipline and his soul is privileged and able to move something that is meant to be stable, create something which is not created by others. We are back in the idea of *übermensh*, the etalon of the mankind. Although we have to admit that today’s idols are rock stars, scandalous actresses, plain men from the reality show rather than “creative privileged souls”. Whom should we study if we give up hypotheses of universal *homo oeconomicus*? What are the criteria for identifying a great personality of preference formatting soul? Many sociological media studies, being after understanding the wide scope of the mass

14 Lately I visited some management trainings concerning organizational culture and value judgments in team building, and what made me wonder the most was the eagerness of participants to substitute the general idea of free choice with the idea that choices are directed by instructions. These instructions can be governed by creating myths, symbols and cultural context, thus material-mystical determinants should be studied. This “semi-structural” approach dominates in corporate trainings and “business education”. It seems that preference formation and interdisciplinary preference studies are a new wave in pre-scientific studies. Whether these will lead to the paradigm shift is still questionable. Although for economics a decision has to be made – to continue with exogenous preferences (and there are many good reasons for this), or float with the wave and embed the preference studies.
culture, are concentrating on relatively similar phenomena. We, armed with the “economist spectacles”, are probably seeing those studies in crook-mirror, but we have the courage to stress some most important conclusions. First, culture matters (context matters), thus we cannot take any universal factors out of context, and culture as a total entity has to be the object of study. This kind of contextual approach leads us back to the criticism of the study of the “world view”, which has not offered a new methodological alternative for us. Also a pop star or media mogul is only a fraction of the structure, thus it cannot be removed from the context either. Second, the symbolic meanings communicated inside the group are explanatory only intrinsically, which leads again to the structural characteristics of the system. The whole group has to be studied.

Finally we see that almost all routes (except memes) have led us to the structural analysis – structure and other external constraints determine choice, not the free will. The most important structural constraint is the power distributing political system. Autocratic monopoly of power allocates rights and enforces them. Marxian materialistic structuralism presents that political system is determined by intertwined production relations, social structure and structure of property rights. That’s why technology and production relations not directly cause but still in complex affect social structure (classes) and political structure. If initial structuralism was an attempt to explain material reality as a result of general and complex ideological and mental structures (Lévi-Strauss 2000/1958), then in social sciences structuralism is turned upside down – it is believed that social and material structure determine our mental “world views”. The aforementioned “world view analysts” or “cultural theorists” are more or less structuralists. Structures are complex entities - that is why ripping up all connections and integrated parts is a logically ambitious task. Even here we have to use simplifications (as we do in economics) for deciding what is exogenous and endogenous for the current problem. Analytical Marxism, semiotics etc are not stating, like many French structuralists, that structuralism is exclusively an ideology which has failed to integrate different disciplines in the body of social sciences under one umbrella. Thus, the methodological dispute has started here – is analytic structuralism alternative to economics?

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15 During my studies of political science, which I started relatively late at age, I noticed that disciplines based on rational-logic framework (mainly mathematical or statistical tools, but also philosophy and logic) are not only in minority in curriculum, but also relatively unpopular among fellow students. Popular disciplines were related to media studies, gender studies and all kind of content analyses.

16 In Estonia, the common behavioural explanation by a top official of the communist regime has been that co-operation was not their free will. Political structure has determined their choices, thus there is no blame on KGB collaborators or collaborators to any other repressive power structures, and they can blame only history. At the same time, it is clear that namely these political structures constituted collaborators. For structuralist thought this is a typical example of the system where an individual has no power to change the structure, but structure itself is formed by individuals. Relatively similar expressions are used by business moguls, who were using the foggy times in the countries where “the history ended” and had formed oligarchic structures. In these structures there is no free will and thus also no responsibility – the structure matters.
4. Instead of Summary and Conclusions

If, like Chalmers (1982) stated, there is no such methodology that allows to deduct positively true or even probably true theories, then assessing the relative importance of the theory we can rely only on the success of the predictions adherent to it. Economics has described and predicted social changes and developments better than any alternative discipline known to us. The main principles of the classical school have not lost their actuality today and “modern” economics has like *leviathan* trembled into the grounds of neighbouring disciplines. The late methodical “refreshing” – analytic narratives (Bates et al. 1998) – allow spreading the economic methodology into almost untouched disciplines among the family of behavioural sciences: social history and anthropology. These kind of narratives construct analytical stories based on contextual studies and interviews using the game theory and “rational choice” methodology as a deductive analytical tool.

We identify agents; some are individuals, but others are collective actors, such as elites, nations, electorates, or legislatures. By reading documents, labouring through archives, interviewing, and surveying the secondary literature, we seek to understand the actors’ preferences, their perceptions, their evaluation of alternatives, the information they possess, the expectations they form, the strategies they adopt, and the constraints that limit their action. (Bates et al. 1998, p.11)

Will narratives also change the methodological tools of history and will anthropology be seen in the future? Anyway, we have met numerous attempts (Greif 1997) where historical texts are transferred to analytic text using formal logic of games or evolutionary game theory by explaining changes and creation of formal or informal institutions (Axelrod 1990/1984; North 1990; Weingast and North 1989; Bates et al. 1998).

Protecting the idea of a “free will”, Uus states: “[…] we have justified acting like we had a free will […]” (Uus 1997, p. 2110). Have we also justified using scientific method which assumes that individuals have a “free will”? Pushing aside all the ideological considerations we have to admit that we don’t have a reasonable answer. Classical school is contradictory in some sense; because individuals are acting freely, but their choices are determined by their hedonistic self-interest (is this fee choice?). At the same time, these assumptions have allowed us to understand and predict the action of the fellow man, and the development and change in the society as well. Today economics has more ambitions – “free will” has to be sustained (also the structure of the choice), but the rationality of the selfish behaviour can be sacrificed. We have to admit that the ambitious economics has many obstacles. We consider three of them, which can help make up our mind before attacking classical or neoclassical economic thought.

First, if individual choice can rely on different biological, cultural or emotional background, then the most important determinant of the human action is preferences. If this background also determines what can be considered rational, then we have to consider the tools worked out by decision theory, on the one hand, and even wider perspectives of psychology and neurology, on the other hand. Even more, if we have no information about the preference order of the individuals, then can it be that rationality will become an unfalsifiable tautology. Moving towards whatever aim can be considered rational *post-factum*. For example, cognitive dissonants will not let us admit
that the results of our choices are different from original plan. Rational choice hypothesis becomes a tautology.

Second, if we have evolutionarily learned to use symbols and institutions, for helping to make rational decisions, then isn’t the freedom to choose illusion and we are trapped by traditions set by ourselves? Here the social sciences overlap – sociology, anthropology or even semiotics study unconscious choices which will be then as important as the choice led by ratio. Institutions which are more or less the results of our free choice, are side-constraints, once deliberately enforced, later enforced by emotions (shame, guilt etc). If these institutions were once rational to follow, then they were self-enforced, today path-dependent institutions are enforced by collective morality and their rationality can be put under suspicion. This kind of institutional approach takes morality, ethics and religion as a social construction, defining for example religion as a tool for everyday social needs. Can we assure that religion is just a social tool, which definition not everybody can agree with like Kolakowski (Kolakowski 2004/1993)?

Third, shouldn’t we rely on free choice only in certain circumstances? In many other cases material determinism (or structural determinism) will indicate the choice. Material constraints can be either structural or normative or institutional. Unfortunately in many cases making the distinction between constraints and “free will” is difficult. Elster (1989) sets the question – was capital employment under slavery so low because masters had no incentive to invest, or were slaves misusing the tools and there was no reason to invest (constraints determining the choice)? He argues that question cannot be answered by methodical arguments. Elster states that if there is no methodological answer to the question, then we have to decide on choice characteristics case by case:

Oppportunities are more basic than desires on one respect: they are easier to observe. [...] It is usually easier to change people’s circumstances and opportunities than to change their minds. This is a cost-benefit argument about the dollar effectiveness of alternative policies – not an argument about relative explanatory power. [...] [It can be that] both are influenced by a third factor, and [...] they can influence each other directly. (Elster 1989, p. 16)

If we are not sure about the influence of the autonomous parts in the system and interrelationships between choice characteristics, then ad hoc decisions are unavoidable. Therefore we have to admit that we cannot be sure of any “methodological action plan” and because of pragmatic reasons, sometimes we have to give up the hypotheses of the “free will” or maybe even formal modelling.

References


