

Postmodernism

Matthias Klaes

[This article is taken from the author's original manuscript and has not been reviewed or edited. The definitive published version of this extract may be found in the complete *New Palgrave Dictionary of Economics* in print and online, available at <http://www.dictionaryofeconomics.com>. Bibliographical details: M. Klaes, 2008: Postmodernism. In Steven N. Durlauf and Lawrence E. Blume eds, *The New Palgrave Dictionary of Economics*, 2nd edition. Basingstoke and New York: Palgrave Macmillan.]

Postmodernism is a concept which escapes encyclopaedic definition, to the extent that mischievous commentators have described postmodernists as a club of individuals tacitly colluding in a refusal to collectively define what postmodernism is about. This should strike a cord with economists who have also been accused at one point or another of leaving central notions such as market, firm, competition, or equilibrium ill-defined (e.g. Coase, 1937; Clower, 1995), with good grounds for doing so (cf. Popper, 1945: 18-19).

On the level of economic phenomena, debates have centred on whether or not one can consistently speak of postmodernity as a separate historiographic period. Advocates of postmodernity in this epochal sense assume that profound changes in the constitution of contemporary society have brought an end to the modern period, the close of which has variously been located from the last quarter of the 19th century to the last quarter of the 20th century. On the conceptual level, the work of several prominent economists, including Keynes (1936) and Becker (1976) for example, has been argued to resonate with postmodernist themes. Broader strands of research in economics have begun to display key postmodernist features, most notably as a result of critical examination of the notion of the rationally unified individual. A small self-consciously postmodernist literature draws from economics, literary criticism, and continental philosophical traditions in its analysis of economic phenomena.

Postmodernity

Notions of the postmodern have found their initial motivation in postmodernity as a historiographic category, commonly attributed to Arnold Toynbee's (1963/1954) historical analyses. Toynbee suggested that the modern period in Western history, as the period immediately following the middle ages, had come to an end by the last

quarter of the 19th century. He associated modernity with social stability, Enlightenment rationalism and progress. The postmodern period in turn was characterized by social unrest and the collapse of rationalism. This cultural pessimism towards the advent of the postmodern propagated by Toynbee and others contrasts with positive assessments of the move from industrialisation to a post-industrial knowledge economy, where new technologies would replace ideology as key drivers of social change (e.g. Toffler, 1970). Both the culturally pessimistic and optimistic views share the acceptance of postmodernity as a particular historical phase with a distinct set of postmodern or 'late capitalist' socio-economic features, a perspective which has found its apex in neo-Marxist stage theories of capitalist development (Mandel, 1975; Jameson, 1991).

The postmodern as a historiographic category rests on an epochal interpretation of history, assuming that there are historic junctures separating adjacent periods. Many historians are not prepared to accept that modernity has been superseded by a qualitatively different period however. The notion of the postmodern as a 'post modernity' suffers here from limitations plaguing epochal categorisation in general. To the extent that sceptics about postmodernity are not in fact sceptics regarding epochal categories and historiographies, they face a dilemma. They can either argue that modernity is the end of history (Fukuyama, 1992), or propose an alternative successor to it. But how to conceive of such alternative as anything else but a particular interpretation of 'post modernity'?

Postmodern authors seek to avoid being trapped in binary oppositions of this kind. Take the work of Jean-François Lyotard, which has served as a prominent point of reference. His *Postmodern Condition* (Lyotard, 1979) defined modernity in terms of a style of thought or epistemological outlook characterised by grand 'meta-narratives' centred on the ideas of scientific progress and individual emancipation, or the rationalist Enlightenment project *tout court*. Inverting these characteristics, Lyotard associated the postmodern with fragmented personal identities and a pervasive heterogeneity and indeterminacy of knowledge. But by doing so, he in fact affirmed the a-historical dimensions of an ultimately bimodal categorisation of contemporary society. The 'post modern' turns thus into the less well recognised face of the modern: "Postmodernity is not a new age, but the rewriting of some of the features claimed by modernity [T]hat rewriting has been at work, for a long time now, in modernity itself" (Lyotard, 1987/1991: 34).

Postmodernist Economics

In contrast to other social sciences, the notion of a postmodernist kind of economics has only relatively recently begun to find currency, both as a label for the work of several prominent economists, including Keynes (1936) and Becker (1976) for example, and in terms of methodological features displayed in several strands of current research. To speak of postmodernist economics along these lines requires a notion of economic modernism to begin with. Largely unrecognized, two different understandings of economic modernism have sprung up, with different implications for the understanding of postmodernism in economics.

Economic modernism has been understood either as the manifestation in economics of modernism more generally understood as a widely recognized twentieth-century sociocultural style, or by regarding it as the methodological face of modernity epochally conceived (see above). As a sociocultural style, modernism is commonly thought to have flourished in the early twentieth century, although depending on the particular context, its influence may be traced from the late nineteenth century to the present day (cf. Weston, 1996). Across fields as diverse as literature, painting, music, architecture and design, proponents of modernism have questioned individual identity, displayed profound scepticism towards realist accounts of the world, and embraced dissonance and uncertainty as defining aspects of social life, developing ever more sophisticated forms of representation and display of formal technique. What the many guises of modernism share is a profound reaction to the conditions of modernity.

In contrast to this avant-garde notion of modernism as the pursuit and transcendence of the limits of modernity, the notion of modernism first entered economics in a more restricted and conservative way, encapsulating a rejection of the methodological face of modernity. Economists by and large see themselves as adhering to the broad outlines of a critical rationalist methodology. This 'official' methodology of economics has been characterized by some methodologists as 'modernist', in the sense that it is committed to a belief in scientific progress through the formulation and empirical testing of hypotheses, to the rational actor paradigm, and to mathematical formalism (McCloskey, 1983; Dow, 1991).

Most economists will of course find these assumptions innocuous. It is thus no coincidence that economic modernism, in the sense described, is typically employed by authors dissenting from the twentieth century neoclassical tradition in economics. Samuelson's (1939) article on the multiplier-accelerator model, itself a central contribution to Keynesian business cycle theory, has been cited as a *pièce de résistance* in this regard, illustrating the modernist spirit underlying the neoclassical school (Klamer, 1995). The article covers barely four journal pages. Packed with mathematical notation, tables and graphs it keeps discursive elements to a minimum. Compared to Samuelson's treatment of the business cycle, Keynes's (1936) original analysis engages in an exuberance of narrative in his explanation of the business cycle, coming to a head in the well-known passages of Ch. 22 of the *General Theory*. Keynes's portrayal there of the uncertainties of the world of markets as being beyond the reach of rational analysis and containable only within a domain of 'animal spirits' (though channelled by social conventions) has prompted some authors to regard these aspects of his work as indicative of important postmodernist currents in twentieth century economics (in particular Ruccio and Amariglio, 2003: ch. 2), which reflect concerns comparable to the appreciation of the heterogeneity and indeterminacy of knowledge as it can be found in the work of Lyotard (1979), for example.

Reading the work of the mature Keynes as an expression of postmodern currents in the economics of the 1930s requires to regard the neoclassical orthodoxy of that time as the prime manifestation of economic modernism, thereby allowing a *rapprochement* between dissenting schools of thought and a postmodern kind of economics. Not all who have identified postmodern aspects in economics have found the move of associating economic postmodernism with dissenting and economic modernism with consenting approaches vis-à-vis a putative mainstream compelling however. Characterising Keynes's work as postmodernist can be challenged on historiographic grounds along the lines discussed above in the context of epochal interpretations of the postmodern. Moreover, this characterisation rests on interpreting economic modernism as the methodological face of modernity. If modernism is instead understood as a broadly based early twentieth-century socio-cultural style, there are good grounds for regarding the *General Theory* and other works of Keynes as a prime expression of economic modernism (Klaes, 2006).

Rather than depicting it as a caricature of orthodox approaches in economics, the appreciation of an economic modernism in its own right may help accounting for a

range of departures from the neoclassical tradition in early twentieth century economics, including both Keynes's *General Theory* and the work of Samuelson and others who were at the forefront of the formalist turn in economics. Conversely, postmodernist dimensions in economics may not only be sought in dissenting approaches, a point most prominently expressed by Jameson (1991: 263-71). Jameson argues that Becker's (1976) work, in its treatment of children, companionship and health as conventional commodities, displays a deep affinity with the postmodernist notion of consumption as an all pervasive cultural pattern, sharing the ambition of reducing all human interaction to market exchange.

Decentered economic selves

As an illustration of how close contemporary theorising in economics has come to key postmodernist concerns, consider how individuals are portrayed in economics. According to Davis (2003), there no longer exists a coherent account of the individual in contemporary economics following its de-psychologisation and reduction to a rational preference ordering. With no concept of the individual beyond this ordering, choice theory has become equally applicable to individual persons and supra-person individuals like firms. Increasingly, however, economists also entertain the possibility of multiple sub-person objectives, with fascinating challenges to the notion of a unified economic self (e.g. Schelling, 1984).

Ever since Berle and Means (1932), economists have been attuned to the split personality of multi-person individuals. Senior management follow their own objectives that do not necessarily coincide with the objective function of the corporation. A similar line of argument can be applied to the notion of a coherent self. At the sub-person level we may well consist of a range of competing selves. The de-psychologisation of the individual in economics leads therefore to a postmodern critique of integrated individual identities.

Economists have begun exploring the implications of a decentered economic self (Kavka, 1991; Steedman and Krause, 1986), which rests on the proposition that the market without is matched by a market within. Warding off a postmodernist disintegration of the unified self amounts to solving the internal 'social choice' problem through the imposition of a dictator. To the extent that the internal and external worlds of choice are formally equivalent however, this literature has revealed a curious asymmetry whereby the desirability of dictatorial solutions to the internal

choice problem is taken for granted in the same vein as its undesirability regarding the external choice problem is taken for granted in economics.

Upon closer inspection, choice theory exhibits further postmodernist dimensions. Pursuing his basic argument from another angle, Davis (2003) suggests that economics, in its rejection of early neoclassical subjectivism, has subscribed to computational functionalism in its conception of the abstract individual. Computational functionalism, as a theory of mind, holds that brain states are computational states of mental algorithms, and that two individuals share the same type of mental state if they function in a causally equivalent way in respect to their physical environment. The abstract individual is therefore a preference computing algorithm, boundedly rational or not, that can be implemented in different entities without prejudice as to whether these entities are individual human beings, particular 'modules' within a human brain, economic institutions such as firms and markets, or non-humans (animals, machines and other 'aliens').

Mirowski (2002) has cast this ontological indifference of the economic individual in respect to its range of potential actualisations (human decision makers, various subsets of brain tissue, animals, computers, etc.) into the postmodern motif of the cyborg, a cyber organism half man and half machine. Recent work in experimental economics has unwittingly come up with an interesting illustration of this proximity between man and machine: on the level of convergence and efficiency, double auction behaviour of experimental subjects and computational agents programmed as random number generators turns out to be rather similar (Gode and Sunder, 1993). What matters are much less the cognitive capacities of market participants than the market algorithm itself. This allows the provocative suggestion that markets use us simply as pawns to further their algorithmic life, with the possibility of endogenous evolution of cyborg-like market automata in a decidedly post-humanist and thereby postmodernist fashion.

While postmodernist dimensions become apparent in a range of current strands of research in economics once they are read with an eye sensitive to debates in other social sciences and the humanities, self-consciously postmodernist work in economics has remained relegated to its fringes (see the collections by Woodmansee and Osteen, 1999; Cullenberg, Amariglio, and Ruccio, 2001; and Zein-Elabdin and Charusheela, 2004). Its most influential impetus has come from the rhetoric of economics tradition. Initially concerned with the rhetoric found in the texts of academic economists,

rhetoricians of economics have generalised their approach to include economic conversation more generally conceived (McCloskey, 1994: 367-78). Prices are carriers of information only because they are part of a conversation. Entrepreneurs succeed only if they can persuade others to provide the capital necessary for turning their inventions into marketable products, which only sell if consumers can be persuaded to buy them. Stock markets epitomise this conversational feature of economic life (cf. Shiller, 1989: 56, 387).

The resulting suggestion, of reading the economy as a text (Brown, 1994), leads to the prospect of a postmodernist economics that approaches the economy on the premise that all economic texts should be treated alike in this ongoing overarching conversation by which resources are allocated, be they authored by Nobel Laureates or the man or woman on the street. Opinion is divided even among rhetoricians regarding the merit of such radical a revision of the traditional hierarchy between economic analyst and agent (Mehta, 1999; McCloskey, 1999). It points to the implied relativism present in most postmodernist perspectives as a major and recurring point of contention (see Backhouse, 1998), although relativism as such, though not popular among practitioners and methodologists alike, is not the unanimously discredited philosophical position that some make it out to be (Kusch, 2002).

References

- Backhouse, R. E. 1998. Should Economists Embrace Postmodernism? In: R. E. Backhouse ed. *Explorations in Economic Methodology. From Lakatos to Empirical Philosophy of Science*. London: Routledge, 134-145.
- Becker, G. S. 1976. *The Economic Approach to Human Behavior*. Chicago: University of Chicago Press.
- Berle, A. A. and Means, G. C. 1932. *The Modern Corporation and Private Property*. 7th pr. 1950. New York: Macmillan.
- Brown, V. 1994. The Economy As a Text. In: R. E. Backhouse ed. *New Directions in Economic Methodology*. London: Routledge, 368-382.
- Clower, R. W. 1995. Axiomatics in Economics. *Southern Economic Journal* 62, 307-319.
- Coase, R. H. 1937. The Nature of the Firm. *Economica* 4 n.s., 386-405.
- Cullenberg, S., Amariglio, J., and Ruccio, D. F. 2001. *Postmodernism, Economics and Knowledge*. London: Routledge.
- Davis, J. B. 2003. *The Theory of the Individual in Economics*. London: Routledge.

- Dow, S. 1991. Are There Any Signs of Postmodernism With Economics? *Methodus* 3, 81-85.
- Fukuyama, F. 1992. *The End of History and the Last Man*. London: Hamilton.
- Gode, D. and Sunder, S. 1993. Allocative Efficiency of Markets With Zero-Intelligence Traders. *Journal of Political Economy* 101, 119-137.
- Jameson, F. 1991. *Postmodernism; or, the Cultural Logic of Late Capitalism*. Durham, N.C.: Duke University Press.
- Kavka, G. S. 1991. Is Individual Choice Less Problematic Than Collective Choice? *Economics and Philosophy* 7, 143-165.
- Keynes, J. M. 1936. *The General Theory of Employment, Interest and Money*. London: Macmillan.
- Klaes, M. 2006. Keynes Between Modernism and Post Modernism. In: R. E. Backhouse and B. W. Bateman eds *The Cambridge Companion to Keynes*. Cambridge: Cambridge University Press, 254-267.
- Klamer, A. 1995. *The Conception of Modernism in Economics: Samuelson, Keynes and Harrod*. Aldershot: Elgar.
- Kusch, M. 2002. *Knowledge by Agreement*. Oxford: Clarendon.
- Lyotard, J.-F. 1979. *La Condition Postmoderne*. Paris: Éditions de Minuit.
- Lyotard, J.-F. 1987/1991. Rewriting Modernity. In: J.-F. Lyotard ed. *The Inhuman: Reflections on Time*. transl. Geoffrey Bennington and Rachel Bowlby. Cambridge: Polity, 24-35.
- Mandel, E. 1975. *Late Capitalism*. rev. ed., transl. J. de Bres. London: Verso.
- McCloskey, D. N. 1983. The Rhetoric of Economics. *Journal of Economic Literature* 21, 481-517.
- McCloskey, D. N. 1994. *Knowledge and Persuasion in Economics*. Cambridge: Cambridge University Press.
- McCloskey, D. N. 1999. Jack, David, and Judith Looking at Me Looking at Them. In: R. F. J. Garnett ed. *What Do Economists Do? New Economics of Knowledge*. London: Routledge, 60-64.
- Mehta, J. 1999. Look at Me Look at You. In: R. F. J. Garnett ed. *What Do Economists Do? New Economics of Knowledge*. London: Routledge, 37-59.
- Mirowski, P. 2002. *Machine Dreams. Economics Becomes a Cyborg Science*. Cambridge: Cambridge University Press.
- Popper, K. R. 1945. *The Open Society and Its Enemies*, vol. 2. London: Routledge.
- Ruccio, D. F. and Amariglio, J. 2003. *Postmodern Moments in Modern Economics*. Princeton (NJ): Princeton University Press.
- Samuelson, P. A. 1939. Interactions Between the Multiplier Analysis and the Principle of Acceleration. *Review of Economics and Statistics* 21, 75-78.
- Schelling, T. C. 1984. Self-Command in Practice, in Policy and in a Theory of Rational Choice. *American Economic Review* 74, 1-11.
- Shiller, R. J. 1989. *Market Volatility*. Cambridge, Mass.: MIT Press.

Steedman, I. and Krause, U. 1986. Goethe's *Faust*, Arrow's Possibility Theorem and the Individual Decision-Taker. In: J. Elster ed. *The Multiple Self*. Cambridge: Cambridge University Press, 197-231.

Toffler, A. 1970. *Future Shock*. New York: Random House.

Toynbee, A. 1963/1954. *A Study of History*. New York: Oxford University Press.

Weston, R. 1996. *Modernism*. New York: Phaidon.

Woodmansee, M. and Osteen, M. 1999. *The New Economic Criticism. Studies at the Intersection of Literature and Economics*. London: Routledge.

Zein-Elabdin, E. O. and Charusheela, S. 2004. *Postcolonialism Meets Economics*. London: Routledge.