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INTERVIEW

Heterodox economics and economic methodology: an interview with John Davis

Jamie Morgan [Leeds Beckett University, UK]

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John Davis is a well-respected and prolific heterodox economist, historian of economics, and philosopher/methodologist of economics. Over the years, his main critical interest has been the individual identity conception in economics (for example, Davis 2003, 2011). However, he has also written extensively on the relationship between heterodoxy and mainstream economics, pluralism, philosophy and methodology of economics, economics imperialism, the change in recent economics, Keynes, Sraffa, Ricardo, social economics, capabilities, and health economics.

John was previously editor of the *Review of Social Economy* from 1987 to 2005, and has been co-editor with Wade Hands of the *Journal of Economic Methodology* since 2005. His role at the *Journal of Economic Methodology* combined with his many and varied scholastic interests mean John is ideally placed to have observed (and so comment on) changes in thinking about the nature and perceived role of economic methodology in economics since the Global Financial Crisis, as well as, by extension, change and evolution beyond the core of mainstream economics.

Many of John's works can be accessed via his website: <https://www.johnbryandavis.net>. He is an emeritus professor of economics at Marquette University and an emeritus professor of economics at University of Amsterdam, John.davis@marquette.edu.

He is interviewed by Jamie Morgan for RWER...

Jamie: John, over the last decade or so you have written extensively on the diversity of contemporary economics, the characteristics of that diversity, its scope, limits and potential. Would you say your position on these matters has evolved during that time?

John: Yes, it has but that has mostly been to deepen the views I expressed in my 2008 *Cambridge Journal of Economics* paper, "The change in recent economics and the return of orthodoxy," (Davis 2008; see also Davis, 2006). There I attributed a core-periphery structure to economics based on the orthodoxy-heterodoxy divide, and looked at the impact of the last 30 years of reverse imperialisms on economics' core and neoclassicism in particular. Contrary to some responses to that paper, I don't believe new research programs like behavioral economics are heterodox in the way heterodoxy has long been understood, though I suggested that as long as they co-occupy economics' periphery they constitute a type of heterodoxy – probably an inapt thing to say, but consistent with a core-periphery view of the organization of economics. The "return of orthodoxy" part of the title was meant to suggest that a new core would eventually emerge, on the grounds that that structuring has endured in economics, but that it would differ from neoclassicism, which might even become heterodox, though not obviously in the traditional sense of heterodox.¹ But I also left open that

¹ John and various others consider aspects of this in Morgan, 2015.

the core-periphery structure of economics might go away in the long run – perhaps signaling a fundamental shift in the nature of economics as a discipline.

So, I think there are subtle issues associated with the core-periphery hypothesis (see Davis, 2018). One is what happens to other-science imports into economics associated with reverse imperialisms. I label this the “domestication” issue, and note that there can be full and incomplete domestication. The former case is the pessimistic one. Things go on as always. The latter case is more interesting because then you must ask what the effects are of introducing “alien” other-science content into economics. If you’re trying to understand the development of disciplines over time in a world in which disciplines influence one another, and also the fact that in the history of economics dominant programs have changed over time, then the incomplete domestication view is a useful starting point.

Another issue is what happens to economics’ traditional insularity and boundaries with other disciplines when there is increased interdisciplinarity in science – for some, a characteristic of current and perhaps future science. A lot of new science, then, ignores past science boundaries – e.g., bioengineering. In economics, now we have behavioral economics, complexity economics, neuroeconomics, econophysics, ecological economics, and bioeconomics. What’s going on? Why should economics be different? I think this whole issue of science boundaries and economics’ boundaries needs further investigation, and that this has been generally overlooked in economics’ history of inward-looking self-evaluation.

Related to this, another issue is whether science-wide developments may change economics. One development I’ve written about is increasing specialization in science, including economics (Davis, 2019). The argument I’ve tried to make is that a “more trees, less forest” development brought about by increasing specialization obscures theory, leads to more informal commitments to it, and potentially weakens the core-periphery structure of economics. In my own experience, I’ve seen heterodox people successfully interact with neoclassical people when issues were cast as specialized types of investigations. People may still disagree strongly about theoretical underpinnings, but if these don’t come up in that interaction, a less polarized professional collegiality is possible that perhaps helps protect heterodox people.

A further issue concerns the evolution of economics’ own practices. I know people are unhappy about the increasing dominance of formal modeling, but there may be a silver lining here also. Formal modeling typically has a weak link to underlying theory because all attention is focused on the highly self-contained character of the model. Dani Rodrik in *Economics Rules* also argues that current modelling practice ties models closely to their applications, so that every new application means a new model. Again, the “forest” is hard to see. Similarly (and relatedly), the much commented on “empirical turn” in economics suggests old dividing lines in economics can play a lesser role than in the past.

These sorts of changes in practice might be “technology-driven” in that the sense that advances in computational capacities and the emergence of big data presumably are driving them, at least in part. Though there is also the sociology of publishing. In any case, these kinds of issues are what continue to interest me in connection with my preferred approach, what I refer to as “the change in recent economics.” As you say, it concerns how we understand diversity in economic thinking, but in this instance diversity approached in a descriptive way, a matter separate from but tied to thinking about diversity prescriptively, where we talk about pluralism in economics.

Jamie: If diversity, at least of some kinds, under some descriptions is growing, does this suggest a growing practical onus for the methodologist to act as an anchor or center of gravity for the field?

John: I believe that economic methodologists indeed have an important role in addressing division and partisanship in economics, but I wouldn't go so far as to say they can constitute an uncontested centre of gravity for economics. On the contrary, it seems to me they can identify and emphasize methodological controversies that sustain the core-periphery division in economics, and perhaps assist those defending pluralism in adopting strategies for combatting this division. Let me explain this by making an important distinction between two types of assumptions in economics: substantive and methodological.

Substantive assumptions concern fundamental beliefs about the nature of the economy and economics. For example, mainstream economists tend to believe that social relationships are fully explainable as economic relationships, and in particular as exchange or market relationships, whereas heterodox economists generally believe the opposite, that economic relationships are explained by social relationships. That is, the difference is whether the society is subsumed within the market or the market is subsumed within society. One way in which this difference is expressed has to do with the equilibrium assumption in economics. Mainstream economists believe markets have a "natural" equilibrium logic; (old) institutionalist economists believe that to the extent that markets exhibit equilibrium adjustments this is due to their institutional and historical social organization.

My view, then, is that differences in substantive assumptions between economists generally cannot be reconciled. They are ideological in nature, and debates between those who disagree about them are usually fruitless. In contrast, methodological assumptions operate in a different space from substantive assumptions – they concern how economics is done in light of its epistemological requirements – and while significant differences exist between the mainstream and heterodoxy on this terrain, the terrain itself is negotiable and appears more as a spectrum of views with both extremes and intermediate positions. Accordingly, this space can be contested, and this makes methodology an important domain within economics. To be specific, I identify four areas in which debates over methodology are relatively open, though they each still possess a spectrum of views with polar extremes.

Those areas are: quantitative vs. qualitative reasoning, the basis of assumptions, the role of modelling, and pluralism. The first should be clear. The second concerns the extent to which economics relies on abstract reasoning and/or empirical investigation. The third concerns how models work as intermediate steps between theory and evidence. The fourth concerns how economics supports innovation and diversity in views.

My argument, then, is that while the mainstream and heterodoxy tend to opposite ends of the spectrum on these (and other methodological) areas of thinking, there is considerable vagueness in views and regions of overlap between them such that dialogue and a development that hybridizes different views is possible. I do not have the space here to defend this idea (but see Davis 2018). My general view, however, is that engagement on this level is possible, whereas it is usually not possible with regard to substantive/ideological differences. I don't say harmony between mainstream and heterodox economists will ensue. Rather, I suggest that a common space of discussion exists in economic methodology that accommodates both, and, especially, gives opportunities to heterodoxy. I recognize that if you think in terms of extreme positions on these four divides, you will disagree with me, probably

strongly. My reply is that younger heterodox people, who are more methodologically opportunist and less entrenched than older heterodox individuals in economics are likely to successfully inhabit intermediate spaces in economics methodology, and – here is the important conclusion – sustain their substantive assumptions despite the larger ideological divide in economics.

I don't mean heterodox economists should give up development of their substantive commitments! Yet given the current polarized nature of economics, to insist on debates on this level is to invite suppression and continued neglect. I have two motivations then. One is strategic. In recent decades heterodoxy has been at risk, and I think its potential suppression should always be a part of heterodox economists' calculations. The other is my hopefulness about change in economics. I think it is quite possible that the orthodox/heterodox divide in economics will dissipate as the world and economics become more complicated and complex. In such a scenario, I imagine increased influence for heterodox thinking. To return to your question, I see this as involving creative extension of heterodox thinking across multiple methodological fronts.

Jamie: That seems clear. Strategy is important, but it does presuppose goals and my previous question could be posed with the intention of prompting some combination of these two ways of thinking. Consider my question based on a slightly different underlying meaning prompted by the GFC. I wasn't thinking directly about heterodox and orthodox divides and thus the degree or boundaries of the mainstream in a sociological sense as the context in which one might interpret this onus. I was thinking more specifically about what the purpose of methodology is as a learned or induced response. Is it descriptive, evaluative, critical, unifying? It could, of course, involve any or all of these. Where do you think the emphasis has been whilst you have been at the *Journal of Economic Methodology* and what difference to you think the GFC has made to this? David Colander (2013), for example, made the point in the *Journal* that methodology has been overly descriptive of what economists have done. Do you think methodologists have any special or unique position, standpoint, insight or perhaps particular responsibility in terms of addressing the field as it becomes more diverse in some ways, including in highlighting what *may be* limits or problems with the collective nature of what is otherwise diverse? What does this presuppose?

John: Interesting questions. Let me begin by saying a little about the experience Wade Hands and I have had at the *Journal of Economic Methodology*, and then move to larger matters. First, then, what determines what appears in the *Journal* is very much a matter of what is submitted to it, while what has been submitted to it reflects what people involved in economic methodology think the issues are. In my view, many of these people are indeed interested in larger matters such as the direction and nature of economics, but see the key arguments as turning on specific problems and topics – as you would expect from a specialized research community. So yes, the content of what gets published in the journal is ostensibly descriptive, but as I tried to argue above this often has as an unspoken backdrop deeper concerns that methodologists have about the state of economics.

Indeed, most of the people I know in the field are quite critical of current economics. They bring a set of standards to the table that transcend economics' ordinary practice; that is, reasoning in economic methodology asks whether what economics produces measures up to reasonable epistemological requirements regarding what counts as knowledge. So, if David Colander would like economic methodology to be more prescriptive, I am sympathetic, but at

the same time think that it is often more, at least implicitly, prescriptive than it may seem. At the same time, the people involved in methodology of economics come from a large diverse set of orientations towards economics. What people regard as problematic about economics varies considerably, and so it would be inappropriate, unrealistic, and unpluralistic of Wade Hands and I to try to limit this.

I characterized economic methodology, then, in epistemological terms because this is its most prominent dimension. I personally would prefer there be greater attention to the ontological dimensions of economics in methodological reasoning, as my work on what individuals are reflects. Yet this is not the way our submission flows have gone. There are important contributors to ontological thinking in economics – Tony Lawson has done exceptional work in this regard. Also, feminist thinking about gender is ontological. Julie Nelson and others question not only how our conceptual categories reflect gender but also the role of gender as an economic structure. Marxists and political economists who emphasize class and social stratification also clearly make ontological arguments.

So I agree that methodologists have an important responsibility regarding the direction and development of economics, and I can see why some, such as David, are impatient with the role methodology has played thus far. The GFC was an existential crisis for the neoliberal view of markets, conventional macroeconomics, and economics in general. But its effects on methodology and economics have been modest at best. One area where there has been some impact in methodology, which in fact is emphasized by David, is the emergence of complexity reasoning. In fact, we ran a special issue of the *Journal* on George Soros' thinking, "Reflexivity and Economics" (vol. 20, no. 4, 2013) and a special symposium on Big Data and complexity (vol. 24, no. 4, 2017) in hopes that this would stimulate a submission flow of new papers, but have been largely disappointed. I note that complexity reasoning also challenges ontological commitments in economics. So maybe the limits you ask about are ultimately the inability of the field to formulate and emphasize the central role ontological reasoning plays in methodological argument. Why this might be is a good question.

As a practical matter, one having to do with the demographics of the methodology community, what past decades have shown is an increasing share of research being done by people trained in philosophy rather than economics. This is due to the fact that the history of economics was largely driven out of PhD training in most places and that economic methodology was an offshoot of the history of economics. For example, at University of Amsterdam, for example, we had a program in the history and methodology of economics which maintained that these were inseparable aspects of one investigation. Unfortunately that program was suppressed and closed.

What has prospered, then, are philosophy programs in the philosophy of science specialized in the philosophy of economics (such as the stellar program at Erasmus) – in part most likely due to the extension of the former to the latter. However, while people trained in these programs do excellent research, they usually have minimal training in the history of economics. Perhaps even more important is that they rarely have to teach standard economics. I taught microeconomics and macroeconomics for many years and it refined my thinking about what I think is wrong about economics. So, people who not only do not have this experience, but also who need to publish primarily in philosophy types of journals, just do not develop the same sensitivities to what economics is all about.

Specifically, they don't seem to have the same worries about what I referred to above as substantive assumptions. For people trained in economics, and particularly the history of economics, substantive assumptions such as "equilibria exist" set off all sorts of thoughts about the nature of economics – much of it ontological in nature. If economic methodology is dominated by epistemological reasoning, then this seems in part due to how the field has developed in terms of the training people increasingly receive. I am not opposed to people being trained in philosophy (indeed I was trained in both fields). The quality of much methodological research is higher today than in the past partly because of this expansion of the field. I think the vitality of the field is also increased by people with different intellectual horizons.

That said, I worry about the decrease in people in economic methodology trained in economics, especially the history of economics, and continuously involved in an up close and personal way in teaching economics. This development is the result of the systematic exclusion of history (and methodology) of economics from PhD programs over the last several decades that began in the US. It used to be that there were many people from these fields from the US but they are now a dwindling number, and we must look for this increasingly to Europe for the future. Mainstream economists are responsible for this development, though they usually deny it. One measure of what happened is the change in thinking of famous historian and methodologist of economics Mark Blaug. Over much of his career he was sympathetic to neoclassicism and the post-war development of economics, but later in his career he became bitter and contemptuous about it, in part because of the suppression of those fields it promoted (Blaug, 2003).

Jamie: So, the methodology of economics, at least as you have observed it, is being increasingly colonised by those trained mainly in philosophy rather than economics? As you say, I suppose that makes sense in terms of the way education and training in economics has developed, but it had not occurred to me before (the focus of sociology of knowledge is typically what is shed rather than who is attracted to the fields that are peripheralised, though it is just as important). You also mention ontology, and then an "inability" for this to be assimilated. How much weight would you put on this? Ontology has become an attractive orientation for quite a few working beyond the core of the mainstream, thanks in different ways to Tony Lawson (the Cambridge Social Ontology Group; for example, Pratten, 2015; Fullbrook, 2009), Sheila Dow, Uskali Mäki (for example, 2001) and various others. There is a strategic issue here also. How effective strategically do you think a focus on ontology can be in creating dialogue and change in economics? I read a lot of philosophy and it is fairly well acknowledged that it is not dominated by "ontology" and philosophy in some ways exhibits some of the same tendencies that more critical methodologists' critique in economics (an abstruse fascination with method and form). Does economics attract trained philosophers who are more "ontological" than is typical in philosophy? Is too much expected of philosophy? Lawson, for example, differentiates himself from Mäki in part based on the degree to which he wants to criticise the fundamental metaphysics of the mainstream (see Lawson, 2009: pp. 109-110).

John: Yes, the sociology of economics perspective I take involves both "births" and "deaths" determining the evolution of the landscape of different research communities. But in addition to the changing compositions in types of research communities over time, we should also think about the concurrent change in the content of ideas of those communities, so there are

two ways in which economics' sociology changes: not just who's out there in terms of different research communities (the different species of approaches) but also how the thinking within those communities is changing. Borrowing another term from natural science, we might think in terms of the "half-lives" of kinds of ideas within approaches, or the degree to which they survive as debates within them go on, their survivability over time, and how this then affects the composition of different types of approaches in economics as a whole. That is, internal change within relatively autonomous communities influences the relations between communities, which in turn then affects their internal development, and so on and so on, producing a continually changing the landscape of economics. This internal-external dynamic was set out by Herbert Simon as one type of complexity analysis (Simon, 1962). It gives us a long view of the history of economics as an evolving process, but not one that should be explained in Darwinian terms. I think Brian Arthur's (2009; cf. Davis, 2019) explanation of how technologies evolve is a better model of this sort of interaction. Let me suggest two examples. If we had two main groups of mainstream decision theorists circa 2000 – traditional neoclassicals and Kahneman-Tversky type behavioral theorists – now the shares of these two groups in the whole of mainstream decision theory have changed (in favour of the latter) as a result of how the arguments each have mounted to contest the other have evolved. Also circa 2000 we had a debate among Post-Keynesians over whether Sraffian thinking was part of Post-Keynesianism or an altogether different approach. Now that debate seems to be over – most Post-Keynesians pay little attention to Sraffa (sadly I would say). The debate between proponents of the two views drove each to emphasize what they thought important, leading to a sort of evolution within each, that produced change in the overall Post-Keynesian landscape.

The sociology of economics, then, involves a conceptual analysis of research strategies, how they evolve, and affect their juxtapositions, all framed, let us not forget, in terms of who has jobs, can remain active, and contribute to training of new people. I suppose this was more than you wanted to hear on this subject, but my intention was to segue to the main question you ask: "How effective strategically do you think a focus on ontology can be in creating dialogue and change in economics?" So I have two reactions to this derived from my sociology comment.

First, in a more critical vein, it concerns me that the ontology initiative you summarize has had relatively limited impact on methodology as a whole. (This applies no less to my own ontology of the individual work.). Why? In sociology of economics terms, this research strategy competed with others in the philosophy of economics, and that competition produced a deepening in its arguments that in my view seems to have left it more isolated and perhaps less influential than before. That is, in terms of the evolution of the philosophy of economics landscape, ontology has not gained space as a result of its own internal evolution and competition with other approaches. It continues in my view to *per se* be important, but importance also depends on influence, especially vis-à-vis other research strategies.

You suggest on the basis of your reading of philosophy that ontological investigation in economics may have become increasingly "abstruse" and thus decreasingly useful. If you are right about this, then the internal evolution of the ontology initiative, as it has competed with other research strategies in philosophy of economics, may be at least partly at fault. For comparison, another research strategy with important methodological commitments, the extension of institutionalist thinking associated with the *Journal of Institutional Economics* under the leadership of Geoff Hodgson, has developed and evolved with multiple cross-approach links, and done so without strong reliance on ontological reasoning. Another more

recent comparison could be made with complexity thinking, though the story there is still unfolding. Will it become increasingly “abstruse” and thus decreasingly useful in its internal development, or will it develop in such a way as to make it possible for other research strategies to adopt or share its methodological commitments?

Second, in a more positive light (and showing my personal preferences), I regard ontological thinking in economics as inescapable and necessary. Our claims regarding what there is, or what exists, underlie theory and accordingly underlie epistemological argument in economics methodology. It would take more space than I can use here to justify especially the latter claim. That theory presupposes ontology ought to be obvious. The *Homo economicus* idea and the “equilibrium” idea involve massive ontological arguments, and in my view their status in economics ultimately depends on these arguments being accepted, or rejected.

Going back to a distinction I made earlier above, the difference between methodological assumptions and substantive assumptions, ontological claims involve substantive assumptions. I tried to argue above that these involve irreconcilable, ideological differences between researchers, whereas conciliation is possible in regard to methodological assumptions. This does not imply people should give up work on substantive/ontological reasoning! It is at the heart of what we do in terms of how we understand the world, and defines us as researchers and thinkers. It is a characteristically human investigation and underlies our vision of a pluralistic, open, and democratic world and future. My sociology side just tells me, along with years of defeats I’ve observed and experienced, that being strategic is important, so how the ontology initiative in heterodox thinking is seen also depends on whether it has put itself in a position to reproduce itself as a research initiative competing for space with other philosophy of economics research initiatives. In my opinion, this is one of the main challenges in economic methodology.

Jamie: Yes, a major challenge seemingly. To briefly return to your Lawson point; to some degree it rather depends on who is influenced and how. Lawson’s work is widely read outside of mainstream economics – by sociologists, social theorists, and others. When they think of the scope and importance of “progress” in economics I expect quite a few are influenced by him (one need merely visit his ResearchGate page –which rather like yours is well trafficked; and his citations exceeds that of most of the current mainstream economists at Cambridge). So, perhaps that matters, in so far as the study of economy is not restricted to economists – though when one turns to influence on the mainstream his central themes seem unlikely to have much traction as things stand. The difference might illustrate something about the way the mainstream changes through time. What do you see as the most dominant mechanisms to which mainstream theory and empirical work currently responds and what would you see as influences/criteria/considerations that might be more appropriate? For example, what is the basis of, or at least limits to realism and realisticness and how would you make sense of responsiveness to explanatory failure/success? I am conscious here that this line of questioning presupposes a degree of underlying unity in the mainstream that is itself a matter of contention...

John: I like how you pose the issue of influence. I know Tony’s work is influential outside economics. So optimism about its influence inside economics rides on the hypothesis that economics will be increasingly influenced by other disciplines outside economics, however this might come about. As you know, then, one characteristic of economics since Robbins is

its firewalling itself off from other social disciplines, one consequence of which is its systematic neglect of heterodoxy which with its broader vision of economics draws on these other disciplines. As I've recently emphasized (Davis, 2018), central to the identity of economics is its insularity as a discipline – which we should not forget is instrumental to a neoliberal interpretation of the economic world as well. Not surprisingly, then, critics of mainstream economics (and the neoliberal vision of the world) attack this insularity, which relies in part on Cartesian, axiomatic foundations defining individuals, by saying that mainstream theory fails because it is not realistic and ignores the issue of realism.

But do these complaints, however merited and well-done, such as in Tony's impressive work, have any effect on the evolution of economics? Supposing that they might, particularly through the influence of other social disciplines on economics, means this hypothesis about other social disciplines' influence on economics is embedded in further hypotheses about the overall development of economics, social science, and social research that appear to have little basis in the past. To say economics will be affected through this channel goes against a century or more of its past historical development, as well as the increasing compartmentalization of all these investigative domains, as associated with their professionalization as separate domains. One can argue, as I have tried to do in regard to the history of recent economics, that economics, social science, and social research are changing and that things may now be different and in the future. Unfortunately, it's still a hypothesis with not a great deal of evidence yet supporting it.

My differentiation of substantive and methodological assumptions, then, attempts a finesse on this past and possible future by avoiding where the firewalling has been successful – substantive (and ontological) assumptions – and pushing on where I think the boundaries are permeable and negotiable – methodological assumptions. What I suggest is that specialization, emphasis on modelling, and the empirical turn in the mainstream, as central to the overall professional development of social thinking, allow for communication and common ground that runs counter to economics' historical insularity. And then my hope is that this allows other social disciplines' substantive assumptions to come into economics, implicitly and not in a recognized way at first, thus ultimately in the long run hopefully breaking down the closed ontological character of the mainstream key to its insularity.

So on to your question: what are “the most dominant mechanisms to which mainstream theory and empirical work currently responds and what would you see as influences/criteria/considerations that might be more appropriate?” How I've framed this is in terms of the professionalization and sociology of economics research. But let me not be completely reductionist about this and refer also to what is going on in science terms, or what underlies the sociology of any discipline in regard to advancing science. While the degree to which econometric and mathematical research that is carried out in economics today seems to many excessive, the science impulse behind this is still to get the evidence that we have to tell us as much as possible about how the world works – obviously a realist ambition.

Let's call this, in your words, “the most dominant mechanisms to which mainstream theory and empirical work currently responds.” As to, then, again in your words, the “influences / criteria / considerations that might be more appropriate” I note that empirical “results” always require interpretation and theorization. So what empirical economics is generating is always also being mapped out and framed theoretically. I make two points about how this may be happening currently.

First, it seems to me that the empirical turn in the mainstream has been accompanied by a flight from theory often expressed in an agnostic posture, which mainstream economists seem to defend as a sign of professionalism. In my view, what is going on in the current time is rather than people are unsure about theory, and have thus retreated to viable professional lives of empirical research (albeit with local, low-grade theoretical claims). You don't need to go so far as to jump to the idea that we are on the threshold of a Kuhnian paradigm change. It could instead be that economics is simply becoming more diverse (the specialization factor), and this makes theory formulation more tentative.

Second, at the same time, some critics of the mainstream, with their good realist instincts, seem to me to be ignoring what empirical mainstream economics is generating, on the grounds that it is tainted as a product of an unacceptable theoretical framework. There is certainly truth to this view of origins. But it also means heterodox economists in some cases are not part of the debate in economics about how the world works. Post-Keynesians have long been an important exception to this, and institutionalists, radical political economists, social economists, and others have become more active in debating what the evidence is we have about the world. For example, at the intersection of these groups and in regard to the GFC, heterodox research on the financialization of the economy strikes me as a key development in macroeconomics driven by a need to get the evidence straight on how the economy actually works – research which in my view may ultimately change not only our understanding of the macroeconomy but also economics itself.

So to me the empirical turn in economics potentially creates an opening in economics that may be an important lever for change. Again, debating what the evidence tells us is a methodological matter, specifically an epistemological argument. However, if I am right about theory commitments being implicit in empirical arguments, ontological and substantive claims come in their wake when theories begin to stabilize and begin to become evident to everyone (Hegel's late flight of the owl of Minerva). What exists counts as a deeper type of methodological claim, more difficult to achieve, but ultimately fundamental to what theories prevail.

Jamie: Yes, what exists and the empirical orientation of economics is clearly a matter of convergent interest. But equally, and as some of what you suggest and your own work makes clear, social reality is not just about what *exists* but *how* it exists based on the properties or powers of what exists. We are reflexive ethical beings and our economy as an artifice would not be possible without a whole set of ideational frameworks and explicit and implicit valuations. As such, social reality is fundamentally normative because values are inherent in the basic constituents of social forms – what we think and do, what we are encouraged to think and do (and not to think and do), how we live, how we choose to live, what we must live with, what is good for us, what is harmful for us and for our environment. These are loaded terms, they require extensive deliberation, though perhaps that is the point – given the direction of travel of economics, the progress it makes as “science”. What I mean here is that there is a further issue that bears on your own interest in the social individual and on ethics (Davis, 2009, 2010, 2013) and perhaps refers us back to the issues of explanation, realism and responsibility of economists. By this I mean, different futures are possible and only some outcomes follow from some ways in which economies are constructed. These are substantive issues for methodology one might think but they are deeply important and it would be rather neglectful if we left the inadvertent

impression that progress is not possible on these – the world turns irrespective of whether economics comes to terms with these in any adequate way. However, in the end methodology, as with economics in general, is merely a subset of a socio-political system – economics and methodology may contribute to this wider world and be influenced by it; in what sense progress is made in economics is also mediated by this (otherwise there would be no economic history and no meaningful history of ideas in economics). Your mention of financialisation strikes me as a central one these days, in so far as it raises issues of how economics has tended to naturalise processes that lead to extreme inequality, but if one wanted an ultimate example then there is (as the last IPCC report makes clear) the profound problem of ecological harm and perhaps disaster built into the very way we conceive of an economy and how we conceptualise economics (work by Julie Nelson and a few others notwithstanding). It strikes me that an empirical turn without a normative renewal and integration of ethics into economic reasoning remains a source of problems for humanity rather than solutions (and this ethical integration can be considered realism if one accepts that it represents aspects of a more realistically posed human in a more realistically conceived, constituted and evolving human system – which is by no means a judgement that there is only one true ethical position as a disguised politics to juxtapose to, arguably, the one we have now). This sounds rather soapbox and I don't expect you to solve the problems of the world in a paragraph, but as a means to start to draw together the threads of the discussion, what would you suggest about the confluence of issues that arise – the substantive and the ethical in the context of actually arising problems in the world that (some tendencies in) economics has not just described or empirically is interested in but may well have helped to create? Have economists been subtly subverted by the way professionalism has developed? Are improvements a struggle against the prevailing tendencies?

John: Great questions, Jamie. Thank you for bringing things back down to earth and reminding me of my social economics political economy roots. Yes, social science and economics are inescapably value-laden, because as humans attempting to explain the world we inhabit we are driven by our values and those values then necessarily underlie our explanations of the world. There is no god-like “objective” view from nowhere in social theory and social science, and I agree that, as you wonderfully put it, “an empirical turn without a normative renewal and integration of ethics into economic reasoning remains a source of problems for humanity.” And I also very much like your inference – “ethical integration can be considered realism if one accepts that it represents aspects of a more realistically posed human in a more realistically conceived, constituted and evolving human system.” Yes, realism and realistic accounts of the world presuppose that our explanations both derive from our values and exhibit them. They are not value-free.

This said, it is unclear why this understanding does not prevail in economics where the contemporary empirical turn is tied so firmly to positivism and the naïve illusion that science can be built around some sort of set of “brute facts”. Oddly, I think that mainstream economists in informal, non-adversarial discussions ultimately agree that facts incorporate values, and that our investigations are value-laden. If nothing is on the line, they can also be intellectually intrigued by how complicated explaining this can be. At the same time, when they get their professional partisan hats back on and return to defending economics' social science insularity, it is hard to deny that positivism is foundational to who they are. So we have a paradox that takes the form of a methodological issue that can't be joined in the

divided world of economics – contrary to my claim that methodological issues are generally negotiable. So what is the way forward?

On one front, empirical research done by heterodox economists can begin to make clear that facts and values are intertwined. Take financialisation and the GFC again. Clearly the banks undertook strategies to deregulate banking laws and extend their sway over the macroeconomy that worked to construct a financialised economy that produced fortunes for a few. So it can be shown that how the economy works has less to do with market processes than the accumulation of power. We judge the incredible suffering and costs this imposed on so many people as a result of the GFC and economic downturn as morally reprehensible, so our explanations and documentation of what happened are tied to our values. A fact is indeed still a fact, but it is necessarily framed by the values we bring to its determination.

Or take empirical research on the heuristics and biases of choice that has generated an extensive literature on nudges. What as a matter of fact apparently drives choice behaviour of course needs to be determined through careful research. Yet a strong motivation for behavioral economics research is whether people can be nudged to socially preferred outcomes. Nudging, to be clear, is an alternative to the conventional view that everything people do is ultimately self-interested response to price changes. Rather than see people as automatons controlled by a “natural” market process, the promise of nudging research is that people can design social interactions including how markets work that improve well-being. This is antithetical to the market vision of the world, and a good part of the reason why behavioral economics has been so strongly resisted by neoclassical economists. But more to the point here, empirical research on the heuristics and biases of choice is embedded in a normative ambition that economic life can be constructed to promote human well-being.

The book that Bob McMaster and I wrote on care in health care (Davis and McMaster, 2017) can also be seen to be fully underlaid by values. We argue health provider-recipient care relationships are not properly described and explained in market-based terms because this eliminates any genuine concept of caring, which the provision of health care in reality is fundamentally all about. Indeed, on the market exchange account of care in health in standard healthcare economics, caring is an externality on an arm’s-length transaction, an accidental feature at best. Of course health systems today involve market relationships, but their design and motivations are framed by caring for those in need. So you cannot empirically explain healthcare without presupposing this. Or, to explain healthcare as if it were guided by a blind, value-free market process is to explain it poorly.

I’ve only suggested with these examples ideas that might go into an analytical, methodological discussion of how economics is value-laden. How values operate in economics certainly deserves more systematic treatment than this. But I will shift direction and move from methodology back to substantive assumptions, including ones with ontological dimensions, because in my view this is where, as you put it, “a normative renewal and integration of ethics into economic reasoning” most needs to occur, and because this has been the basis of my work for years on socially embedded individuals.

While, then, I think “social embeddedness” realistically describes what an individual is, the normative content of the idea for me is what is especially important about it. Thus, *Homo economicus*, the socially detached agent of neoclassical economics, not only fails as an empirical description of people in economic life, but it comes with a normative horizon for human beings that most would reject if it were openly discussed and not disguised amongst

hymns to supply-and-demand. Despite the popular view in mainstream economics that freedom in the form of free choice is the essential characteristic of *Homo economicus*, its choices are deterministically driven by prices and incomes. Freedom, a human aspiration, has a wider scope. People hope to become things that they themselves determine. In Amartya Sen's capability framework, they seek to be agents of their own development. Capabilities and functioning are real dimensions of human life.

I am confident, then, that the person is better explained and described in these terms, as a matter of good economic science. Yet arguing this makes economics and ethics inseparable because thinking of people as agents of their own lives – and consequently as invested with human dignity – starts from a normative standpoint. To me, this is the central concern in economics, and the *Homo economicus* substantive assumption, more than anything else, is the ontological lynchpin that secures the values underlying mainstream economics that sustain society's neglect and avoidance of the perilous problems we face today, the risks that society breaks down with rising inequality, and that we destroy the environment we depend upon. How sad it is that these risks are beyond a positivistic mainstream economics, and are only matters to be lightly commented upon when one's professional day is done. You are right and hardly on a soapbox. These matters can only be beyond economics if economics is wrongly constructed, where its reconstruction turns very much on the reintegration of economics and ethics.

Jamie: Perhaps we can close with this. You mention genuine choice, capabilities and concepts of freedom. It may well be that nudging can be turned to problems of “well-being”, but the process is as apt to be turned to the concerns of a marketing firm (there are many consultancies now whose employees carry titles such as “choice architects” and who offer their services to corporations and governments). Nudging can be turned to these concerns (such as the consumer experience in order to induce more consumption) because the underlying mechanics are focused on manipulation not deliberation, and this in many ways follows a long tradition in economics – no less than *Homo economicus* there is the scope here for the treatment of a fully realised human as something less than the sum of their parts. If there is some important learning process for economics and economists to be drawn, would it not be to begin to treat humans as humans – seats of ultimate concerns, ends not means, capable of deliberative (collective) conduct? Isn't this what the ethic of pluralism ultimately speaks to, in all social science and not just economics? It is, of course, difficult to reconcile this to formal theory, but it is not difficult to think of it as conceptually reasonable, reasoned and the basis of a dialogical role for economics in the world. Isn't this why Amartya Sen has been a major public intellectual? And it is surely the driving force behind the appeal of Rethinking Economics, real world economics, the World Economics Association and many other initiatives. If it is not too grandiose, such concerns speak more to the struggle over the soul of economics than any tightly articulated methodological concern, though would you suggest the two are intertwined?

John: Behavioral thinking is certainly being used for commercial marketing purposes. (Finally, people in the business world say, “economics is producing something useful!”). So the last time I taught behavioral economics we did the analytics of the decoy effect (the asymmetric dominance effect) in order to be clear that behavioral reasoning is a two-edged sword. It can be used for social improvement and also by some to exercise power over others. It's good

that you bring this up, because most of the nudging literature in economics proceeds as if only the happy former side of the story exists. Thus, drawing attention to such things and this side of behavioral analysis makes it clear that human improvement does not come about in an uncontested way – as is made to appear the case with neoclassical Pareto recommendations (one person better off, none worse off). It also makes it clear that achieving human improvement is a social process involving struggle over who has power and how power is exercised. In effect, by removing us from the neoclassical world in which everything happens automatically at arm's length in markets, the emergence of behavioral thinking returns us to the world of political economy in which markets are embedded in society with all its conflicts.

Many heterodox economists, I believe, are impatient with behavioral economics because it seems to have been co-opted by the mainstream and seems to be only concerned with small technical issues in decision theory. On the other hand, there are also heterodox behavioral economists, such as in the Society for the Advancement of Behavioral Economics (SABE), who incorporate social psychology and social identity into economics. My view, then, is that making psychology central to economics can ultimately be destructive of both economics' insularity and the neoliberal vision of the world based upon it. You refer to Sen. Sen's historic significance is due to his advancing a capabilities conception of well-being that is alternative to and superior to the welfarist conception. His work makes it possible for us to systematically ask and empirically investigate what people want to be and do across the incredible variety of circumstances life presents. Behavioral reasoning, then, loosens neoclassicism's grip on explanations of behaviour, but Sen's thinking goes much further and provides us a vision of what human society can achieve.

Indeed it does this not only in its conception of well-being, but also in its integration of economics and ethics. This works against the false ideal of positivism so central to mainstream economics, and also carries with it a ready platform for pluralism associated with the richness and diversity of our ethical ideas. In contrast to the positivist idea that there is one correct science, ethics encompasses multiple kinds of values that reflect the diversity of life choices that characterize our world. This in turn corresponds to the multiplicity of capabilities people seek to develop across the diverse experience of human life. Altogether, I think we agree, this calls for re-founding economics in a pluralistic way, as many heterodox thinkers have sought to do in the World Economics Association, ICAPE, the *International Journal of Pluralism in Economic Education*, and the Rethinking Economics movement. Not too grandiose I'm sure. Realistic and good economic science.

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