

# **The Challenge of Postmodernism to Applied Economics**

**Luther Tweeten and Carl Zulauf\***

Philosophical systems influence how applied economists choose problems worthy of research, how they analyze those problems, and how they interpret results. Philosophical systems also influence how the other disciplines and the public define problems and assess the proper role for economists in addressing those problems.

Western philosophy has followed two major branches or systems in the 19<sup>th</sup> and 20<sup>th</sup> centuries. One is the *analytical*, modern, or Anglo-American tradition. The other is *continental* philosophy out of which postmodernism has developed.

As a general philosophy, the analytical school is best exemplified by the Enlightenment. It had origins in the philosophy of John Locke emphasizing that the ideal world lies in a natural order of no collective restraints on individual actions and in the utilitarian philosophy of Adam Smith whereby man by his acquisitive instincts is led to a better life by the invisible hand of the market. The Enlightenment called for decisions regarding society to be made on the basis of objective reason and rationality rather than subjective judgment and emotions. This philosophical branch is identified with the scientific method which confronts testable hypotheses with empirical results.

Analytical philosophy is a philosophy of optimism—that application of science and technology in an environment of rational thinking will lead to a better, albeit imperfect, world.

\*Respectively, Anderson Professor of Agricultural Marketing, Policy, and Trade; McCormick Professor of Agricultural Marketing and Policy. Paper presented to annual AAEA meeting at Nashville, TN, August 1999. Comments of Allan Lines are much appreciated.

This nation's forefathers such as Thomas Jefferson were products of the Enlightenment, hence it is perhaps no surprise that the Anglo-American analytical philosophical tradition has remained dominant in this nation, including its universities.

Of central concern to the present paper, analytical philosophy has dominated applied economics since at least Adam Smith. Notable foundations of analytical philosophy as applied to economics include the logic of Aristotle, the rationalism of Rene Descartes, the empiricism of Francis Bacon, the pragmatism of John Dewey, the statistical inference of R.A. Fisher, and the positivism of Lionel Robbins.

More significantly, the analytical philosophical tradition has so dominated U.S. science that many U.S. scientists are unaware of the continental system of western philosophy. Continental philosophy culminating in postmodernism, though marginalized for decades, has gathered considerable momentum since the 1960s. Its influence is being felt in science, technology, and policy. This article reviews the genesis of that philosophy and its implications for applied economics.

## **The Genesis of Postmodern Philosophy**

We outline the thinking of three "grandfathers" of continental philosophy before examining the positions of three "fathers" of postmodern philosophy.

### *Three Grandfathers of Postmodernism: Marx, Freud, and Nietzsche*

These grandfathers of postmodernism were German speaking and made most of their intellectual contributions in the 19<sup>th</sup> century. Karl Marx was a political economist and Sigmund Freud a psychiatrist. Postmodern philosophers drew from their thinking; however, the philosopher Friedrich Nietzsche has had the greatest impact on postmodern philosophy.

*Karl Marx* (1818-1883). Marx's dialectical materialism views progress toward utopian socialism in historical stages. In the final stages the *thesis* of capitalism confronts the *antithesis* of labor to bring a *synthesis*--a dictatorship of the proletariat eventually leading to a withering of the state, leaving pure socialism to supply each according to his needs and ask from each according to his ability. Marx (pp. 352-356) viewed corporate capital as the power controlling society. It aggrandizes profit by exploiting labor. Government, legal, and other kinship institutions are dependent on financial support from business, and thus serve the interests of capitalists. In summary, dialectical (historical) materialism is a theory of *society*, despite its economic determinism.

That many postmodern philosophers began as Marxists may seem a paradox because postmodernism rejects "grand narratives" of which Marx's dialectical materialism may be the grandest of all. Many postmodern thinkers rejected Marxism because it was apparent by the 1960s that Marxist economies were unable to transcend the dictatorship phase, and even that phase was not a dictatorship of the proletariat. Obtaining true socialism through communism was seen as another grand illusion. Postmoderns rejected Marx's strict economic determinism, historical dialectical materialism, dictatorship of the proletariat, and capitalist downfall theories. However, many postmoderns retained Marx's positions regarding class struggle, business exploitation, worker alienation, and the conspiracy of corporate business to obtain and use power to control society for profit.

*Sigmund Freud* (1856-1939). Sigmund Freud was the founder of psychoanalysis. He (pp. 9-29) proposed three subsystems of the human psyche: the *id* (primal instincts, drives, wants), the *ego* where decisions are made, and the *superego* which contains the norms internalized from parents and culture. The ego is the "processor" or "traffic cop" of the mind,

reconciling the impulses of the id to the constraints of the superego. All manner of neurotic or compulsive-obsessive behavior presumably result from constraints imposed on the id.

Freud's theory of the mind was generalized by some postmoderns as a science of society. In extending the psychoanalysis of Freud to sociology, postmoderns rejected Freud's preoccupation with sexual motivation (libido), but retained belief in the role of subconscious, subjective elements in society and science, and in the seemingly neurotic behavior of many otherwise normal people. Thus the psyche could never be freed from the seemingly irrational and subjective influences of the unconscious (subconscious) id repressed by the conscious superego.

*Friedrich Nietzsche* (1844-1900). Nietzsche worked with three propositions. One was *perspectivism*, the view that facts cannot be separated from interpretations. Objectivity is beyond human capability because the mind cannot know truth in an objective sense. Minds are indeed useful, but according to Nietzsche invariably flawed because they cannot separate facts from human error and moral values, which inevitably are subjective. It follows that making sense of science requires a careful look at presuppositions--the priors analysts bring to their work.

If all perspectives are subjective and hence flawed, what perspective is society to follow? Nietzsche's (pp. 33-54) position was that no source of knowledge was authoritative. Sources of knowledge won ascendancy based on which ones were backed by the holders of power.

A second principle of Nietzsche is *overcoming* or liberation. Recognition that moral values are subjective and that rights can only be interpreted in their social context frees the observer to break from the bondage of false views to see society more clearly if still subjectively.

Nietzsche's first two principles engendered a third principle of *nihilism*, a term he originated. Evidence of a God as creator had been dispelled in Nietzsche's view by Charles Darwin's theory of evolution. *Perspectivism* and *overcoming* likewise freed society from a Creator providing moral imperatives. Nietzsche argued against "the archaic categories of good and evil, long since unmasked as the sentimental traces of power relationships" (quoted from Anderson, p.65). Primacy of individual moral (and methodological) authority coupled with rejection of a higher, universal moral authority constituted *relativism*.

Nietzsche's nihilism has some similarities with Anglo-American analytical philosophy which holds that science is merely a set of unrejected hypotheses (Ghebremedhin and Tweeten, p. 12) that can hardly be mistaken for absolute truth. But while analytical philosophy uses statistical analysis and other means to record and reduce error, Nietzsche's nihilism denying an objective basis for truth has sometimes been interpreted to mean that the search for knowledge is fruitless and institutions are too corrupt to be worth preserving. An example is the violent Russian nihilism movement of 1860 to 1917.

### *Three Fathers of Postmodernism: Lyotard, Foucault, and Derrida*

The foundation of postmodernist philosophy laid by the above German and Austrian thinkers was carried to fruition mostly by French philosophers in the 20<sup>th</sup> century. Numerous individuals could be cited, but three prominent French philosopher fathers of postmodernism were Lyotard, Foucault, and Derrida.

*Jean-Francois Lyotard* (1924-1998). Lyotard (p.xxiv) defined *postmodern* as "incredulity toward meta-narratives." Defunct grand narratives according to Lyotard include Enlightenment progress, Christian redemption, science, and socialism. He (p.3) viewed scientific knowledge as "a kind of discourse." Interpreting Lyotard, Anderson (p.25) stated that

“the defining trait of the postmodern condition is the loss of credibility of these meta-narratives...science became just one language game among others, it would no longer be viewed as ...the progressive unfolding of truth.”

Lyotard (p.75-82) viewed the undoing of science as self-inflicted--science had come to serve the power of the state and big business (capital). Lyotard, initially a militant on the far left, argued that both a market economy and socialism were bent on accumulating power and capital. They must be rejected not because they were irrational but because they were rational toward inappropriate ends (Anderson, p.27). Eventually, Lyotard mellowed in his disdain for the market on the grounds that it was a product of economic evolution validated by performance rather than a grand narrative created by man. “The triumph of capitalism over rival systems, he now argued, was the outcome of a process of natural selection that predated human life itself” (Anderson, p.33).

Lyotard is not the only postmodern to grudgingly accept capitalism. Postmodern philosophers Deleuze and Guittari (p. 153) reluctantly conclude that “... it is capitalism that is at the end of history.” Unlike Marx’s socialism, however, it is not perceived to be utopia. Deleuze and Guittari (pp. 264-267) refer to it as a “schizophrenic” capitalism that commoditizes everything with markets and prices, destroys the extended family, and, through multinational corporations, controls nation states to serve business interests.

*Michel Foucault* (1926-1984). Foucault referred to written and spoken *discourse* metaphorically as the multifaceted dimensions of human activity. An emerging discipline or science gathers information from numerous sources, often informally with no attribution to authors, and from no dominant conceptual framework or authority. “...All these constitute a sort of anonymous system” (p.347). However, as a discipline (defined as groups of objects, methods,

propositions, techniques, and the like considered to be “true”) matures, Foucault (p.340) hypothesized

...that in every society the production of discourse is at once controlled, selected, organized, and redistributed according to a certain number of procedures, whose role is to avert its powers and its dangers, to cope with chance events, to evade its ponderous, awesome materiality.

Of the several sources of prohibition on “truth”, Foucault (p.343) viewed “the will to truth” as the greatest threat because establishment experts begin separating “true” discourse from “false.”

Furthermore, according to Foucault, “The most superficial and obvious of the restrictive system [on discourse] is constituted by what we collectively refer to as ritual; ritual defines the qualifications of the speaker...” (p.350). Because a discipline seeks to unduly control the discourse by restricting who is qualified to speak, Foucault (p.359) calls for a broadening of the legitimate range of “speakers”. For example, in the case of economics, legitimate speakers include the “...rich and poor, the wise and the ignorant, protestants and catholics, royal officials, merchants, and moralists.” Freudian origins are apparent in his statement (p.346).

We ask authors to answer for the unity of the works published in their names; we ask that they reveal, or at least display the hidden sense pervading their work; we ask them to reveal their personal lives, to account for their experiences, and the real story that gave birth to their writings.

Thus we see in Foucault the outline of postmodern philosophy’s emphasis on openness in discourse and radical democratization of authority. We also catch a glimpse of Nietzsche: the conspiracy by the elite to control intellectual disciplines--in Foucault’s (p.351) statement that:

[Education] follows the well-trodden battle-lines of social conflict. Every educational system is a political means of maintaining or of modifying the appropriation of discourse, with the knowledge and the powers it carries with it.

*Jacques Derrida* (1930- ). Jacques Derrida is aligned with a dimension of postmodernism called *deconstructionism*. For Derrida, everything is text. He states (p.160) that

the combining of language with the other threads of experience constitutes a “cloth”. According to Derrida (p.160)

The ‘strata’ [of cloth or text] are ‘woven’, their intercomplication is such that the warp cannot be distinguished from the woof. ...The discursive is related to the non-discursive, the linguistic ‘stratum’ is intermixed with the prelinguistic ‘stratum’ according to the regulated system of a kind of *text*.

Text must be *deconstructed* to reveal its meanings. Texts exist in a subjective context that favors one “truth” over another. There is no absolute truth; truth is relative to which person, discipline, or cultural perspective is writing or reviewing a text. Thus, texts must be interpreted in context and read in various dimensions to reveal their meaning. No one set of credentials or perspectives is accepted as authoritative. Although the subjectivity and relativism of deconstructionism give rise to many interpretations, its adherents contend that postmodern methodology is as “scientific” as analytical methodology--especially if science is defined as a framework of analysis rather than a set of propositions tested for their ability to predict.

### *Postmodernism in Brief*

Postmodern philosophy by definition rejects grand narratives, hence it has no creed or consensus articles. However, recurring themes are briefly summarized below.

1. All is text or discourse and can be understood only in context. Science, art, and literature have numerous dimensions that can be understood only from their multifaceted perspectives. In science, for example, those perspectives come from humanities as well as sciences and from lay persons as well as professionals.

2. Traditional knowledge is controlled by power and authority. In western culture that authority flows from corporate business and profit that support the research, universities, faculty, communication systems, and elites who control disciplinary paradigms.

3. Subjectivity pervades all. Unlike the analytical Anglo-American philosophy emphasizing that greater effort at objectivity is the proper response to too much subjectivity in science, postmodernism views objectivity as impossible and instead seeks accommodation with subjectivity in science. Establishment science cannot be completely free from subjectivity and biases. These, according to postmodernists, must be countered by postmodern *alternative* science perspectives. Examples where alternative perspectives are especially appropriate include income equity, gender and racial issues, environmental protection, and animal welfare. From the analytical perspective, the postmodern perspective is more weighted to *normative* (value laden) than to *positive* (facts and logic) analysis.

4. Radical democracy and diversity in “truth” are prized in addressing socioeconomic and political issues. Expertise is accepted from a wide range of “authorities” with broad value perspectives.

As a result of these tendencies, the postmodern analyst tends to be more critic than creator. Perhaps because postmodernism holds no grand conceptual framework or utopian ideal, the philosophy tends to pessimism in its worldview and is positioned more for protest than progress. Perhaps as the philosophy and the debate it has engendered evolves, a vision along with a system for realizing it may emerge.

### **The Emerging Influence of Postmodernism**

Postmodern philosophy was well developed by the 1960s, but had made little progress in displacing the dominant Anglo-American analytical philosophy. However, the intellectual community was increasingly disaffected by a system that in the 20<sup>th</sup> century alone has allowed a great depression, two world wars, the Holocaust, colonialism, racial and gender discrimination, food insecurity, and a Cold War.

If postmodernism needed validation, it seemed to receive it from the Vietnam War in the 1960s and 1970s. The west's involvement in the Vietnam War appeared to epitomize the failures of a modernist state committed to the Enlightenment philosophy. Here, the "brightest and best" minds committed to rational thinking and with access to the best information and sophisticated analytical systems that science could offer had blundered into a war it would not win. In contrast, a relatively disorganized band of less informed young people (e.g. protesting college students) operating from non-doctrinaire "gut feelings" proved wiser, in their view, than the modernist forces of science, technology, and rationality. In the words of Bertens (p.5)

...postmodernism has been defined as the 'attitude' of the 1960s subculture, or, somewhat more restrictively, as the 'new sensibility' of the 1960s social and artistic avant-garde. This new sensibility is eclectic, it is radically democratic, and it rejects what it sees as the exclusivist and repressive character of liberal humanism and the institutions with which it identifies that humanism.

Many students protesting the Vietnam War went on to earn academic credentials that led them to positions of intellectual influence. Even before the collapse of communism in the Soviet Union, postmodernism began to replace Marxism as the philosophy of choice especially among the disaffected who viewed problems of poverty, gender and race discrimination, and powerlessness in general as a product of modernism. Postmodernism also is the philosophy of choice among many environmentalists who perceive that traditional knowledge is controlled by private businesses, more interested in resource exploitation than environmental quality. On today's campuses postmodernist thinking is prominent, though not necessarily dominant, especially in the humanities and social sciences other than economics.

Postmodern philosophy, arising as it did out of the humanities and giving ascendancy to the complete metaphoric text, emphasizes that science must not be entrusted to scientists alone. Similarly, the alternative agriculture movement of the 1970s contended that "agriculture is too

important to be left to agriculturalists.” The appropriate policy directions for agriculture are now debated by sociologists, anthropologists, philosophers, artists, journalists, environmentalists, and English teachers as well as by agriculturalists.

In contrast to the above ferment, economists have largely remained modernists wedded to neoclassical economics, positivism, and the Enlightenment. The neoclassical paradigm has remained resilient to every Kuhnian scientific revolution. It has preempted or incorporated appendages of Keynesianism and monetarism while largely deflecting inroads of socialism and Marxism. The seeds of conflict between moderns and postmoderns are indeed apparent.

## **Conclusions**

Globally, postmodernism is replacing Marxism as the ideology of protest movements. Is a Kuhnian revolution underway, with the postmodernist philosophy of science about to replace analytical modernist philosophy in a new paradigm of applied economics? We think not, but recognize that those schooled in the old tradition are the last to recognize the nascent revolution.

Distrust of authority and the establishment, a general pessimism regarding science, and a call for radical democratization of “experts” imply that postmodernism is likely to be prominent among alienated and disenfranchised groups. However, it is unlikely that postmodernism per se can become the dominant philosophy of science including of applied economics because at its core it is nihilistic. In rejecting grand narratives it rejects itself as a coherent philosophy of science. Placed in a policy perspective, postmoderns cannot easily escape the profound contradiction of calling for more of an already big government they do not trust to right environmental, social, and economic wrongs documented by data they question. In the logic of dialectical materialism, postmodernism is the *antithesis* of the Anglo-American analytical *thesis*.

Out of the dialectical synthesis, however, an enriched new philosophy of science could and, we believe, will emerge.

Applied economists committed to the grand narrative of Adam Smith find themselves philosophically more distant from many of their colleagues in other social sciences and humanities. Without engagement through dialogue and multidisciplinary collaboration, many campuses will find themselves in the absurd position of having two entrenched philosophies of science--one for economics, business, physical sciences, and engineering, and another for postmoderns. Members of an animal species separated too long lose their ability to interbreed; truly interdisciplinary work on major socioeconomic and environmental problems will be impossible if economists delay dialogue with other disciplines.

Applied economists who see a brighter future through science, technology, sound economics, and rational processes of democratic-capitalism can learn much from postmodernists. Modernist science that confines itself to positivism and statistical inference is incapable of addressing adequately many of the seminal issues of the day. Postmodernism responds to problems that have not and cannot be addressed properly by double-blind experiments, quantification, computers, and hypothesis testing of traditional analytical sciences. Postmodernists have something to contribute by being sensitive to the potential bias in science arising from funding sources, from the personal values of the scientist, and from the values imbedded in the science; by being aware of the need to be inclusive with regard to minorities and the disadvantaged in general; and by being skeptical of controlling elites.<sup>1</sup>

Although many important problems of society will not be addressed by scientists who call for the strict analytical rigor of modernism, still, simply throwing out science in favor of “gut

feelings” is no solution. The science and technology that has been accused of getting us into some of today’s problems also can be part of the solution as illustrated below.

Applied economists in their zeal to remain positivistic and objective have been preoccupied with economic efficiency. Meanwhile, many social scientists closer to postmodernism have been preoccupied with equity (distribution of wealth and power) and have largely ignored economic efficiency. The gap between modernist economists and postmodern social scientists can be narrowed, however. For example, applied economists (see Blue and Tweeten) have shown that economists can use reasonably objective tools of statistics and other analysis to estimate a critical and inherently subjective parameter of equity, the marginal utility of income. That parameter enables economists to compare impacts on well being among groups from alternative wealth distributions whether arising from changes in economic efficiency and/or income redistribution. While not satisfying the rigorous demands of purists, the analysis is probably considerable more reliable than a guess and can narrow the equity-efficiency debate. Another example is agricultural productivity gains from application of science favored by modernists but also consistent with postmodern goals such as lower food costs for poor consumers and saving wildlife and biodiversity by concentrating production on safe ground.

A final issue is outreach to lay persons. Postmodernism changes the role of the applied economist from “expert” to facilitator. Debate and accommodation replace lecturing. Knowledge is becoming more diffuse as the internet rather than libraries becomes the repository of information. More informed consumers, taxpayers, and small farmers as well as the traditional commercial agriculture base want a part in the agricultural policy debate. In Ohio, at least, it is not uncommon for extension agents, especially at the county level, to express feelings

of unease at no longer being viewed as the experts. With time, however, they are learning the benefits of collaborative information systems.

Given the strong representation of postmodernists in the mass media, economists will become marginalized if we are unable to communicate except in the technical jargon of analytical philosophy. In our efforts to reach out, we are likely to receive some surprises. Tweeten invited a journalist--who also is a small-organic farmer and postmodern alternative agriculture advocate--to speak to his agricultural policy students. When asked what advice he would leave students, he encouraged them to read more literature from the humanities--prose and poetry--to counter narrow economics that "knows the price of everything and the value of nothing."

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### Endnote

<sup>1</sup> Many of these post-modern ideas have crept into econometrics, as illustrated by this quote from Kennedy's *A Guide to Econometrics* (1998, p.5):

The study of econometrics revolves around how to generate a 'good' or the 'preferred' estimator in a given estimating situation... The best econometrician can do under these circumstances is to recognize the more popular criteria used in this regard and generate estimators that meet one or more of these criteria... The ultimate choice of the 'preferred' estimator, however, lies in the hands of the person doing the estimating, for it is his or her value judgments that determine which of these criteria is most important...