

THE IDEALIZATION OF ECONOMIC REALITY IN CLASSICAL POLITICAL ECONOMY

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Summary

The theory of "objective value" is the central feature of the paradigm of "political economy". The Newtonian heritage plays a major role in giving political economy the status of an autonomous empirical science and a reconstruction of this heritage casts fresh light on the idea of value and on the role played by this idea in definition of the subject-matter of political economy. Cognitive progress, as well as the theoretical uncertainties of classical political economy turn out to be related with the dilemmas of Newton's epistemology and the alternative of essentialistic realism or instrumental conventionalism.

This paper presents a case-study of the process of idealization through which the subject-matter of the several sciences is defined. The following claims will be made: 1) the formation of the concept of value, as a scientific "Galilean" concept was a precondition for the definition of an independent subject-matter of economic theory; 2) the classical paradigm carried along a process of idealization, typical of "Galilean" modern science, through which an "abstract" subject-matter was isolated from the whole of social reality.

The classical paradigm

The several conflicting trends of contemporary economic thought (ranging from the prevailing Neoclassical orthodoxy to Institutionalism) differ so much as to give incompatible accounts of the nature of economic theory. However they stress different features coexisting inside classical political economy (Granger 1955: 1-6).

In this presentation I shall take political economy as an independent paradigm, in Kuhn's sense, related to the post-marginalist "economic science" but peculiar enough in itself not to be considered merely as a preliminary to economic science. What is scientific (according to the several standards that have been put forth) and what is pre-scientific in political economy are so closely linked that every attempt to examine its "scientific part" has led to some kind of deadlock (Lindgren 1963:84-85; Cremaschi 1984:c.3.1) I will recall first the peculiar features of the paradigm. Then I will set these features against the background of 18th century Newtonian methodology.

1) The first feature is the objective character of the social order "discovered" by the theory. The theory describes laws of a social reality independent from the action of political authorities, independent from mental reality, i. e. from the subjective perception of economic phenomena by the economic actors, and not influenced by interaction between known reality and knowing subject (i. e. the political economist). According to the Classics - in contrast with the Physiocrats - the laws of individual psychology do contribute to the body of explanatory principles but, through the "principle of unintended results", they are causes or sources of social motions without being principles of order of social motions. In this sense economic reality is "emergent" on psychological reality.

Related to the objective character of the economic order is the immediately practical, or applied, dimension of the theory, along with its prescriptive dimension, stemming from the "rational" - and as a consequence "good" - character of the discovered order.

2) The second feature is the empirical character of the theory. Political economy claims to be an empirical theory: neither a deductive prescriptive discourse on the just price nor a formal, a priori theory of rational choice. Political economy is more of a description, based on observation, and explanation relying on hypotheses, of something existing out there: the economy. The idea of "national economy", a central idea in the work of Smith, and one unknown as such to his predecessors, denotes what the discourse claims to describe.

3) The third feature is the role allocated to production. Political economy is a theory of production, i. e. of the transformation of material things considered useful by the actors of economic life. Production is understood as an analogon of the Physiocrats' process of production of agricultural raw materials; wealth is assumed to be "renascent wealth", and exchange value to be a substance that can be "crop", produced by the cyclic process of production, or "seed" of further wealth. Exchange is a secondary aspect, ultimately ruled by the laws of production.

4) The fourth feature is the central role of the idea of value and the "objective" character of value. The classical theory of value is the first scientific "Galilean" theory of value; the earlier theories of value, centered on utility, were more like theses of philosophical anthropology. The break we acknowledge in Adam Smith and his immediate predecessors lies in the introduction of value as a theoretical entity into the body of hypotheses on which the explanation is based (Cremaschi 1984: c. 3).

The classical theory of value has been labelled as "objective" because it is a labour, or cost of production theory, as opposed to theories based on utility. What is worth noting here is primarily that it is a two-sided (exchange value corresponding to use value) idea of value. The problem for the Classics is to establish not the determinants of value but primarily a notion of value as a cause of exchange, accumulation, equilibrium and circulation. Secondly, value is introduced as the "substance" of wealth: it is the element common to the production of raw materials, of hand-manufactured goods and of services.

The idea of value as a theoretical term has the main effect of making it possible to extend the Physiocrats' circular scheme of production, bringing in economic activities different from the production of raw materials. This is the theoretically enabling effect of the formation of this new concept. It is thus possible to formulate the notion of "national economy" which defines for the first time an independent subject-matter of economic theory (Cremaschi 1984: c. 3). An important theoretical side-effect is produced by the role of cause of the phenomena given to the idea of value: the relationship between value and price is understood according to a Platonic scheme, in which the phenomena are assumed as appearance, and the principles are taken as reality (Granger 1955:

246-248). In order to understand this relationship between principles and phenomena classical theory must be compared with the Newtonian epistemology shared by the classical political economists.

Newtonian assumptions in political economy

The actual configuration of classical political economy is determined largely by the framework provided by Newtonian epistemology, at the level of both explicit methodology and implicit presuppositions and shared categories. The relationship with Newtonianism is more than explicit as far as Smith is concerned (Cremaschi 1981; Hetherington 1983). As far as his followers are concerned the relationship can be argued for on the basis of Smith's theoretical heritage and of the structure of their theoretical work.

A number of Newtonian tenets shared by Smith are direct preconditions of his theoretical revolution in economics: 1) the thesis that the principles of explanation are hypotheses, rather than definitions of the essence of the explanandum as the Cartesians supposed; 2) the thesis that analogy may be granted a role in the formulation of the principles. In Humean terms this thesis turns out to be the admission of an imaginative nature of principles, that are ideas familiar in one field of experience transferred to another (Cremaschi 1984: c.3); 3) the introduction of "intermediate" Newtonian principles in Moral Philosophy and in Natural Philosophy legitimates the shift from a deductive-prescriptive approach to phenomena like price and market, to a "descriptive" approach centered on the acknowledgement of several particular orders of reality. These several decentralized orders have an acknowledged explanatory - and to a certain degree prescriptive - function (Cremaschi 1984: c.2).

The analogy planetary system - market economy

The "national economy" of classical political economy is construed as an analogon of the Newtonian physical world: a correspondence can be found between value, price, value per unit, and bulk, weight, density (Worland 1976). More obviously, the idea of equilibrium has a correspondent in universal gravitation of the Newtonian cosmos.

On the one hand the role of the analogy is central in the construction of an explanatory scheme as well as of an idealized picture of the set of phenomena to be explained: the classical paradigm requires that the market economy be metaphorically redescribed as a kind of planetary system.

On the other hand the redescription is not fully self-aware. As a consequence, the status of the entities involved is unclear. First, we find in Smith the ideas of the "rude and early state" and of labour as the "real price" of things, and in Ricardo the idea of an "absolute measure of value". The theoretical function of these ideas corresponds to the function of the ideas of absolute space and time in Newton. The problems concerning the ontological status of these entities are possibly similar. Second, the epistemological nature of principles is uncertain. Are the principles mere hypotheses, with nothing more than an instrumental function, or do these hypotheses have a cognitive value, and do they give us some access to the hidden level of essence?

It seems that classical political economy could be reinterpreted in two opposite directions, as happened to Newtonian natural science: an essentialistic realism that would identify economic reality with human reality as such, or exchange value with real human needs, and a "Humean" instrumentalism that would bar any access to reality in that it would interpret economic theory as a mere predictive device, lacking any cognitive content. These were the directions

actually taken by the Utilitarians and by the Marginalists.

The epistemological moral of the case-study

The following conclusions can be suggested:

- 1) The notion of economic value, in the form of a "Galilean" theoretical entity, is a necessary precondition for classical redefinition of the economic domain. This redefinition unifies several domains taken as disconnected by Mercantilists and Physiocrats. It is mainly exchange-value understood as the "substance" of wealth that enables these apparently disconnected sets of phenomena to be clustered together.
- 2) This redefinition is possible through a kind of (unavowed) circularity between principles and phenomena: value is no longer the ultimate definition of what should be valuable to human beings, but denotes what is actually considered to be valuable by economic actors. The phenomena included in the explanandum are not only the fulfilment of what the philosopher acknowledges as real needs, but also production, exchange, and consumption of whatever kind of commodities human beings consider valuable.
- 3) What the classical paradigm did was to achieve a process of idealization or metaphorical redescription of social reality. Through this redescription an area of reality receives the label of "economic" reality. This was productive in terms of growth of knowledge, and it was exactly the kind of process that characterizes the Galilean "new science" as a whole.
- 4) This idealization process was not fully self-aware. Eighteenth century epistemology, caught between essentialism and instrumentalism, was not able to find a third way, one that could save both cognitive value to theories and a non ultimate character to theoretical entities. The problem can be solved (or rather dissolved) by the epistemology of our century, thanks to the idea of "constitution of scientific objects" of the Bachelardian tradition, and the idea of "modeling" or of "metaphorical redescription" introduced in the post-empiricist philosophy of science as a key to solution of the problem of the "dictionary" of theories (Hesse 1966: c.5 ; Wartofsky 1979: cc.1,3).
- 5) The task for today could be to formulate an explicit definition of the subject-matter of economic theory : the economy would no longer appear as a misplaced concreteness, like the classics, nor would it wither away, like the proponents of the opposed formal vs substantive definitions of the economical (Robbins 1932: c.1; Polanyi 1973). It would appear more as a provisional abstraction of a number of features from the whole of social life, done for theoretical and practical purposes. Such a redefinition of the subject-matter of economic theory would escape the Platonic scheme based on the opposition between appearance and reality (Granger 1955: 400-401) and the related dilemma between essentialism and conventionalism.

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