

Silja Graupe
The *Basho* of Economics
An Intercultural Analysis of the Process of Economics

PROCESS THOUGHT

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Silja Graupe

The *Basho* of Economics

An Intercultural Analysis
of the Process of Economics

Translated and Introduced by Roger Gathman



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For Christof

Table of Contents

	FOREWORD BY ROGER GATHMAN	xiii
	ACKNOWLEDGMENTS	xxv
1	INTRODUCTION	1
2	METHODOLOGICAL PRESUPPOSITIONS	23
3	THE IMPLICIT IMAGE OF THE PERSON IN ECONOMICS	34
3.1	The Actor in Objective Economic Method	36
3.1.1	The Field of Consciousness as the Unthought Locus of Objective Methods	37
3.1.2	The Implicit Properties of the Field of Consciousness	48
3.1.3	A Time and Place-Independent Field of Consciousness	59
3.1.4	Action as Unconscious Behavior	68
3.1.5	The Logical Impossibility of Calculating Human Action	73
3.2	Conceiving the Actor in Subjective Economic Methodologies	81
3.2.1	The Subjective Consciousness as Reason	83
3.2.2	The Subjective Consciousness as an Accumulation of Feelings and Desires	85
3.2.3	The Subjective Consciousness as Will	88
3.3	The Actor ‘Beyond’ the Subject-Object Split	96
3.3.1	An ‘East Asian’ Theory of Habits	96
3.3.2	Economic Activity as Habit	105
3.3.3	Habit as the Unconscious Locus of Economic Activity	116
3.3.4	The Creative Actor ‘Beyond’ all Habits	123
3.3.5	The Freedom of the Self-Aware Will	131

4	THE IMPLICIT WORLD PICTURE OF ECONOMICS	141
4.1	The Definition of the Individual in Economic Methodology	142
4.1.1	The Private and Social Definition of the Individual	143
4.1.2	The Contradictory Determination of the Individual	145
4.1.3	Excursus: The Irreconcilability of Individual and General Equilibrium	155
4.2	The Determination of the Individual as a Context Dependent Existence (I)	158
4.2.1	The Context Dependence of Individuals	159
4.2.2	The Market as a Social Context	164
4.2.3	The Context-Dependent Properties of the Economic Actor	171
4.3	The Determination of the Economic World	175
4.3.1	The Economic World as a Field of Action	176
4.3.2	The Individual in the Economic World	181
4.3.3	The Logical Impossibility of the Determination of the Economic World	185
4.3.4	The Economic World as a Place of Nothingness	189
4.3.5	The Inconsistency of the Economic World	191
4.4	The Properties of the Economic World	192
4.4.1	The Creative, Dynamic Character of the Economic World	193
4.4.2	The Logical Impossibility of the Calculation of the Economic World	197
4.5	The Determination of the Individual as a Context Dependent Existence (II)	206
4.5.1	The Determination of Individuals in East Asian Philosophy	206
4.5.2	The Economic Actor as a Contradictory Self-Identity	210

4.6	The Significance of Egoism for the Economic World	223
4.6.1	The Egoism of the Normal Consciousness	224
4.6.2	The Economic World as the Struggle of All against All	226
4.7	The State and Its Relationship to the Market	236
4.7.1	The State as a Context Independent Universal	238
4.7.2	The Interdependence of the State and Individual Calculation	241
4.7.3	The Inherent Contradiction of the State's Coercive Authority	246
4.7.4	The Conflict of the Market and the State	252
4.7.5	Ordoliberalism: A Unity of Market and State	255
4.7.6	Excursus: The Standpoint of the Social Scientist	260
4.8	A World 'Beyond' Egoism	262
4.8.1	The Normal and the Original Consciousness	263
4.8.2	Harmonic Human Engagement	270
4.8.3	Spontaneously Mindful Actions and the Meaning of Rules	279
4.9	The Relation of the Economic World to Other Worlds	287
4.9.1	The Conflict of Many Worlds	289
4.9.2	The Idea of One Common World	292
4.9.3	The Idea of the 'Worldly World'	296
4.9.4	The Freedom of the Individual in the Worldly World	300
5	CONCLUSION	303
6	BIBLIOGRAPHY	313

Foreword

by Roger Gathman

i.

Silja Graupe's book signals the continuing viability of two recent trends in process philosophy. One is the attempt to open up the area of process-philosophical research for inquiry alongside Whiteheadian metaphysics – itself an increasingly lively field of scholarship in the philosophy of science – and to explore alternative possible constructions of processes. There are numerous examples, now, of such work, from Nicholas Rescher's recent introduction to process metaphysics including and beyond Whitehead, which draws attention to the explanatory potential of a general "processual view" in many systematic areas of metaphysics,¹ to Johanna Seibt's theory of "general processes" or "generic dynamics", which develops a new, non-Whiteheadian ontological category of process within a mereological framework and shows its application in analytic ontology.² As Rescher has put it: "If there indeed is a 'philosophy' of process, it must pivot not on a thinker but on a theory. What is at issue must, in the end, be a philosophical position that has a life of its own."³ Contrasting Whitehead's thought with old and new process-metaphysical alternatives will deepen our understanding of all positions in the area.

Graupe's innovation is to import into this set of ontological styles a completely other group of assumptions taken mainly, although not exclusively from Japanese process philosophy, which, in Graupe's version, is firmly rooted in the Kyoto school, and identified closely with the writings of Nishida Kitarō. Graupe has also borrowed from the East Asian philosophical background that was drawn upon by the Kyoto school. Most notable, I think, is her borrowing on the Confucian notion of ritual, which she uses in discussing the social mediation of individual action. However, it isn't

¹ Rescher, Nicholas, *Process Metaphysics: An Introduction to Process Philosophy*, 89-90.

² See J. Seibt, "Free Process Theory: towards a typology of occurings," in *Process Theories: Cross-disciplinary Studies in Dynamic Categories*, edited by Johanna Seibt.

³ Rescher, 49.

Graupe's intent to mount a defense of Nishida's ontology in this book *per se*. Instead – and this takes us to the second trend – she has used his notion of processes, and in particular the processes that shape and are shaped within the field of social interaction between agents, as a point of view from which to intervene in the philosophy of science – or, in this case, one of its subdisciplines, the philosophy of economics.

This unusual critique of economics performs a difficult *pas de deux*, giving us a thick description of the substantivist assumptions and models of mainstream economics, which requires some technical expertise in that field, from a point of view coming from a very different field of specialization, that was given to us by Nishida's notion of *bashō*, which requires specialization of a quite different kind.

Mindful of the gap between the specialized constituencies of the philosophy of economics and Japanese philosophy, this preface will outline three interrelated stories that are entangled in the critical section of Graupe's text in terms that are more familiar, perhaps, to those with more in depth knowledge of issues in the philosophy and history of economics.

Three stories – but it might be more accurate to say that there is one story in the text with three parts. That one story could be seen as a kind of explanatory fable: How did economics come to be the science that it presents itself as?

Graupe's story goes something like this: the continuity of mainstream economics is the result of its underlying metaphysical structure, which tenaciously skews to a substantivist ontology. This has a distinct impact on the kind of science economics became over the long *duree*, from the eighteenth century all the way up to the neo-classical resurgence in the 1980s. Since economics as a science must deal with the dynamic processes of the real economy, but does so under the consensus assumption that science is ultimately a deductive enterprise, the foundations of which are, ideally, axiomatized, economics has evolved from the 'conjectural history' of Adam Smith to the mathematical models of neo-classicists with a prominent place accorded to theory and abstract modeling and a much lesser status granted to empirical research and experiment. Unlike other sciences, in which the vital connection to empirical data – Baconian science – is conjoined, however roughly, to theory construction, positive economics tends to impose upon reality its normative models. As economist Alan Blinder once joked,

an economist is “someone who sees that something works in practice and wonders if it also works in theory.”

To make this conceptual reconstruction work, Graupe follows the canonical history of economic analysis of Joseph Schumpeter, agreeing with Schumpeter that the central pattern of mainstream economics is the creating and defense of equilibrium models to explain economic processes. Following Phillip Mirowski, Graupe notes how these models, many of them borrowed in the nineteenth century from the physics of that time, were adapted to economic thinking, with the adaptations revealing two things: an incongruence between the objects of physics and economics, and the systematic need, by economists, to justify the grouping of the science around static equilibria. This brings us to the third part of the story. To preserve the closed state of economics as a science, economic agents had to be denuded of their dynamic characteristics, which logically lead to the mainstream economic position with regard to agency: instead of unpredictable individual agents acting as constraints on the equilibrium of the price system, the equilibrium models operated to define agency in its own terms. Agents became those things that cleared markets, with the order of the clearing revealing the order of their preferences, and the sign of their collective rationality being the price system.

While some of the conclusions of this story are shared with other philosophers of science who have looked at mainstream economics – for instance, John Dupré has noted the dependence of rational choice theory on a naïve and impoverished methodological individualism,⁴ and Nancy Cartwright has deflated the place of law in economics as well as in physics⁵ – Graupe’s point is fundamentally different from any variant of positivism insofar as her emphasis on the ontology underlying the problems of economics is presented as the result of applying another schema to political economics altogether. This is the “logic of basho,” to use Nishida’s phrase. This is a logic that posits various interrelated levels of conceptualization and actualization – the two are inextricably interwoven in his thought. The index that identifies each level is the extent to which it can reflect upon itself. The limits of each level is defined, negatively, by the inability of a

⁴ See J. Dupré, *Human Nature and the Limits of Science*, Chapter 6.

⁵ Nancy Cartwright has used both physics and economics as the exemplary sciences with relation to which she has pursued her deflationary thesis about law, and her defence of ‘capacity’, in a number of articles and a trilogy of books: *How the Laws of Physics Lie*, 1981; *Nature’s Capacities and their Measurements*, 1994; and *The Dappled World*, 1999.

level to explicitly encompass its own presuppositions. In this way, Graupe is able both to show how economic theories have functioned with substantivist presuppositions and how their functioning defines only one possible range of economic thought. Her critique of mainstream economics starts with pointing out the antinomies that result from the inability of economics to logically order its fundamental principles: for instance, in the unresolved conflict between the individual, constructed as a sort of selfish machine in economic models, and the universal, constructed in terms of markets attracted to equilibrium. No scenario can match up these two equally necessary elements of mainstream economic thinking. Instead, Graupe proposes, following Nishida's suggestion that the individual is not centered inside herself, that the individual is thoroughly socially mediated and context dependent:

“We exactly invert the relationship of the individual and society in our explanation in comparison to methodological individualism: society does not emerge out of the combined performance of individuals, but necessarily precedes any idea about the individual. It is the locus, in which individuals are determined, their unthought presupposition, but not a product of their aggregation. Kimura formulates this insight in this way: the between-ness of person and person represents a *basho*, in which all ideas about individuals are encompassed: ‘The betweenness of person and person (*hito to hito to no aida*) and betweenness (*aida*) do not signify merely a relationship between two individuals. The betweenness of person and person is the locus (*basho*) functioning as the source from out of which both I and others arise.’” (159)

The “natural state” of static equilibrium that is premised by economics is displaced by a flux of states of disequilibria:

“Finally, ... mechanical analysis proves itself as logically impossible, because a stable equilibrium does not ground the economic world. (...) [Also,] the world doesn't find itself in one disequilibriated state (which is actually logically impossible, because this state is unsteady), but is moved so to speak from one disequilibrium to another, without at any moment arriving at a resting point.” (199)

For the framework of action analysis, which in neo-classical macro-economics is built upon the ‘rational expectations’ of aggregates, and which decomposes into some theory of rational choice on the individual level, Graupe uses a notion of habits and habitus, and borrows from Confucian philosophy a ritual centered notion of individual action that is always embedded in the social:

“In contrast to rational preferences, the actions of the non-self [the ‘I’ as betweenness] are spontaneous. The latter accepts no decision space as given, but is continually reshaping it relative to situations. Such spontaneity implies – as Confucianism makes clear – no complete independence of all social habits, but rather a social creativity within specific relations. What is decisive is the meaning of rituals. Rituals describe a specific relation between different persons (father-son, wife-husband, etc.). They are in this sense habits of human practices that survive in a society over space and time. But thus they represent no fixed or irrevocable modes of actions that must blindly be followed. They are rather vague rules of thumb over the ways humans should interact.” (276)

ii.

So much for the broad outline of Graupe’s critique. I’d like to look at two questions that occurred to me in translating this book. One is, does this history of economic thought accurately reflect the totality of economic thought in the West? Here, one wants to know why Keynes and the institutional economists have so largely fallen out of the picture. Granted, Graupe’s focus is explicitly focused on mainstream, or classical and neo-classical, economics, yet Keynesian and institutionalist economics are rooted in the same historically conditioned historical habitus, and there has been, to say the least, a dialogue between mainstream economic thought and its others. The other question is, does Graupe’s notion that an ontological skew towards substantivism do as much as she wants it to? I’m thinking here of one of the important threads in her work: the meshing together of the presuppositions of the economists with the methodology of economics.

In making this case, Graupe brackets the history of economic analysis from economic history – hers is not a Marxist story of the superstructure being determined by the means of production underneath, nor even a more modified, Weberian story correlating economics with regimes of political legitimation. Graupe’s singlemindedness here is clarifying, and yet one feels here the intimation of that characteristic that Matthew Arnold identifies with the puritan: a style of thinking in which everything, finally, reduces to some one principle. Porro unum est necessarium,⁶ one thing is needful – in this case, the needful thing is an ontological skew towards substantivism. One problem, it seems to me, with this approach is that it does not fully ac-

⁶ Arnold, Matthew, *Culture and Anarchy*, Chapter 5.