

The Ideational Background of the Global Economic Crisis

Gaudenz Assenza, Zdenka Sokoličková, Aliaksandr Martynau

Abstract: The focus of the paper lies in the ideational background of the Western worldview, with special attention paid to the current economic crisis as its result. The specific set of ideas and assumptions that dominates Western thinking about the world is explained as an alternative developed due to a certain cultural climate. The paper argues that an inner reality (an interiorised worldview) influences the outer reality (the organisation of the society, economics included). Following Max Weber's criticism of the presumed neutrality of Western science, the paper contests the universalist ambitions of the prevalent economic school of thought, neoclassical economics. We see the global financial crisis as a phenomenon caused by an incomplete image of the world. But what if the ongoing economic turmoil is not just a crisis, but a critical juncture in a larger process of transformation? We comment on theories of Thomas Kuhn and Martin Marcussen to cast some light on the chances that the current situation may trigger a revision of the worldview on which the societal order in industrial countries is based.

Key words: Worldview, neoclassical economics, Western rationality, critical juncture, paradigm shift

Introduction

‘We are dealing not only with the collapse of a financial system, but also with the collapse of a worldview.’ (Fergusson et al. 2010) The laconic formulation of George Soros can be taken as a starting point for the analysis conducted in this paper. Three years after the global economic meltdown was triggered by the blow-up of a speculative housing bubble in the USA, the mainstream economic theorists explain it as a result of a delayed diagnosis of (in)solvency (Eisenbeis 2010) and misguided short-term policies, such as sub-prime lending or the misuse of innovative financial market mechanisms (securitization, CEOs etc.).

However, these problems are portrayed as imperfections, which caused a temporary breakdown of an otherwise functioning economic paradigm. The public welcomes improved figures with relief and new hits of the crisis with boredom stirred up into irritation. The old order is widely expected to be restored and sustained.

The initial presumption of this paper is that the prevailing explanation does not address the root causes of the economic crisis, but rather concentrates on its triggers and immediate consequences. We posit that this issue needs to be approached from an interdisciplinary perspective enabling comprehension instead of mere description. As Sir William Bragg once wrote, ‘the important thing in science is not so much to obtain new facts as to discover new ways of thinking about them’. (Koestler and Smithies 1958, 115) Explanations of how the existing economic system functions cannot be satisfactory unless they are based on a multi-level analysis that embraces its key pillars.

We approach the global economic crisis not as a problem which can and should be solved in the quickest possible time by any means available, but rather as a manifestation of deeper problems of the economic system related to the worldview on which it is founded. We use the term worldview as a fundamental cognitive (epistemological) orientation, which provides a framework for developing and interpreting knowledge. It consists of multiple interrelated assumptions, i.e. a ‘set of presuppositions and beliefs that every

person has which shape how we make sense of the world and everything in it. This in turn influences such things as how we see ourselves as individuals, how we interpret our role in society, how we deal with social issues, and what we regard as truth.' (Park 2007) A worldview is composed of numerous elements that work together as a complete mosaic which helps us orientate ourselves. The absence of worldview means an absence of order, therefore chaos and anomie. (Merton 1996) An eradication of the worldview must be followed by its redefinition or replacement.

Worldview revisions, which accompany the ultimate social change, have a chance to occur in the time of large-scale societal crises. When the transformational pressure on the system is growing and a high enough number of people is affected, discussion about profound paradigmatic shifts has an opportunity to gain relevance. Nevertheless, the mere occurrence of a crisis does not guarantee that it will lead to the re-appraisal of the old set of assumptions and the introduction of a new, more sustainable worldview.

The notion of the global financial crisis has turned into a cliché. It is seen as a managerial puzzle to which economic experts ought to find a solution using the existing economic mechanisms. Others perceive it as a symptom of an upcoming civilizational cataclysm, which, according to a linear and deterministic understanding of history, cannot be avoided. However, the authors of this paper do not share these visions and set forth a third perspective. We argue that the ongoing economic upheaval has a potential to, but may not necessarily trigger a deeper revision of the worldview on which the Western economic system, and perhaps the entire societal order, is based. Such a revision, in turn, affects the nature and dynamics of this critical juncture.

Another important issue addressed in this paper is the often overlooked linkages between inner and outer phenomena. We hypothesize that it is not sufficient to adapt reforms to adjust cosmetic flaws of the system. Nor will it be necessary to exaggerate the ongoing trends and interpret them as an inevitable path to the Armageddon, because such pessimistic predictions underestimate the power of free will and the learning and transformational potential which each individual possesses. According to MIT Senior Lecturer Dr. Otto C. Scharmer, the *status quo* cannot be preserved anymore because the level of pressure deriving from all kinds of tensions (including the social, the environmental, and the economic ones) has

become too high. (Scharmer 2009, 27-29) On the other side, it is a sign of a rigid and stagnating way of thinking when we resign to fatalism and skepticism. There is a need for an innovative approach, revitalizing our capabilities to influence our own fate, starting from the affirmation that something must be done, and going further, beyond the policy makers' rhetoric.

In other words, it makes sense to discuss problems and reforms if we recognize the power of individuals to change, and by implication, the possibility of institutional and societal switch. Instead of focusing on the negative aspects of the financial crisis, we place emphasis on the opportunities that the transformation of our economic system brings. The crisis can be perceived as a chance to re-think some core assumptions in the Western worldview. Discouraging both pessimism and unfounded optimism, we argue that a critical revision of fundamental assumptions about the world may be a good starting point on the way to workable reforms.

We respond to the need to analyse the financial crisis from a broader perspective since it is by no means only a question of economics. The economic turmoil will not be studied as an isolated event but as a link in the chain of results that a particular *imago mundi* has produced.

There are three main aims this paper shall accomplish.

1) We will summarize the characteristics of the Western worldview from which our system stems. Special attention will be paid to Western rationality, the paradigm of neoclassical economics and the consequences it has for a wide range of areas. The whole of the Western worldview will be approached from one of its elements – the dominant economic school of thought.

2) We will further discuss the mechanisms through which inner and outer phenomena are linked. On the example of the studied economic system, we will illustrate how an outer reality (global financial crisis) depends on an inner reality (cultural crisis of the developed world).

3) We will evaluate the probability that the current trend at the world markets triggers a profound shift in the way of thinking about the world. We will also address the question whether the today's economic crisis may become a point of departure for a new vision of the world.

It becomes evident that our argument evolves in a circle, or more precisely, in a spiral. We first transgress the institutionalized routes that are usually followed when thinking about the economic crisis being experienced just now. We proceed with a deeper analysis of the worldview onstage, and a hypothesis about the process of internal conditions determining external manifestations and vice versa. The next step consists of a new perception of the economic turmoil, this time not anymore as a crisis, but rather as an opportunity to modify the fundamentals of the initial worldview.

The Uncontested Worldview: Weberian analysis of the Western rationality

*In future days men will become so powerful
That they seem to control the heavens and the earth,
They seem to understand the stars and all science –
Let them beware. Something is lurking hidden.
There is always a knife in the flowers.
There is always a lion just beyond the firelight.'*
(Jeffers 1991, 363)

Robinson Jeffers, one of the greatest American poets of the 20th century, wrote his poem *The Cretan Woman* in 1951. The quote illustrates how a worldview determines our emotions, our thoughts and our behaviour. It also elucidates the need to differentiate: The problem is not in the idea that human beings are powerful but in the need for control and the overestimation of one's knowledge. Our knowledge is quite faint relative to the vastness of the unknown in this universe. This also applies to our topic in the sense that the knowledge on the financial crisis, though proliferating every day, remains mostly at the surface by identifying the housing bubble,

low interest rates or deficit spending as a problem, but not going back in the causal chain and investigating the causes of the causes.

Since our analysis is going to be conducted from the perspective of cultural studies, we need to specify first how we approach the whole of culture. Cultural anthropology has shown that an image of the world that provides us with clarifications and explanations of events and phenomena we encounter in our everyday life is an existential prerequisite. (Benedict 1971) All cultures develop such a worldview and the formation process is never finished. Culture is understood here as a historically based and collectively shared mode of existence 'which distinguishes the members of one group or category of people from another,' (Hofstede 1994, 5) but it is also used as an umbrella term including all manifestations of human enterprise. The classical definition of culture states it is 'that complex whole which includes knowledge, belief, art, morals, law, custom, and any other capabilities and habits acquired by man as a member of society.' (Tylor 1924, 1) Partly consciously, partly unconsciously, as members of a culture we exist within the framework delimited by the worldview to which we adhere and which we trust.

Gaining knowledge and elaborating on scientific theories is no exception in this regard. The point is that the ultimately decisive element resides in the mind of the observer (the analyst) and it is always of ideational or conceptual nature.

In the context of this paper, we are dealing with a worldview that emphasizes an empirical way of thinking (starting with experience, developing hypotheses and applying research methods for empirical verification/falsification). This procedure derives from the history of ideas that formed the Western culture during the last couple of centuries.

Let us focus now on the nature of the Western worldview, starting with a provocative affirmation that Western rationality in its consequences proves to be irrational.

Max Weber explained how capitalist principles entered the Western cultural core. (Weber 1922) He argued that a certain cultural climate enables a qualitative worldview shift. Alongside with protestant ethics, the old medieval set of assumptions about the world was replaced by the systematic method of utility maximization. An important role in this switch was played

by the Western science. *Scientific* became a synonym of *useful* and *ultimately true*. The profound societal change that occurred in the 16th century was an incubator of a new worldview.

The main stress within this worldview is put on exact and secure knowledge which is fragmented in the search for certainty about singularities. Characteristic features of the worldview are the capitalist system and the concepts of rational science. These lead to cultural nihilism where individuality is reduced to an instrumental mean serving a materialistic aim. (Gane 2002) Many scholars reacted to this criticism during the 20th century (Ortega y Gasset 1923, Husserl 1936, Marcuse 1964) but apart from the wave of protests in the 1960s, the Western worldview remained uncontested and legitimate until nowadays.

In the Western society, the currently prevailing opinion is that reliable knowledge should be based on empirical facts. This view is understandable because one needs to experience something in order to claim that it is true. However, experience *per se* cannot provide systematic clarification and can therefore not guarantee the soundness and reliability of the process of acquiring knowledge.

The criteria for selecting empirical data cannot be justified by purely empirical facts, because these facts are, in their turn, chosen according to the criteria for selecting empirical data. It will be again the work of Max Weber that will help us elaborate more on this thesis.

Western science becomes the only objective and therefore critical and reliable explanation grid which enriches our knowledge about the world and ourselves. Its goal is to unveil the truth and regulate the human society according to it. Max Weber criticised the concept of a value-free science, pointing out that a human being is always oscillating between objectivity and subjectivity, and cannot be reduced to a neutral cognitive item. Pure knowledge, says Weber, is an illusion. The highest task of science is to ensure the most probable and most secure knowledge possible.

Naturally: without any value-ideas of the scientist there would be no criteria for selecting the material and there would exist no reasonable understanding of the individually real, and as any work on the comprehension of an *individual* reality without a personal conviction about the *meaning* of the concerned cultural contents is pointless, the direction of a

scientist's endeavour will be determined by their personal assumptions and the distribution of values within the colour spectrum of their soul. And the values, to which the objects of the scientist's interest are related, will reflect the 'attitude' of the whole epoch, which means that they won't be decisive only for what will be seen as 'valuable', but also for what will be seen as relevant or irrelevant, 'important' or 'unimportant'.' (Weber 1989, 85)¹

This insight casts doubt upon the rightness of assumptions that serve as pillars of our economic system. Experience or measurement alone would not be sufficiently reliable sources of knowledge, because any empirical fact can be interpreted in many ways, more or less completely and correctly, depending on the frame of reference. A frame of reference is created by the conscious or unconscious fundamental decisions that shape a worldview, perspective, or theory. It always consists of ideas that may be derived from experience, but which are themselves not empirical. These ideas are fundamental by being interpretations of fundamental experiences. The social (family, academic etc.) environment also shapes the worldview, perspective or theory. Therefore, any analysis of empirical data inevitably contains an interpretation, due to the specific perspective out of which it is being observed. Not only individual assumptions and values, but also the cultural ones modify the theories we formulate to encapsulate the reality. This mechanism excludes creation of entirely neutral terms and scientific systems. (Schluchter 1998)

Together with Weber we have come to the conclusion that despite all the disenchantment of the world and adoration of knowledgeable causality, people are required to take a final decision about the relevance of the studied phenomenon. This decision is made on the basis of a subjective choice, guided by the current worldview prevalent in the concerned society.

¹ „Gewiß: ohne Wertideen des Forschers gäbe es kein Prinzip der Stoffauswahl und keine sinnvolle Erkenntnis des individuell Wirklichen, und wie ohne den Glauben des Forschers an die *Bedeutung* irgendwelcher Kulturinhalte jede Arbeit an der Erkenntnis der *individuellen* Wirklichkeit schlechthin sinnlos ist, so wird die Richtung seines persönlichen Glaubens, die Farbenbrechung der Werte im Spiegel seiner Seele, seiner Arbeit die Richtung weisen. Und die Werte, auf welche der wissenschaftliche Genius die Objekte seiner Forschung bezieht, werden die 'Auffassung' einer ganzen Epoche zu bestimmen, d.h. entscheidend zu sein vermögen nicht nur für das, was als 'wertvoll', sondern auch für das, was als bedeutsam oder bedeutungslos, als 'wichtig' oder 'unwichtig' an den Erscheinungen gilt.“

The developed world presents its products, including the economic system, as a linear history of improvement. All modernization, globalization and industrialization processes are understood as a change for the better. The Western society has achieved excellent results in many spheres, from work conditions and educational system, through gender equality and human rights, to material welfare and standards of living. To reach its goals, though, some cultural patterns have been abandoned or discredited. The scientific-technical approach is a choice that leaves out a number of alternative paths.

‘All natural sciences give us the answer to the question: What should we do, when we want to control scientifically our life? *If* we should and want to control it and eventually whether it has any sense at all: - that is completely ignored or for its own sake automatically presumed.’ (Weber 1922, 541-542)²

The perseverance of the Western worldview is important for the topic of the global financial crisis. We hypothesise that the image of the world is the bearer of the economic system which is dysfunctional at the moment. A revision of the economic assumptions then must derive from a revision of the worldview. So far, specific theoretical thinking, depicting the reality as rational and therefore the best possible ever, leads to a cultural paralysis (*Erstarrung*) manifesting itself with alienation, loneliness and anarchy of competition.

Another crucial point is the accentuation of economic utility. Even institutions that have no primary economic aims (church, education, arts) gain at least a secondary one. In this way, cultural problems are reduced to economic imperfections. We should not simplify the Western worldview into greed, though. To achieve a certain level of welfare, including the material one, is a culturally universal aspiration. Nevertheless, modern Western rationalism is a particular form of a natural human tendency; a form based on the maximization of profit, a certain type of the organization of labour, capital valorisation and, in the ideal case, infinite increase of the budget.

Thus, we can conclude by stating that the Western worldview is founded on the principles of rationality, objectivity and on the capitalist

² „Alle Naturwissenschaften geben uns Antwort auf die Frage: Was sollen wir tun, wenn wir das Leben technisch beherrschen wollen? Ob wir es aber technisch beherrschen sollen und wollen, und ob das letztlich eigentlich Sinn hat: - das lassen sie ganz dahingestellt oder setzen es für ihre Zwecke voraus.“

political-economic system. It arose as a specific product of historical and cultural circumstances but diffused into other civilizations on a global scale. However, the pretentious neutrality and correctness of the Western worldview are nevertheless a question of individual belief.

Neoclassical Economics: An economic paradigm with cultural consequences

We can now apply this thesis to the current economic crisis. The way we understand the world is not objective because it is rooted in a culturally specific environment, and it consists of non-universal assumptions, ideas, concepts and perceptions. The Western society has opted for a neoclassical economic paradigm to interpret its economy, but this paradigm does not work as an economic theory only. It interprets a much broader context than just markets. The neoclassical economic paradigm has become so significant for some researchers that they apply it to explain human nature, and the position of humans in the world.

Human beings are presented as creatures ruled by diverse desires. These range from the most modest wish to the most pure form of selfishness and greed. Humans, and by implication also enterprises, are bent on increasing profit. People are free only in the sense they are free to pursue their maximizing instincts. It is not the sense of freedom of choice and the multiple and often contradicting impulses that influence humans at any given moment, but the simplistic thesis of wealth that needs to be accumulated, which resonates better with the path followed by the Western culture.

Such a materialistic-deterministic image must necessarily have an implication for other spheres of human enterprise apart from economic endeavour. The notion of *homo oeconomicus*, thus the idea that human beings are rational and self-interested profit maximizers, does not limit itself to the realm of economy. Once we adopt the neoclassical paradigm, we modify our whole understanding of the world. Powerful paradigms (such as the neoclassical economics) tend to take over other partial interpretation grids and integrate themselves as dominant worldviews, which is a rather harmful

trend. 'Every science is beneficial within its limits, but becomes evil and destructive as soon as it transgresses them.' (Schumacher 1993, 31)

In 1836, John Stuart Mill wrote: '[Political economy] does not treat the whole of man's nature as modified by the social state, nor of the whole conduct of man in society. It is concerned with him solely as a being who desires to possess wealth, and who is capable of judging the comparative efficacy of means for obtaining that end'. (Mill 2000, 97) When we get back to our definition of worldview, this implies that neoclassical economy determines our understanding of concepts such as 'I', 'we', 'society', 'world', or 'truth'. It does so regardless of whether the situation is related to economic behaviour or not. On that account, the neoclassical economic thought is a reasonable path to follow if we want to examine the contemporary Western worldview in general.

In order to do justice to the extensive theoretical basis of the prevalent economic school of thought, let us state that the concept of utility maximization is useful as an explanatory tool, because most people behave accordingly most of the time. As long as this is the case – that people behave that way – the theory has explanatory and predictive power: it provides a powerful explanation of the mindset and behaviour of a human being with a materialistic-deterministic view of the world. Theories do not reflect reality, though, or at the least not the whole reality.

Let us compare how the economist Milton Friedman and the sociologist Max Weber operate with abstract hypotheses that strive for an explanation of a real situation. Friedman wrote: 'Truly important and significant hypotheses will be found to have 'assumptions' that are wildly inaccurate descriptive representations of reality, and, in general, the more significant the theory, the more unrealistic the assumptions (in this sense). The reason is simple. A hypothesis is important if it 'explains' much by little, that is, if it abstracts the common and crucial elements from the mass of complex and detailed circumstances surrounding the phenomena to be explained and permits valid predictions on the basis of them alone.' (Friedman 1966, 14-15)

The fact that reality can never be fully encapsulated by science has already been partially discussed in the section dedicated to the sociological work of Max Weber. His *Idealtypus*, which could be an analogy of Friedman's

assumption, has also a heuristic function. While in the case of neoclassical economics, no space is left for assumptions that contradict the central one of human predetermination to maximize profit, Max Weber considered universalist theories as useless. From Weber's point of view, it is not even the ultimate goal of science to produce reductionist theoretical patterns. He coins the term *weltfremd*, world-detached, to justify a scientific tool useful only in terms of abstract argumentation. Every hypothesis is strongly connected to concrete and unique historical and cultural circumstances.

For the economic paradigm of the neoclassical school of thought, this statement means a problematization of its universalist ambition. The affirmation that people desire to live their lives as pure maximizers is only a world-detached formula. The same culture at another point of time, a different culture at the same point of time, or a specific alternative group within the mainstream culture might adopt a completely dissimilar assumption.

At this point, the theory of Martin Marcussen, which he develops in order to illuminate processes that contribute to the creation of a national identity, can be useful. Marcussen presumes that 'new ideas [must] resonate with given and pre-existing consensual identity constructions. [...] Only those ideas that resonate are considered legitimate in a political struggle.' (Marcussen et al. 2001, 117-118) In addition, 'once identity constructions have become consensual and, thus, collective views, they tend to be internalized by actors as well as institutionalized.' (Marcussen et al. 2001, 118) This means it is an extremely painful and often dramatic process to modify the stabilized worldview because it is simply hard to believe that what has worked out before will not work out anymore in the changed conditions.

A good example of a theory which does not primarily aim at the explanation of economic issues, and which clearly reflects the above discussed paradigm, is neorealism in the study of international relations. Let us briefly turn here to the problem of the one-sidedness of assumptions of political science. In 1981, during the 'hot phase' of the nuclear race, Kenneth Waltz published a book arguing the case for further nuclear proliferation based on the claim that nuclear states will never attack each other, because doing so would not be rational. In essence, he still argues this today (see Waltz 1981 and Waltz and Sagan 2002).

Many people cannot agree with such an argument, regardless of how 'logical' it is, because their underlying assumptions and worldview rebel against a world with nuclear weapons, and because they do not assume rational behaviour in such actors as Kim Jong Il or Mahmoud Ahmadinejad. Even if rational behaviour characterized these leaders (and all other actors now and in the future), it is risky to believe that lasting peace will result from increasing the number of nuclear states. Albert Einstein once said: 'Peace cannot be kept by force. It can only be achieved by understanding.'

The assumption of rationality is embedded within a larger analysis of the balance of power, and the structure and workings of the international system. Neorealism is a logical and plausible theory, which has often demonstrated solid empirical support. As the theory correctly notes, the evolution of mankind is marked by violence and craving for power. Much of recent history resembles the condition described by neorealists. Thus, like neoclassical economics, neorealism is a good partial theory of human evolution but it does not capture the full range of human behavior and human potential. It is one-sided in its emphasis on the negative aspects of human nature, and by the idea that governments and other institutional actors are always reflecting these negative aspects.

What neorealists do not take into account is that the future of humanity does not necessarily have to correspond to the same logic as the past. It is difficult to measure the dynamics of a societal change but there are movements and initiatives which follow and promote different views. It remains to be seen if the 21st century will be more shaped by neorealists (and people with similar worldviews in other disciplines) or by people who follow the goals and impulses not compatible with the teachings of neorealism.

The plausibility, explanatory power and depth of the neorealist analysis is particularly weakened by the fact that neorealists overlook the relationship between inner and outer phenomena. Neorealist thought is based on certain assumptions about anarchy, self-interest, and the struggle for power. Human beings, according to neorealists, are utility maximizing and power-hungry creatures, and governments merely replicate the same features on the macro level. This is both the starting point and the conclusion of the theory and it is assumed to be an inevitable and eternal truth.

Many people are nowadays raised and educated in this mindset. Some of them assume functions of leadership in government, business and international organizations, where they embody the same assumptions and beliefs in their actions. Because their beliefs are implemented into practice, external reality corresponds to the mindset. The neorealists find plenty of evidence that the world is how they teach, without noticing that a different mindset (and a different education) would lead to different external circumstances. Education, according to E. F. Schumacher, is a tool-box of powerful ideas that make the world and one's life intelligible. We think *with* ideas. (Schumacher 1993, 63-65) If you see the world as dangerous and violent, and you teach students that it cannot be any different, you do make the world dangerous and violent.

Even seemingly intractable conflicts such as the Israeli-Palestinian antagonism could be resolved by turning a mental switch and blocking the above-mentioned thinking and behavioural patterns. Such an analysis is decried by those who are used to learning complexity, or creating it. It surely cannot be that simple, they say. Nevertheless, at a fundamental level, conflict resolution is rather basic. It could be even easy to do – provided there is a will for it. But most people do not want the conflicts to be solved, as their history, purpose and identity are tied up with a certain conflict. How would they re-evaluate their history? What would be the purpose of their life if the conflict was removed? What would be their identity if they realized that the enemy is, in fact, their friend and neighbour?

We can summarize what we have said so far under a provisional conclusive point. We have argued that the way we understand the world and our role in it is decisive for any kind of knowledge we extract from the outer reality. By hypothesizing that the outside reality (e.g. the financial crisis) reflects the underlying worldview of the actors, we point to one of the most critical relationships that is often overlooked – the relation between inner and outer phenomena. The main flaw of neoclassical economics does not lay in logic, but in the underlying assumptions and worldview that influence all steps of knowledge creation – the definition of concepts, the formulation of research questions, the development of hypotheses, the choice of methodologies, the interpretation of data and the process of drawing conclusions. If the fundamental building blocks (assumptions) are one-sided

or otherwise limited, these flaws inevitably affect the analysis as well as the conclusions.

One of the main findings of the research that led, among other outcomes, to the elaboration on this paper, is that not enough scientific attention is paid to cultural connotations and consequences of certain paradigms. These paradigms claim to be explanatory models for one sphere of human enterprise, but at the end of the day they deform the whole worldview, twisting the outer reality into a simplistic and reductionist pattern which is not based on empirical evidence, but rather on a fundamental assumption. Standing at the edge of a peak crisis, we argue that it is necessary to re-think the basic roots of these paradigms, unless we are willing to cede our sovereignty as human beings.

Let us now move on to the question of what role the current economic crisis, contesting the neoclassical economic paradigm, can play in the future development of the Western worldview – its original source.

An Opportunity to (Re)Think: Critical juncture and possible ways out

The theory of paradigm shift, introduced by Thomas Kuhn in his influential essay *The Structure of Scientific Revolutions* in the early 1960s, was originally constructed as an explanatory model for revolutionary waves in natural sciences. Since then, it has become an acknowledged concept which can be applied to other contexts, even outside the realm of science. We will combine Kuhn's thesis with the already mentioned approach promoted by Marcussen, in order to see whether there is any reason to believe that the current economic crisis can bring an opportunity to revise the Western paradigm.

Kuhn defines paradigm as an inflexible ideational box in which we try to squeeze the outer world.³ Any anomaly, thus any element that does not fit

3 It could be argued that there is a conceptual difference between the terms worldview and paradigm, especially because the latter has always been closely linked to the philosophy of science. Within this paper, we use both terms as synonymous.

into this imaginary box, is ignored and even denied. As far as the paradigm is not overruled by too evident and too urgent anomalies, it remains accepted by the community (group of scientists, team of economists, members of a social unit, etc.). Once the anomalies reach their peak and ignoring them would mean inability to exist in coherence with the outer reality, the paradigm shifts.

Marcussen offers a slightly different model. He works with the expression *critical juncture*, stating that ‘critical junctures [are] *perceived* crisis situations occurring from complete policy failures, but also triggered by external events.’ (Marcussen et al. 2001, 103) Now it is important to state two points. Neither Kuhn nor Marcussen view crises as something accidental. A breakthrough takes place as soon as the ‘old’ paradigm stops working *for the actors*. In other words, the minds of the people who were used to live within certain limits of thought are at one point ready to open and perceive the anomalies to which they had been blind. The second crucial idea to be stressed is that none of the authors understands crises as objective and independent from people's perceptions of them. A crisis must be recognized in order to take advantage of it; otherwise it passes by and the system continues to stagnate.

We were discussing the paradigmatic nature of neoclassical economics which derives from the Western worldview, bound to mechanistic and deterministic assumptions. Is the worldview going through a turning point? Is the financial crisis a trace that leads us to such an affirmation? The word ‘crisis’ has been pronounced too many times recently and indeed, it becomes a cliché, an empty label without any true reflection on its actual meaning. The Greek *κρίσις* had connotations such as decision, sentence, clash, final battle, or the last stage of an illness where the body either recovers or resigns. (Liddell and Scott 1968) What would happen if the word crisis were used in this sense instead of a journalistic eye-catcher?

Most probably, the worldview would transform itself. It is impossible to say how exactly, but it is likely that neoclassical economics would be replaced by another explanatory model which would be more suitable to the contemporary state of affairs. The place of the belief that human beings are rational actors who maximize their utility function would be occupied by a more holistic assumption. Such a change matters also for science. When we switch from one set of assumptions to another, a different science, social

science included, emerges. And when a different social science emerges, a different society evolves.

The same argument can be made for economic policy: If economic policy is driven by a view that utility maximization is the only (and even the ideal) operation, then it will allow and encourage the symptoms that have led to the financial crisis. There is a longstanding controversy in economics about the value of utility maximization and its derivatives such as profit-maximization, or the pursuit of self-interest. One group believes that these attributes are critical for creating a good society, because only through self-interest and profit-maximization (or utility maximization more generally) is it possible to have a prosperous economy that allows people to escape poverty. This group believes in the power of the invisible hand that regulates self-interest in a way that achieves the best outcome for society.

Another group disagrees with this position, pointing out that the invisible hand is a purely metaphysical construct and that economic problems such as extreme wealth differentials, ecological problems and the financial crisis show that the invisible hand does not work.

Adoption of such an approach, which would have tremendous consequences for the regulation of our economic system, matches Kuhn's theory of a paradigm shift. A shift, basically a set of qualitative changes, seems to be happening all of a sudden, but it is by no means accidental. The evolutionary process that leads to it is gradual, but the turning point is a particular aperture in time and space.

Can we consider the financial crisis of today a critical juncture, a specific occasion when the worldview can be revised, when old patterns of thought and behavior can be replaced, and when the new order can be institutionalized to guarantee a stable guideline for the future?

Human society has been said to be on the verge of a crisis since its very first stages. One might therefore argue that what we are experiencing now is not an interval in which our understanding of the world will be modified, but only a negative side of a functional concept that is expected to recover. It is difficult to gather evidence to oppose such an opinion, but in the previous chapter, we have cast some light on the methodological gap which must always be remembered when evaluating a worldview from within. To quote James Trefil, 'an elegant (and correct) calculation based on faulty

premises will give just as wrong an answer as a simple mistake in addition.’ Put differently, it is not likely that a vital/critical moment will be recognized by minds that observe the outer reality from the standpoint of the old worldview. If the science of neoclassical economics is built on a one-sided premise such as the assumption that humans can make no other choices than utility maximization, then all conclusions drawn from that premise will be one-sided. On that account, a reassurance from the representatives of the neoclassical school of thought that the financial crisis can only be dealt with through sticking to the original premises cannot be regarded as objective.

Let us postulate a simple hypothesis that an important but one of the largely ignored causes of the ongoing financial crisis is the worldview underlying neoclassical economics. There are theories which argue that crises are not accidental. At the fundamental level, they are always reflections of problems with ideas and attitudes. Thus, if we want to solve a crisis, we must first focus on reviewing the thoughts and emotions that caused the crisis. Now, how does this causal mechanism work?

Thoughts and feelings (the internal reality) manifest themselves in actions. Actions happen when thoughts and feelings are put into practice. Institutional structures are the result of actions. These include laws, regulations, hierarchies, institutional design, institutional culture, incentives, architecture, etc. Actions and institutional structures constitute the external reality. The key is to understand that the external reality is causally connected to the internal reality.

The argument of this paper is not that neoclassical economics is completely wrong and that it is the only cause of the financial crisis, but that there are serious and often disregarded flaws in the foundation that underlies the neoclassical construct. Recognizing this fact is important, because the neoclassical framework has shaped the economic world like no other body of ideas. Getting to the foundation of these ideas is necessary for gaining a deeper perspective on economics, and for innovating economic policy.

Main Findings and Discussion

Before we raise critical points about the argument presented in this paper, we shall briefly summarize its main results.

We departed from the point revealed by cultural anthropologists, who claim that every culture forms a worldview that provides it with an interpretational framework. This framework consists of institutionalized paths that are followed by the members of the concerned culture when addressing the issue of man's role in the world, and the basic rules and laws that set the world in motion. Each member of a culture is exposed to the worldview through numerous institutions (family, education, media, politics, arts, etc.), and thinks and acts according to the dominant patterns.

While the outer world is one, the worldviews deriving from differentiated cultures are many. In other words, at any particular point there exist alternative worldviews which are left out. It is not possible to draw a hierarchical line among the existing worldviews. They all remain legitimate as long as they are able to encapsulate the reality they are supposed to explain in a coherent way. When a worldview ensures order, it works. When chaos starts to reign, the culture is pushed toward a revision of the worldview. An anomaly that distorts the order is a critical point in the development of each worldview, and it cannot be approached from within the old way of thinking. Innovation needs to occur.

Western society relies on a particular type of rationality which resides in an empirical science. Any empirical fact, though, is approached through an interpretation, which must in principle be reductive. The knowledge acquired about the outer world and the human society thanks to the development of the Western worldview is remarkable, but still limited due to the basic assumptions of an ideational or conceptual nature.

Neoclassical economics is an integral part of the Western worldview. The current economic crisis is a huge anomaly which can hardly be incorporated in its explanatory grid. The crisis can therefore create an environment in which a critical juncture can be recognized. In that case, neoclassical economics would be revised and replaced with another one, a more holistic one that would manage to absorb this anomaly and handle it as a normality. The assumptions of neoclassical economics need to be fixed, and the analysis has to be rebuilt from the ground up, if it is to become relevant for solving problems such as the financial crisis.

We have argued that the financial crisis itself has become a factor for rethinking the fundamentals. In addition, we do not consider the term 'financial crisis' as helpful, because it does not focus on the ongoing transformation of our economic system, and the larger implications of this process. Only such a profound transformation might introduce broad-ranging integrative frameworks, which might consequently clarify the role that every human being can potentially play in this process on the individual level.

When Robinson Jeffers says there is always a lion just beyond the firelight, he points out the fact that we can never fully rely on anything that might protect us only up to a certain point, beyond which we need to go with an open mind, an open heart, and an open will, ready to face a challenge.

This paper offers more questions than answers concerning the reflection on the current economic crisis. It is not meant to be an analysis of the situation from within the systems that has produced it, but rather as a critical insight from the bird's perspective, contesting the assumptions of neoclassical economics.

Several issues need to be further discussed. First of all, are there any signs of a paradigm shift taking place? Can we already identify any projects that respond to the critical juncture brought by the economic crisis? If so, what solutions do they offer and how do these differ from the traditional solutions suggested by the old paradigm?

Secondly, what would be the consequences of ignoring the opportunity to re-think our worldview? What are the possible scenarios of the future development in case the culture decides not to acknowledge the crisis as a turning point and opts for muddling through?

And finally, who are the actors that are likely to promote and stabilize the revised worldview? Is this a question concerning (political, intellectual, etc.) elites or are we rather talking about a wide range of actors, including the individuals (micro-), institutions (meso-) and societies (macro-level)?

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