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## From Classical to Global Political Economy

Global Political Economy refers to those approaches to analysing world society which seek to overcome the disciplinary divisions of social science. These divisions originate in the late 19<sup>th</sup>-century separation of classical political economy into an *axiomatic* economics and an *empirical* sociology.

In this chapter, I first discuss how economics emerged as a separate discipline from the study of society. Secondly, we look at how sociology emerged by default to deal with remaining social problems. In section 3, I summarise a few relevant chapters of the history of philosophy in order to distinguish between subjectivist, objectivist, and synthetic theories.

### **1. POLITICAL ECONOMY AND CLASS CONFLICT**

The core axiom of contemporary, 'neoclassical' economics is that all humans are by nature self-interested, utility-maximising subjects. The empiricism of sociology on the other hand implies an investigative (factual/empirical, historical or evolutionary) approach to its object, society. When this divide came about in the late 19<sup>th</sup> century, it was a response to two major changes in the class structure of the advanced capitalist countries: first, the growth of a workers' movement, and second, the differentiation, within the capitalist class, between an inactive stratum

of investors, the *rentiers*, and a managerial *cadre* entrusted with day-to-day operations.

### **From Political Economy to the *Critique* of Political Economy**

The term 'political economy' applies 'economy' ('householding', from the Greek *oikos*, manor or household, and *nomos*, laws/rules) to the 'polity', the state (see Chattopadhyay, 1974). This was originally conceived very broadly, both in practice and in theory. 'Early students of political economy were polymaths who wrote on economics, politics, civil society, language, morals and philosophy,' write Jessop and Sum (2001: 90). Hence, 'the origins of classical political economy were *pre-disciplinary*' (Jessop and Sum, 2001).

Classical political economy emerged in the context of the dissolution of feudalism and the rise of commerce in Northwest Europe. The urban merchant class, or *bourgeoisie*, associated with this transformation (notably on the British Isles) wanted to emphasise that unlike the feudal nobility, its wealth derived from work, *labour*, not inherited property rights; just as it sought to distinguish itself from e.g., the Spanish conquerors of South America, by claiming that its business was *trade*, not violent appropriation (Stapelfeldt, 2001: 413). Thus emerged, respectively, *the labour theory of value*, and the notion of trade as *equal exchange* of items measured by labour time. Both were seen as *emanating from nature*.

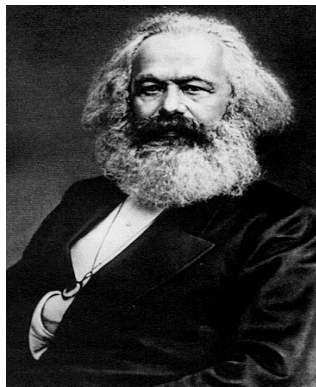
[Adam SMITH](#) (1723-'90), the chief figure in the Scottish Enlightenment, defined the economy as the field in which rationally self-interested individuals (a 'natural' given) entered into 'barter, truck and exchange' with each other (another natural trait); after which the 'invisible hand' of the market reconciled their individual pursuits into a system of common well-being. The baker bakes bread, Smith claims in [The Wealth of Nations](#) (1776), not because he is concerned that others may not have anything to eat, but because he will gain from it. However, the equilibrating effects of the market (given equal



exchange of values) turn his individual pursuit into a contribution to the general wealth.

Smith wrote in the era of the rise of the capitalist mode of production. Capital (the social force that drives forward the competitive exploitation of labour in production, and at some point becomes a manifest agency), had not yet become sufficiently evident; the market, 'circulation' (of goods, money, and people), was still the pivot of economic activity, and small-scale commodity production is Smith's horizon. The *division* of labour between small workshops is what concerns him.

[David Ricardo](#) (1772-1823), a banker himself, had the advantage of witnessing the further development of capitalism as machine production, credit, and so on. In his [Principles of Political Economy and Taxation](#) (1817) he analysed the process in terms of a class conflict between landowners, capitalists and labour over the distribution of the wealth thus generated. All this also arose from 'nature'; hence capitalism was here to stay, a permanent feature of modern society.

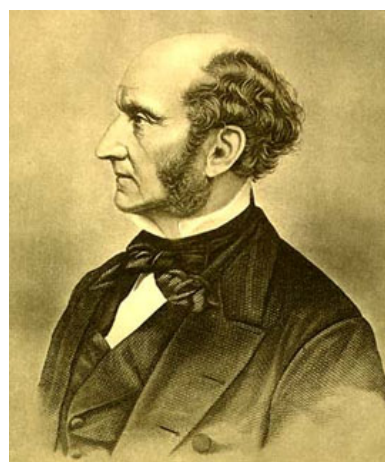


[Karl MARX](#) (1818-'83) challenged Smith's assumption of a fixed human nature striving for gain, and Ricardo's interpretation of capitalism as a natural, final order of things (cf. his polemic against the French anarchist, P.-J. [Proudhon](#); [Marx, 1847](#) in the [Marx-Engels Archive](#)). Marx's 'Critique of Political Economy' (the title of several works and notebooks, and the subtitle of [Capital](#)) aimed to demonstrate that the capitalist economy was not an eternal, self-equilibrating system. Marx brought with him the legacy of German idealist philosophy as well as the experience of class struggles in France. In exile in London, he highlighted a core contradiction in Smith's thinking—How, if all goods and services are exchanged at equilibrium prices, can there be a profit? Of course, temporary shortages and market swings may bring windfall profits, but an enduring rate of profit on capital would contradict the *law of value*, which holds that all items are exchanged at their value (a common measure of labour time to [re-] produce them).

Equipped with the Hegelian insight that contradiction is not a meaningless antinomy (which formal logic dismisses as impossible), but refers to a *dynamic*, a principle of movement, Marx argued that the exchange of labour power involves such a contradiction. It is exchanged at its value *and not* at its value. This is so because labour power has a *use value* that allows it to produce more (exchange) value than it receives itself. The wage is an equilibrium price if measured against what it needs to keep the worker alive, but the product of labour is usually more than that. Thus arises unpaid *surplus value*, which (after deduction of wages and other costs) appears as profit. Under the compulsion of competition this profit then is turned into investment funds again, and thus *capital* is reproduced as a self-sustaining social force, expanding through accumulation.

The capitalist mode of production in Marx's analysis produces wealth at one pole and poverty at the other. Yet at the same time, it weaves together all productive activity in the world into a single grid (what we now call globalisation), whilst profit-making degenerates into financial swindle (*MEW*, 25: 456-8; cf. [chapter in M-E Archive](#)). These arguments were absorbed by the emerging workers' movement in various parts of the world (here Marx's friend and alter ego, Friedrich [Engels](#), 1820-'95, played the key role). This was especially the case in late-industrialising countries like Germany, Austria-Hungary, and Russia. In France and England, Marxism was less important, but here too, social critics inspired the workers in their resistance to exploitation and achieve a socialist society.

Obviously, the spread of radical doctrines among the working population was a cause of growing concern for the propertied classes. The liberal thinker, [John Stuart MILL](#) (1806-'73), took this up in his tract, *On Liberty*, of 1859. In this work he appealed to the coercive powers of the state to ensure that such reservations would not lead to workers' agitation.



An opinion that corn-dealers are starvers of the poor, or that private property is robbery, ought to be unmolested when simply circulated through the press, but may justly incur punishment when delivered orally to an excited mob assembled before the house of a corn-dealer, or when handed about among the same mob in the form of a placard (Mill, 1929: 67).

However, meeting the working class challenge was not just a matter of penal law and the police. There also emerged an approach to political economy that was apologetic, justifying capitalism and private property against these critiques. Mill himself was an important figure in this movement. Marx called this strand of thought ‘vulgar economy, which deals with appearances only’ (quoted in Dobb, 1972b: 44n).

By then, even the classical political economy of Smith and Ricardo had become suspect. It had after all been their quest to discover the inner workings of the economy that allowed Marx to develop his critique of capitalism. In the 1870s, a new generation, the *marginalists* (named after their theory of value, cf. below and Chapter 2), therefore proposed a radically new interpretation of the economic process. [W. Stanley Jevons](#) (1835-‘82), one of the proponents of marginalism, warned earlier that ‘erroneous and practically mischievous’ ideas about political economy were circulating and ‘becoming popular among the lower orders’. Jevons therefore recommended that *the term ‘political economy’ be replaced by ‘economics’* (quoted in Meek, 1972: 88n, 90n). Thus its objective-scientific character would be emphasised and any association with politics removed.

Redefining *value* was key in the transition. As Eugen [Böhm-Bawerk](#) wrote, Smith still had treated his subject in a spirit of neutrality, but his followers had failed to insulate themselves from class conflict (quoted in Dobb, 1972b: 44n). Classical value theory, claimed the American economist, Frank Fetter, had come ‘under pressure of radical propaganda’ (quoted in Ross, 1991: 177).

### **The Rentier Perspective and the Value Controversy**

The second reason why political economy turned from an analysis of the

inner workings of the economy to an altogether new approach, resides in *changes in the organisation of capital itself*. In the capitalist economy analysed by Smith, Ricardo, and Marx, owners still managed their businesses themselves. In the course of the 19<sup>th</sup> century, however, as capital outlays grew and additional money capital was mobilised through stock exchanges, 'ownership became dispersed among myriads of passive shareholders' (Conard, 1988: 122). These *rentiers*, whose stock entitled them to a share in future profits (dividends), delegated the actual running of the business to a managerial *cadre*. They 'retained the legal authority to choose managers but neglected to exercise it because of the effort and expense that would be required to inform themselves and to mobilise their fellows' (ibid.).

It does not take much fantasy to understand that these rentiers would at some point become concerned that the economy was routinely understood in terms of the *labour* theory of value. The idea that wealth is the result of work and not birth, had been the common theme in all modern thinkers critical of the feudal order, from Hugo Grotius (1583-1645) and John Locke (1632-1704) to Ricardo. The labour theory of value assumes the existence of an *objective* measure of what is exchanged in the market. How else can we claim that market transactions are about the exchange of equivalents? Even Keynes, who in all other respects belongs to the later generation of economists, goes so far as 'sympathising' with the labour theory of value, the idea 'that everything is produced by labour' (he calls it a 'pre-classical doctrine'). Labour in fact should be regarded 'as the sole factor of production' (Keynes, 1970: 213-4). A contemporary economics textbook makes the same point by defining capital as 'a man-made factor of production' – which leaves only undeveloped land as the third (Lipsey, 1982: 356). Marx, however, by exposing the exploitation hidden behind the apparent exchange of equivalents, turned the labour theory of value against the class whose spokesmen had developed it first.

Not only did Marx use the labour theory of value to arrive at his concept of surplus value; the very idea that all the wealth we see around us, is the result of labour, became a source of annoyance to a growing class of idle capitalists. An owner-manager and, in the new context, a hired manager, could still be indifferent about this; they too worked. To the rentiers,

however, who are by definition *inactive* owners of capital, the labour theory of value was a positively unwelcome perspective.

John Stuart Mill already in the 1840s formulated a view which *turns away from seeing the economy as an objective process*. Mill analyses the remuneration of the capitalist in terms of *abstinence* (cf. his '*Principles*' of 1848). The capitalist *can* pocket the profit he makes if he wants, but no, he *chooses* abstinence, reinvesting his profit into capital and 'allowing it to be consumed by productive labourers for their uses' (quoted in Meek, 1972: 86). Thus the tables are turned. The owner is no longer an exploiter of workers, acting under the compulsion of competition, but a benefactor who 'gives work' (cf. the German term for employer, *Arbeitgeber*) to those who would otherwise be without income. A noble 'choice' for sure.

In the 1860s and 70s, the new iron and steel, railway and shipbuilding industries not only brought together workers by their tens of thousands. They also swelled the ranks of the rentier class which sought returns on its savings through the stock markets in which the banks mobilised part of the growing capital needs. These rentiers thus became part of a field of forces supporting the further development of the ideas pioneered by Mill which cast the owner of capital in a more favourable light.

Here we should remind ourselves that academic debates do not take place in isolation from society. Although there are always aspects that solely concern academics (e.g., concept formation and the internal consistency of theories), the general orientation of scientific work comes about in a social context. The imbrication of university life with society, whether through the social profiles of the management and professors or the student intake, creates a specific receptivity to particular propositions whilst censuring others. The intellectual merits of different theories play only a secondary role in such processes of selection. So when there arose mounting concern among the propertied classes over socialism and Marxism (whose adherents had few, if any, footholds in academia), the 'marginal revolution' could count on a warm welcome. Its celebration as pure science only added to its appeal among academics, who tend to like 'neutrality' (e.g. by abstraction and mathematisation) and do not want to be seen as ideologues.

The core of the new economics was *subjective value theory*. The idea is that at the root of how a capitalist economy operates, are *choices* made by those seeking to valorise their assets – whether labour, land, or money. All are equally valid ‘factors of production’ which seek remuneration through the impersonal mechanism of the market (Hunt and Schwartz, 1972: 16). *Their moral title to income thus becomes identical.*

The marginalists (named after the idea that people make such choices on the basis of whether the last, ‘marginal’ unit of what they want to buy or sell, still will add to satisfaction or income), developed an integral system from which the idea of the economy as an objective process with its own laws of motion and the despised labour theory of value have been removed. Historical change was written out of the script., too. ‘In classical economics, value had been defined by labour, the economy driven by capital accumulation, self-interest transmuted to public good by an “invisible hand”, and distribution governed by class relations,’ writes Ross (1991: 120).

With all these ideas under radical attack and often turned to radical purposes... the marginalist economists found a different way of conceiving the market economy. Basing value in utility, they viewed the market as a mechanism for the satisfaction of human wants and driven by consumer desires.

This became the core of an *axiomatic system* around which a new economics was to be constructed. We have the rational individual, who is *by nature* a self-interested, utility-maximising subject; s/he makes informed (rational) choices; these are validated by the market (or not); and finally (an echo of the law of value of classical political economy later challenged by Keynes) the law of supply and demand produces a general market equilibrium in the longer run (cf. [Michie et al., 2002](#)).

## 2. THE EMERGENCE OF SOCIOLOGY

Now it is one thing to obscure the role of labour from political-economic analysis and rename the field ‘economics’ to sanitize it for academic use. Quite another matter was the really existing, and growing, working class.



Here was a potentially explosive social problem for the existing order that could not just be held in check by axioms and the police. The working class toiled in the mines, shipyards and factories, lived in separate working class neighbourhoods, and developed a culture of its own in terms of family life, relaxation, and so on. Would it accommodate itself to bourgeois society, or revolt and overthrow it? It was to deal with this challenge that sociology emerged.

Sociology should not be seen as a Marxism in disguise, though. It does not see the workers as a historical force striving for a better society, but as a *problem* that should be dealt with in an educative way, flexibly but with the ultimate aim of *integrating* labour into the 'ideological community' of bourgeois society (Therborn, 1976: 224-5). In such an endeavour, one cannot proceed from axiomatic assumptions about a fixed human nature. Sociology instead is characterised by a *flexible, investigative* approach (including a *reformist* attitude, a willingness to adjust current practice to make things work). The theory of knowledge that developed along with it, was therefore not a deductive system built around the axiom of the self-interested rational individual, but as we will see in Chapter 3, the *positivist* philosophy that proceeds through unprejudiced empirical testing of hypotheses about how people *might* behave.

In the same way that axiomatic economics responded to specific needs and concerns of a social field of forces in which private property was the paramount vantage point, positivist sociology developed as a more or less organic theory for the class of managerial cadre. We should not approach this mechanically, as if thought is rigidly determined by social position. But just as axiomatic economics can be understood as an organic form of thought from the point of view of the rentier, and will be encouraged and rewarded by those sharing that viewpoint; so sociology is typically a *managerial* approach. The one is concerned with private property and the entitlements deriving from it, as principles from which no departure can be tolerated; the other faces a living counterpart, the real working population ('class' for sociologists is a matter of classification /stratification). This means it has to be empirical, adaptive, and non-dogmatic.

Just as the new economics beginning with Mill and Jevons, sociology developed from an early founding figure (Auguste Comte, 1789-1857, cf. Chapter 3) into an established discipline in the later 19<sup>th</sup> century. Subjectivist economics emerged in Britain and Austria; sociology in France, soon followed by Germany and the US. The sociologists concerned with social integration and therefore operating as 'organic intellectuals' of the managerial cadre also received the blessing of reformist bourgeois politicians. Woodrow Wilson, the visionary American president who led his country into the First World War under the banner of 'Making the World Safe for Democracy', in 1920 became one of the vice-chairs of the newly-established International Sociology Institute; the president of Czechoslovakia, Thomas Masaryk, was the chair (Therborn, 1976: 142).

### **Social Discipline and the Disciplinary Organisation of Academia**

Sociology was not the only response once economics was lifted out of the social sciences as a separate, axiomatic-deductive doctrine of consumer/investor choice. Other aspects of social life were given their separate disciplines as well. Sociology however holds pride of place because it was accompanied by positivism, thus offering a straight (empirical-investigative) counterpoint to axiomatic economics.

It can only be established in a detailed investigation how the other social science fields developed into disciplines, concerned among other things with establishing the boundaries separating them from each other. Originally these disciplines, once they turned from domains of talented amateurs to defining themselves as sciences, tended to adopt the empirical orientation of sociology. More recently, the Rational Choice perspective of axiomatic micro-economics has begun to penetrate the other social sciences along with the further penetration of capitalist market discipline in society at large. Here I can give only a cursory overview.

Classical political economy as we saw was based on a comprehensive theory of society. Yet even the most axiomatic and dogmatic disciplinary understanding of one aspect of society, in this case economics, will have to adhere to certain assumptions about those aspects of social life not formally accounted for in the discipline. However dedicated an economist

may be, s/he will have to have a potted anthropology, psychology, political science and international relations ready to be able to make a complete argument about the economic process. Economists proceed from an assumed 'economic man' invested with a fixed anthropology—individualist, self-interested, a-moral. A psychology, too, is assumed by economists; Keynes' 'propensities' to save, invest etc., are psychological categories put to work in an analysis of economics. But it is a psychology reduced to a stimulus-response schema constructed on the premises of the anthropology just outlined.

This utilitarian anthropology of economics was transferred to other domains of social science early on. To quote Jevons again, 'The general forms of the laws of economics are the same in the case of individuals and nations' (quoted in Meek, 1972: 90). In other words, the relations among nations (states) have no peculiar characteristics that would suspend the axiom of rational self-interest postulated by marginalist, micro-economic theory.

At the risk of over-simplification, one might say that whilst economics provided the supreme ideological discipline, the newly established, adjacent academic specialisations were typically *concerned with maintaining actual discipline*, on the assumption that society is in fact not, or not yet, in conformity with the assumptions of micro-economics, and therefore must be managed in a flexible fashion.

If I just sum up,

- *Psychology* emerged around the turn of the century as a medical practice dealing with the mental problems generated by an urbanising, industrialising society (and the need to control women and youth as the authority of the father was eroding).
- *Anthropology* grew out of the administrative inquiry into the habits of tribal communities by civil servants working for the British and French colonial authorities in Africa and Asia, for the US Federal authorities on the Frontier, or for tsarist Russia as it expanded along the Inner Asian frontier.
- *Political science* developed from the gentlemanly pursuit of

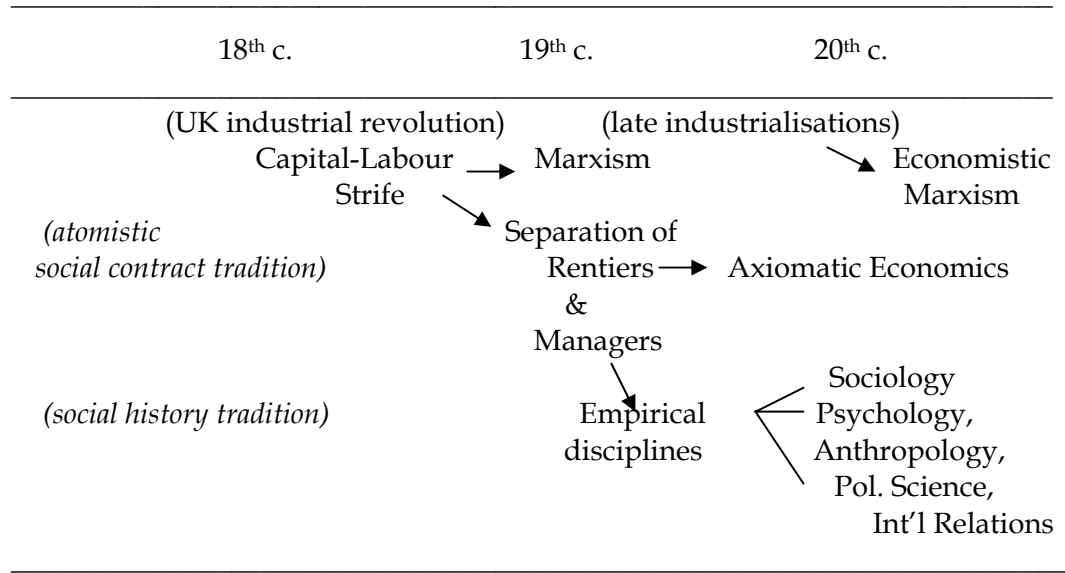
thinking about the ideal society. Once sociological 'discipline' began to be imposed, it evolved into a science basically concerned with electoral systems and outcomes.

- *International relations* (IR) of course requires our particular attention. Originally a doctrine of global governance on the principles of free trade and peace, with strong legal overtones, it relied on political geography and its concern with borders when faced with reordering the map of Europe after World War One. In the 1930s, however, liberal global governance projected by the English-speaking West prove largely illusory. As E.H. Carr (1892-1982, cf. Chapter 4) argued in the 1930s, states like Germany or Japan, which were deprived of colonies and spheres-of-interest, could not possibly abide by the rules laid down by the victors, which ensured them privileged access to the entire globe. IPE emerged in the early 1970s, when the monetary crisis followed by the first oil price hike, and created a global credit economy plunged into the debt crisis after 1979. Uneasily perched in between two possible positions in the disciplinary academic structure (as a sub-field of IR or as a comprehensive, critical alternative)

In Figure 1.1 below, these summary characterisations are presented in a diagram, with all the limitations of a schematic representation. Axiomatic economics developed most propitiously in the Anglophone world; here it drew on an older tradition of atomistic, social contract theory. The other, originally managerial, 'disciplines' built on a European Enlightenment strand that was more respectful of social bonds and history (Seidman, 1983: 6-7).

The key divide is between the Holy Grail of economics, built around an axiomatic doctrine of the self-interested utility-maximising individual; and a series of managerial, empiricist-positivistic 'social sciences' for which sociology provides the master format. As noted, Rational Choice, inspired by micro-economics, has invaded these disciplines along with the deepening marketisation of society at large. 'Economistic' Marxism refers to a Marxism which has relapsed into a theory of economic causation. For an overview, cf. Garnsey, 1981.

**Figure 1.1. Capital/Labour Strife and Rentier/Managerial Differentiation at the Origin of Contemporary Social Science Disciplines**



The GPE approaches discussed in the present text, apart from the classical divide between axiomatic economics (Chapter 2) and Marxism (Chapter 8), all are attempts to reconnect some of the separate disciplines to the analysis of society (e.g., Weber seeks to recombine sociology and economics, institutionalism seeks to bring back anthropology into economic analysis, and so on) *All* theories discussed here are ‘neo-’ versions literate about some of their own limitations and the existence of alternatives. Even if they will cover their obvious weak sides by taking in aspects of other approaches, it still helps, however, to see them in light of their philosophical antecedents.

Let me conclude by giving a summary overview of these antecedents in order to develop a division into three approaches—subjectivist, actor-oriented theory; objectivist, structuralist theory; and synthetic, historicist theory.

### 3. PHILOSOPHICAL ANTECEDENTS

The subjective turn in economics at the end of the 19<sup>th</sup> century coincided with a broader movement in academia away from the ambition to completely understand the world as an objective reality, existing independent of human preferences. In psychology, but also in natural science, the idea that reality is elusive, impenetrable, and even *ultimately unknowable*, gained ground. Often this was concluded on account of inherent limits to observation and measurement. This is also a reminder that we should never *reduce* the marginalist turn in economics to the rise of a rentier class in the face of the working class movement.

Both the ‘subjective turn’ at the end of the 19<sup>th</sup> century, and the tentative reverse movement that manifested itself in the radical student movement of the 1960s and 70s that recouped some terrain for historical materialism, relied on trends in the history of thought that go back to the beginnings of Western philosophy, notably the Greeks. This leads us to the *meta*-theoretical considerations (‘meta’ from the Greek for ‘beyond’, or ‘above’) that have evolved along with the growth of social theory. They contain the assumptions on which theories are dependent, and ‘decide’ key aspects of what a theory takes into account, and what it does not.

#### **Ontology: Materialism and Idealism**

Meta-theoretical insights are the field of philosophy. Philosophy denotes the knowledge about the foundations of existence and about our capacity to think about them and produce knowledge. For our purposes, two sub-fields of philosophy stand out as particularly relevant, *ontology* and *epistemology* (others are ethics, aesthetics, and the philosophy of history, which we will occasionally touch upon).

There is a third angle besides ontology and epistemology from which one may interpret theories and place them in context—the *sociology of knowledge*. This is not a chapter of philosophy but of social science itself. It deals with the question, Which were the personal and/or historical circumstances and peculiarities which may explain why a particular theory emerged at the time it did? I will occasionally refer to the aspect of

the sociology of a particular theory because it often helps to understand its concerns, potential and limitations.

*Ontology*, then, is concerned with the nature of being. Of what do we think the world is ultimately made up – of atoms, or of a spiritual essence? Answers to this question lead to conclusions about the nature of human agency ('will', 'passion', 'action', etc.) and its relation to the world as it is (History with a capital 'H', 'structure', 'system', and so on), and about that relation per se ('unifying reason', 'laws'). Is there room for a notion of the *objective*, which exists irrespective of the intentionality and mentality of historical humanity (which implies that we adopt an ontology of *realism*)? Or is everything that we as humans experience or know, mediated by our knowledge to the point where questions about the existence of things *not* mediated by human knowledge, become irrelevant?

The Greeks of antiquity were the first to explore, in ways unparalleled by other civilisations, the nature of a 'reality' *distinct from the spiritual universe* (the world as ruled by ancestral spirits, demons, and gods). This was made possible by a unique combination of closeness to nature, the absence of a tightly organised religion including a priestly class guarding orthodoxy, and their position in the flow geography of civilising influences. Although there were certainly instances in which philosophers were punished for sacrilege (Socrates was condemned to taking poison), there was sufficient freedom to explore the world as such and keep a plurality of schools of thought alive. The Greeks were the first to develop philosophical discussion as a pastime (menial tasks were performed by slaves).

The Greek contribution must be seen as the result of the intensive interaction between different centres of civilisation, not as something arising from an autonomous genius. There were profound influences from Egypt and (via Asia Minor) from Mesopotamia, just as Mesopotamia itself absorbed influences from India. Indeed the circumstance that the Greeks borrowed the names of their gods from other civilisations, and that these did not mean anything in Greek, suspended the original identity between, say, a force of nature or an element (sky, earth, wind, sea, etc.) and the particular spirit supposedly animating it. Zeus, the chief Greek god

(Jupiter of the Romans), comes from Indo-European ('Aryan') *Dyaus-Pitar*, which means (and *is*) the sky, but 'Zeus' or 'Jupiter' are proper names, nothing else. So they *represent*, as a symbol, a sign, an element (the sky in this case). 'The Olympic deities are no longer directly identical with elements, but signify them', write Horkheimer and Adorno (1990: 8). 'The gods are distinguished from material elements as their essential concepts. From now on, being divides into the *logos*... and into the mass of things and creatures without.'

The separation between natural substance and its signifying, conceptual representation, allowed the Greeks to begin distinguishing between the primordial existence of nature, and the world of spiritual forces hovering above it. This produced the two classical positions of ontology (theory of being) – materialism and idealism.

*Materialism* holds that the world is an emanation of 'matter', nature. This position was originally represented by Democritus (b. ±465 BC). In Russell's rendition (1961: 89), Democritus held that 'the soul is composed of atoms, and thought is a physical process. There is no purpose in the universe; there are only atoms governed by mechanical laws'. This is one way of expressing the idea that our existence is entirely natural, like the natural world around us. In the Greek lineage, the most famous materialist was Aristotle (384-322 BC), the teacher of Alexander 'the Great' of Macedonia; his legacy was revived in the Middle Ages, first by Arab scholars (cf. below). This reception left a materialist imprint on all modern (social) science in that 'the models of the social world... invite us to look through history to a presumably natural process beneath,' Ross notes (1991: xiii).

*Idealism* holds that the world is ultimately a spiritual process (irrespective of whether this spirit is divine or human). It is also 'nature', but nature would not have any direction or meaning if not seen through a spiritual prism. Idealism has another Greek philosopher, Anaxagoras (500-428 BC), as its earliest representative. Anaxagoras maintained that mind, spirit, is the source of all motion. It governs all forms of life, being 'infinite and self-ruled, and [it] is mixed with nothing.' All other substances, however, are composites of opposites (hot/cold, white/black



etc. – Russell, 1961: 80). The greatest of the Greek idealists was Plato (427-347 BC), who among other writings, recorded the dialogues of his teacher, Socrates.

Out of a debate among the Greeks on how the mind postulated by idealism actually moved, and how it relates to the world of opposites, emerged the notion of *dialectics*. Ascribed to Socrates, dialectics holds that ideas advance through question and answer, dialogue. Confucian Chinese philosophy (which dates of roughly the same period as Socrates) is also idealistic and dialectical—the higher spiritual principle there is called *li*, and it governs the mutually penetrating opposites in elementary matter, *qi*.

### **The Subject, Rationality, and Epistemology**

The question of what the world is made up of, and whether it is an integral natural process (materialism), or the work of a spirit animating and governing it all (idealism), always implied the question of how human knowledge is able to make this distinction to begin with—is what we know determined by natural processes, or also animated by a spirit? Here we are dealing with issues of *epistemology*, the branch of philosophy concerned with knowledge. Clearly, ontology is a limiting condition of epistemology. In a materialist perspective, what humans do or think is just one of the processes of nature; idealism on the other hand places the spirit on a separate plane altogether, as divine or otherwise metaphysical (in that sense extent materialism and idealism also *are* epistemologies, too, even if they are primarily terms referring to ontology).

As with the advances in thinking about ontology, crystallising in ancient Greece, it was the *encounter* between different civilisations, rather than one on its own, which in the later Middle Ages brought about major breakthroughs in the thinking about how knowledge is achieved. The interactions between the Islamic world, Christianity, and Judaism proved especially fruitful in this respect; the Iberian peninsula (Muslim *el-Andalus*, reclaimed by Christianity between the 11<sup>th</sup> and 15<sup>th</sup> centuries) was the key frontier zone. *Monotheism* played a crucial role in this encounter.

Monotheism raises the question, If the one God is really all-powerful, towering high above nature, but salvation is achieved by conscious belief, doesn't that imply that humans are able to make certain choices autonomously; don't they possess a measure of free will? In the 'clash' of monotheisms, this uniquely triggered the debates from which emerged modern epistemology. As Collins writes (1998: 391), 'the issue of free will arose distinctively in the West, not in India or China, and with it the nature of causality and determinism'. All monotheism necessarily proceeds from an idealist ontology, but Arab court philosophers in the late Middle Ages revived the materialism of Aristotle. Aristotle had argued (against the idealism of Plato) that ideas cannot exist separately from matter. In the 'Porphyrian Tree', Aristotle presents an ontological schema in which what we now call 'rationality' (from the Latin *ratio*, 'measure'), is placed in a hierarchy of being as an aspect of sensate life (*Fischer Lex. Phil.*, 1967: 215).

Rationality denotes ordered existence, a law-like logic (e.g., cause and consequence). This rationality can extend to every aspect of being (say, gravity), although it can only *manifest* itself as human thought. The question is then whether it is also subject to human will—interpretation, preference, choice—and hence may take a *subjective* form that is not (or not entirely) determined by the overarching 'being'. If all that exists ('being') is ordered by God, there is no problem in assessing the role of the human mind in the larger scheme of things. But once we assume that human subjects have a particular contribution to make in this domain (however minimal, or only consisting of making mistakes!), the concept of rationality or Reason and its relation to reality becomes problematic.

Avicenna (bastardised for Ibn Sina, 980-1037), who worked at the court of the Sultan of Bokhara in today's Uzbekistan, was the first to tackle this issue. Avicenna took Aristotle's distinction between *essence* (the inherent quality of things) and *existence* (the form in which they manifest themselves), and added a further distinction, *within* existence, the one between necessary and non-necessary being. So there can be aspects of existence which are not necessary but not impossible either (Collins, 1998:

419). This also suggested a measure of freedom in thinking about the world.



Avicenna's conclusions were rejected by [Averroës](#) (Ibn Rushd, 1126-'98), a native of el-Andalus. Averroës attacked not only Avicenna but also the latter's Islamic critics who stuck to the idea that everything is decided by God (i.e., there can be no free will or free thought departing from God's will). For Averroës, the apparently contingent in thought and existence is not to be explained by the distinction between necessary and non-necessary being as developed by Avicenna. Instead he argues that *all* forms of being emanate from elementary matter, which has no form of its own. Its essence is *potential*, it can acquire any form; but to do so it must become three-dimensional first (this he claimed happens as a result of God's light, which 'actualises matter and takes part in every form it adopts' – Park, 1989: 131).

This principle also applies to the thinking subject. Through perception, the subject can connect ('conjugate') its own bodily-mental materiality with external material reality. 'If a being were free from matter,' Averroës argues in *De Anima*, iii (as in Tornay, 1943: 283), 'its intellect would be identical with the intelligible object altogether', i.e., the possibility of contradiction would be excluded. Thinking thus is made truly subjective, although it rests on the same elementary material basis as the world outside the subject. Averroës' works, translated into Latin some thirty years' after his death, created a shockwave in Christianity. In the Islamic world, however, the ideas of the court philosophers were rejected as blasphemy as the splendour of the Abbasid age (until 1258) waned and a stagnant society resisted speculative thought.

Once the idea of a thinking subject, one that may depart in its thinking from the world that exists outside the mind, had established itself, a major question arose: *Is there a rationality to the world as it is, is it inherently,*

'objectively' rational; or is it the actually thinking part, humanity, that applies its 'subjective' rationality to the world, intellectually and practically? In the course of the 17<sup>th</sup> century, in the aftermath of the wars of religion, four major strands of thought on this issue crystallised in Northwest Europe.

(1) The *materialist* position was associated at this point with Francis Bacon, Lord Chancellor of England before he fell from grace (1561-1626). It was influenced by the new astronomy of Kepler and Galileo; Bacon himself was a gifted scientist too. Bacon concluded that nature as such is rational. Thought, emanating from nature, reflects this rationality, but it is easily distorted by misconceptions (the 'doctrine of the idols').

(2) In the (*rationalist*) *pantheism* of Baruch de Spinoza (1632-'77, a Portuguese Jew who found refuge in the Dutch republic), everything ('*pan*') is pervaded by the spirit of God ('*theos*'), hence rational (cf. theses from *Ethics*, 1675). As to the subject, it is 'free', but only *to the extent it follows the dictates of Reason*, and thus escapes the 'passive emotions' (McCarney, 2000: 68). The emphasis is again on the 'objective' side.

(3) True epistemology makes its appearance with the *rationalism* of the Frenchman, René DESCARTES (Latinised, Cartesius, 1596-1650). Descartes placed the rational human subject to the left of an imaginary line, facing the *objective* world (the body, the world, nature, the cosmos) to the right. The human mind uniquely has the capacity to think, indeed this is what is constitutive of humanity; in Descartes' famous aphorism, *cogito ergo sum*, 'I think, therefore I am'. Endowed with the capacity to think, conceptualise, register facts etc., the rational human subject faces the objective world, in Descartes' terminology, the *res extensa* ('extended things'). That world, beginning with the human body (Descartes claimed that the boundary between subjective rationality and the *res extensa* is the pineal gland in the brain), is characterised by its occupation of space, and it obeys mechanical laws. These can be grasped by the human mind, but it must to that end negotiate the dividing line between the subjective world of mind and the



extended, material world of non-spiritual nature (cf. [Discourse on Method, 1635](#)).

This was a momentous step, in the spirit of the age—the new, bourgeois individualism. However, by positing *the subject/object divide* in this way, Descartes also created a problem that has remained the central axis of debate in philosophy (Bartels, 1991), because if rationality exists on both sides of the divide, what explains the tension between them—mistakes, ignorance, ‘irrationality’?

(4) English *empiricism*, finally, emerged as a result of the conditions under which the Church of England allowed scientific inquiry. Everything may be investigated, as long as God and the soul remain the preserve of the Church. Thus pious scientists like Newton could concentrate on the world of physics without bothering about theological implications. It also gave an *agnostic* (from the Greek for ‘not knowing’) twist to the materialism pioneered by Bacon and his one-time assistant, Thomas Hobbes. With John Locke, the materialist ontology was further dissimulated and replaced by a *naturalisation* of society. The subject, too, was made more ephemeral, ‘thinned’ to a receptacle of sense impressions; in Locke’s words, ‘self is not determined by identity or substance’ (quoted in McCarney, 2000: 68; note the contrast with Descartes!). Both Locke and the Scottish empiricist, [David Hume](#) (1711-’76), avoided claims about rationality (whether inherent in the mind, or inherent in the world and limiting the freedom of the subject). They assumed an equally naturalised, unconstrained subject, open to sense impressions building up into knowledge; or, actively, *free to choose any course of action*. As we will see, this heralds neo-classical economics and the Rational Choice approach discussed in our Chapter 2.

Figure 1.2 depicts the key categories of ontology (the theory of being) and those of epistemology (the theory of knowledge) (cf. *Fischer Lex. Phil.*, 1967: 56). Of the ontological categories, a few examples illustrate what we have to think of here. Note how the original Aristotelian distinction between essence (the deeper, inherent quality of things) and existence (the forms in which they become manifest) can be approached not only from the objective side, but also from the subject’s. The result can be depicted, as

far as ontology goes, as divided in three subfields. In the domain of epistemology, however, Descartes' intervention left a thick vertical line (S/O) between the subject and the object. So in terms of epistemology, we get *four* columns: essence, true knowledge, the inner nature of the mind; perception; phenomena; truth. Gaining knowledge (1) consists of the subject *relating* (2) to the object, *via* the aspect of the objective world that is being perceived, evident—i.e., its external, phenomenal side (3), and reaching (or not) ultimate truth (4, ideally linked back to 1).

**Figure 1.2. Ontology and Epistemology After the Cartesian Break**

Subject			Object								
O	N	T	O	L	O	G	Y				
<i>Essence</i> <b>'Drives'</b> <i>self-interest, sociability,...</i>		<i>Existence</i> <b>Practice</b> <i>competition, cooperation, struggle, ...</i>			<i>Essence</i> <b>Being</b> <i>matter, spirit...</i>						
		(S/O)									
(1) True Knowledge		(2) Sensory Perception	(3) Phenomena			(4) Truth					
E	P	I	S	T	E	M	O	L	O	G	Y

We will use this figure in each chapter to allow comparison of the ontologies and epistemologies of the different theoretical traditions.

The four positions concerning the primary locus of rationality as developed in the 17<sup>th</sup> century, were synthesised and taken further by classical German philosophy at the turn of the 19<sup>th</sup>. Kant and Hegel are the major figures here.

[Immanuel Kant](#) (1724-1804, cf. our Chapter 4), aspired to synthesise Cartesian rationalism and British empiricism. He claimed that the human mind, (1) in Figure 1.2, is endowed with certain inborn 'categories' (time,

space, causality) which allow it to bring order to perceived (2) empirical phenomena (3). However, the essence of being (4), (the *Ding an sich*, the thing in itself), will always remain beyond the human grasp. To answer abstract, fundamental questions of being that involve aspects that cannot be observed empirically, the 'categories' lead to contradiction; they must be answered by morality and religion. Kant is usually classified as a *subjective idealist*.

It is a general characteristic of subjectivist theories that *the world outside the mind is ultimately unknowable; just as in practice, it is subjects (individuals or collectives acting as a unit) which bring order to the world.*

G.W.F. Hegel (1770-1831), on the other hand argued that the world as such is rational, although of course it is the subject(s) through whom that rationality is brought to light and is articulated. This comes close to Spinoza (as Hegel famously put it in his *Philosophy of Right*, 'The Real is the Rational', Hegel, 1972: 11). There is nothing unknowable about the true nature of the world, because that is as much a product of the mind as anything else. Also, the mind is not something in anyone's head either; it is a collective, a 'we' instead of an 'I', because humans realise their humanity only in their interaction with each other. What the empiricists (and Kant too), failed to see was that thinking develops a world of its own, a human civilisation which at some point comprehensively grasps the objective rationality of the world (Hegel, 1923: 87).

As we will see at length in Chapter 8, what was new and revolutionary in Hegel's approach was that he conceived of philosophy as a historical process, a process of *becoming* that paralleled the real course of human history. Hegel is an *objective idealist*, because he sees the source of rationality in the 'World Spirit', a collective mind which through successive civilisations (China, Greece, Rome, and finally, post-Napoleonic Europe), brings about a world in which the inherent rationality of the world has been realised (and laid down as laws of the state). This ushers in a world of rational freedom.

Let me now, by way of conclusion, sum up what has been argued so far and take it to the point where we can situate the theoretical traditions

discussed in this text in the context of the history of thought (as in Figure 1.3 below).

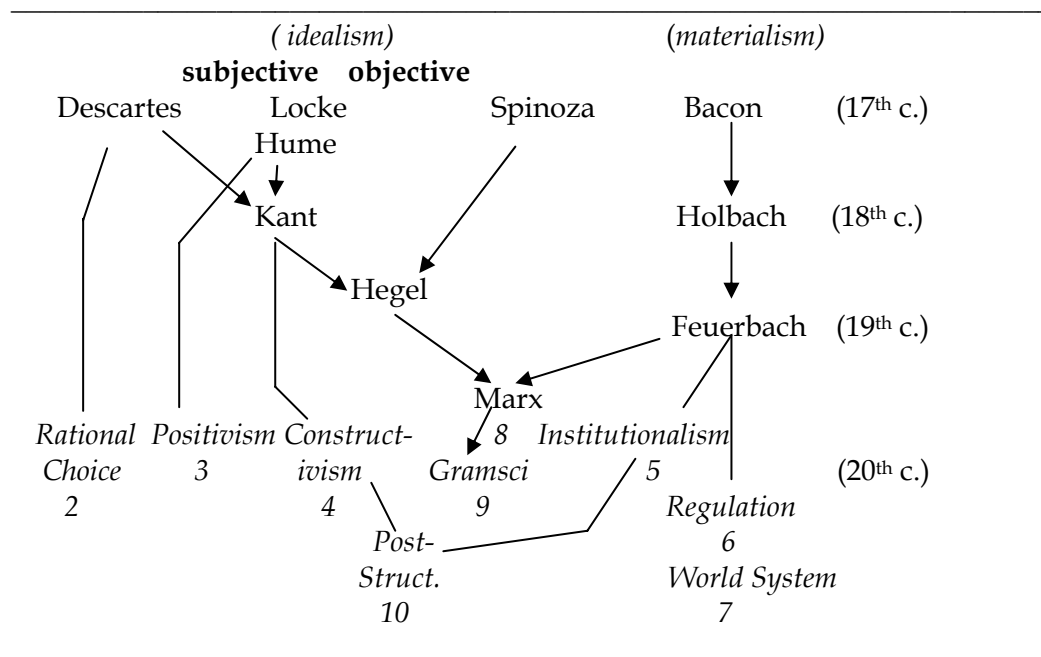
- The Greeks distinguished between materialism and idealism as ontologies. Today we do not use this distinction in this straightforward sense, because 'matter' is no longer considered in physical terms as before. In Marx's *historical materialism*, it is claimed that the distinction has been overcome (on the basis of Hegel's historicism). Marxism holds that human society develops a spiritual world of its own in the process of exploiting material nature in the labour process.
- Epistemology became an explicit subfield of philosophy in 17<sup>th</sup>-century Europe. The distinction, developed from monotheistic assumptions in the Middle Ages, between the human subject and its (measure of) free will (and hence, autonomous cognition), acquired its classical form with Descartes. All philosophical development henceforth was concerned with the problems created by the subject/object divide: rationalism, empiricism, but also dialectics, positivism, and pragmatism.
- From the historical evolution of the materialism/ idealism divide in ontology, and of that between empiricism and rationalism which sometimes coincides with it, sometimes cuts across it, we may distinguish between theories in any given field (here GPE), as *subjectivist*, actor-oriented; *objectivist/structuralist*; or *synthetic-historical*.

This leads to the following figure of the main philosophical lineages (arrows), and the (tentative) lines that can be drawn to the theoretical traditions (numbers refer to the chapters). Of course the connections to the theories require more detailed explanation; there is no *straight* line from Descartes to Rational Choice for instance. Still the axiomatic economics which we will return to in Chapter 2, and which as we saw earlier, was lifted out of classical political economy, is an example of a (subjective) rationalistic approach; its arguments follow a procedure of *deduction*, i.e., from one or more prior axioms, further logical inferences are made (e.g.



using mathematics). The managerial sociology that was left to deal with problems not covered by Rational Choice, and which we will look at in detail in Chapter 3, on the other hand is empiricist. It uses *induction*, i.e., it gathers data for different ‘variables’ which are then correlated, e.g. statistically. Romanticism and theology were crucial mediating factors in the connection between Kant and constructivism (Chapter 4), they use *interpretation*, and so on. Marxism was a crucial breaking point because it forced (mediated by the impact of the socialist workers’ movement) all other positions to rethink their premises.

**Figure 1.3. Genealogy of the Main Theoretical Positions in GPE**



On the basis of the foregoing, then, I distinguish three classes of GPE theories (or for that matter, any other social science field).

**Subjectivist, Objectivist and Synthetic GPE Approaches**

I.

The first category of theories proceeds from an ontology of subjective rationality, that is, in one way or another, they assume that social

development has its origin in, and is continually being reproduced by, subjective human action. Given this ontology, the epistemology underlying these theories is subjective too (this follows from the ontological presumption).

*Rational Choice* theories, derived from axiomatic marginalist economics, are obviously based on an ontology of individual subjective rationality (self-interested maximisation of utility). Their epistemology is entirely deductive, based on arguments derived logically from the core axioms, often in mathematical form. This is a subjectivist theory essentially on account of its ontology.

*Positivist sociology* in this study is also classed under subjective theories, although this can be legitimately contested. Positivism combines a rationalist aspect with empiricism, claiming that empirical science produces a stock of tested knowledge allowing society to order the social and natural world around it. Although it originally implied a materialist ontology, the agnostic perspective on reality developed in the Anglophone world, stricter test criteria, and the narrowing of what constitutes science, over time produced a truly subjectivist approach. *Neo-positivism* as an epistemology is 'methodologically individualist' in this sense.

*Interpretive* theories evolved via (romantic-theological) hermeneutics and the neo-Kantians to [Max Weber](#) (1864-1920), the German sociologist, and contemporary constructivism. Here the objective world is claimed to be unknowable, and rationality is what subjects bring to it, 'reality as a social construction'. In Weber, instrumental, goal-oriented rationality of the Rational Choice type is compounded by *values* (say, the Protestant Ethic, or the greater good of mankind); its epistemology is hermeneutic, based on introspection. Here the epistemology, as in Kant's original understanding, is a limiting condition of the ontology; in some radical versions of constructivism, all 'reality' is imagined.

*Institutionalist* theories are based on an ontology which holds that people act out of habits encrusted into institutions. What people consider rational is a matter of what they are used to seeing as normal. In this, originally

American, tradition, biological concepts of evolutionary adaptation account for the aspect of change; its epistemology is that of a no-nonsense empiricism, sometimes a recognised materialism (which in the USA was stronger than in England, although equally suspect politically). It draws on anthropology and approximates objectivist structuralism in the case of the work of Karl Polanyi (1886-1964). Whether we can still rank this as a subjectivist theory, is open to debate; perhaps this approach comes closest to Descartes' original position of a subjective epistemology coupled to a materialist ontology.

## II.

The second category of theories are those theories which do not proceed from an ontology of rational/value-rational/habitual subjects, but see subjective action as an aspect of the workings of large-scale *structures* or patterns of political-economic relations. 'Rationality', the cause/consequence and other law-like deterministic relations, is here primarily located in the objective sphere, as self-regulating mechanisms or (quasi-biological) organisms. This latter term belongs to the broad class of *systems theories*, which ascribe (if conceived in their ontological aspect) qualities such as growth, adaptation, and self-regulation to social complexes.

*Regulation* and *Regime* theories might also be placed together with institutionalist theories as an intermediate category altogether. Although from very different origins, these theories combine actor-orientation with (objective) systems aspects. Here I will treat regulation and regime theories as examples of 'weak' systems theory, leaving a wide measure of actor autonomy. As with institutionalism, their epistemological claims are modest; since all theories which proceed on the assumption that the global political economy obeys an objective logic that operates as a constraint on agents (individual and collective), their epistemology somehow suggests the need for a *critical* empiricism as a means of interrupting the blind workings of the system. But in regulation theory (which can also be seen as a version of economic Marxism) and regime theory (which has also been developed from a Rational Choice angle), the actors (classes and states, respectively), are seen as retaining a substantial measure of autonomy.

*World System* and *Long Cycle* theories on the other hand are examples of strong systems theories. Here the global political economy is seen as basically forcing the hand of all those acting in its context. A critical epistemology here is conceived as a narrow road out of fatal determinism, if only to avoid the traps of underdevelopment and war, respectively. The materialist-structuralist assumptions of these theories take them close to economistic Marxism (theories of economic causation).

### III.

Finally we look at those theories which aim to transcend the subject/object divide. In that sense they are synthetic, and historical. Indeed to the extent we are seeing an attempt to overcome a contradictory relation between subject (individual, class, state etc) and object (other society, nature), we must assume here that *rationality is historical* (or at least, variable, contingent).

*Historical materialist* theories take Marx's critique of political economy as their starting point. Because of their reliance on this (most developed) legacy, economic causation of the basis/superstructure type often replaces a more comprehensive historical-dialectical approach. Historical dialectics means that subjects (classes, states) 'make their own history but not in circumstances of their own choosing' (because of the 'objective' circumstances they have created before). Dialectics as an epistemology (interpreting historical change in terms of contradictions at successive levels of abstraction) was Marx's inheritance from Hegel. Very often we will see authors claiming to adhere to a historical materialist approach lapse again into a (naturalistic) materialist one, coupled to a critical-empiricist epistemology (as in the strong systems theories under II).

*Transnational class theory* as an approach to GPE seeks to focus on the political aspect. In the footsteps of [Antonio Gramsci](#) (1891-1937), it has certainly developed a historical (historicist) approach, but not always a dialectical one.

*Post-structuralist* theories, finally, are usually based on an agnostic ontology, albeit born not out of respect for religion but derived from an assumption of perennial change that makes any claim to the objective

nature of reality elusive. Their epistemology combines many of the subjectivist strategies like hermeneutics, pragmatic empiricism, as well as new ones like deconstruction.