Language & Ecology submitted May 2005

Ecology and the magic of economics

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James Randi, a famous debunker of all things mystical, defines magic as 'the attempt to control nature by means of spells and incantations', but he is not impressed, because 'You can spell and incant all you want...the lady will still be...imprisoned in the box with the saw blade descending...Spells and incantations don't work' (Randi 1992:22). Perhaps not at the physical level of cutting women in half, but Bourdieu (1991) describes a much more ubiquitous and effective form of magic called *social magic*, which consists of the creation of new social realities through the utterance of particular combinations of words. An example of social magic is the ritual incantation of a minister, whose declarations can alter social reality and create a marriage where none existed previously. And changes to social reality can have consequent effects on physical reality. Take, for example, the 'war on terror', a war which did not exist before the declaration was uttered by the leaders of the USA and echoed throughout the world's media. The war was created in social reality through the 'spells and incantations' of those in authority, and this new social reality led to physical outcomes - fighting and killing in Iraq.

This article describes a less dramatic performance of social magic, one which has been occurring slowly and stealthily over the last 200 years, but one which has devastating physical consequences none-the-less. The magicians in this case are neoclassical economists, who use their words to bring to life a phenomenon within the realm of social reality which they name 'the economy'. It is important to realise that the 'economy' only exists in the reality which lies within human minds, and across human minds in shared ways of talking and writing. If a martian came down to earth, she would see people stuffing notes and round pieces of metal in people's hands, people handing goods to others, and people placing great importance on numbers existing only inside computers. But the martian would not see an 'economy' - this conceptual overlay was created within social reality over time, by the words of a great number of people, with economists having more than their fair share of influence over the concept of the economy because of their academic authority.

However, there is a tendency within traditional economic literature to deny the creative role played by economists and treat economics as a positive science; that is, to treat the abstractions and models invented by economists as merely a representation of an objective reality made through observation. For example, an introductory economics textbook (Else and Curwen 1990:1) claims that economics has 'a positive aspect…[where] the interest is basically in how resources are allocated under various conditions'. This gives economic discourse a degree of authority because it makes it seem that it is just modelling observable facts. However, this authority is misplaced, because despite its claims, traditional economics is not based on a process of objective description of the world. A quote from the same textbook gives this away:

> whilst it is difficult to test empirically whether utility functions do have the general properties suggested above, these do not seem unreasonable if we look at them from the standpoint of our own experiences as consumers (Else and Curwen 1990:18)

This particular quote suggests that the economic models proposed by traditional economists are based on intuitions about the economic behaviour of the economists themselves rather than the population as a whole. Even though economists come from a particular segment of society (mostly well-off males of European origin), the theories of economics are over-generalised to include statements about all people, for example: 'The fact that an agent prefers a particular state…implies that it offers him more of something…more pleasure or satisfaction' (Else and Curwen 1990:3). Daly and Cobb (1994:35) use the term 'misplaced concreteness' for such situations, where 'thinkers forget the degree of abstraction involved in thought and draw unwarranted conclusions about concrete actually.'

Misplaced concreteness would be a matter of trivial concern if economics simply produced theories of how things are and published them for academic interest. But the discipline of economics also has an explicit 'normative aspect', and the information it produces plays a central role in government policy, in the management of corporations, and even on the behaviour of the general public, who are constantly exposed to economic discourse by the media. The economics textbook mentioned above (Else and Curwen 1990:1) describes the normative aspect as being based on, and logically following on from, the supposed positive aspect of economics:

> the normative aspect, stems from the…[positive aspect] since, once an understanding of the factors determining the allocation of resources has been obtained, it is a natural consequence to enquire into the circumstances under which such an allocation might be improved…

The word 'improved' in this quote is used in the sense of everyone getting as many as possible of the market goods they desire, but only as far as their respective incomes will allow. It is unrelated to allocating resources *equitably*, for example, ensuring that hungry people get food before rich people get their third Mercedes. Improvement in this sense clearly benefits well-off males of European origin, because it means they can receive more goods without having to address issues of redistribution of wealth (which economists leave up to politicians, as if there was a dividing line between economics and politics).

It would be a simplification to suggest that over time economists deliberately created models based on their own social class and adjusted them in such a way as to maximise the fulfilment of the desires of their own class. But there is the possibility that, while creating economic models based around self-interest, economists' own self-interest subconsciously influenced the design of the models. In fact, in the way that the discipline of economics constructs the world, it would be *irrational* for economists to construct theories which damaged their self-interest. There can be little doubt that, indeed, the number of goods and services consumed by the segment of population that most economists belong to is, in general, increasing.

The inner workings of the trick start to become clear: economists claim to simply be describing an area of social life. However, because of the role that their 'descriptions' play in deciding policy and influencing the public imagination, there is a dialectic relationship between the description of the reality and the reality itself. In other words, social reality becomes more and more like the models of economists. This can happen at a very direct level: for example, economists 'describe' some forms of company as 'profit-maximising', and policy makers in the government create fiduciary laws which make it illegal for directors to make decisions which do not maximise profits. But it can also happen at a more subtle level, and the role of language is critically important.

The discourse of traditional economics is hegemonic, since it pushes its version of reality as universal and thereby encroaches on ways of representing economic action in different terms. As Chouliaraki and Fairclough (1999:5) point out, it perpetuates a 'misperception of its arbitrariness...so that it comes to be seen as transparently reflecting economic realities rather than constructing them in certain ways'. A measure of the hegemony or universalisation of a particular representation is 'the extent to which it figures…as a background assumption in a wide variety of texts' (Fairclough 2003:46). This is, in other words, a measure of how effective the social magic is.

According to this measure, economic discourse is extremely hegemonic since its assumptions are echoed around the world in texts to such an extent that, for example, 'In many people's minds, the GDP has literally *become* the economy. When newscasters say "The economy is booming" they are talking about growth in GDP' (Folbre 2001).

Attempts at hegemony can be recognised in texts through the writing style: hegemonic texts present their truths as 'solid, unproblematic, and quite separate from the speaker' Potter (1996:112). To give an example of this, consider the following extract from another economics textbook:

> The essential fact about production is so obvious that it hardly needs stating: it involves the use of services of various sorts to generate output. (Estrin and Laidler 1995:129)

This extract passes off a contingent and contentious statement as 'fact', as 'obvious'. The reason why the statement is contentious is because it makes it seem as if output can be produced out of thin air through only the use of 'services', rather than representing production as the irreversible *conversion* of limited natural resources into forms which are temporarily useful to humans.

In investigating the mechanisms by which the discourse of economics creates its own realities, a good place to start is with the creation of the *homo economicus*. As Collard (1978:ix) points out, 'For two hundred years economists, unlike other social scientists, have assumed a self interested economic man.' Indeed, textbooks explicitly contain statements such as 'The key assumption…is that, in making choices, individuals behave *rationally'* (Else and Curwen 1990:2).

However, *rationality* is used in a way which makes it almost synonymous with self-interest: 'rational behaviour can be identified with an attempt by economic agents to maximise their utility' (Else and Curwen 1990:3). The word *utility* makes this statement seem reasonable, but in fact, it is used in a technical sense which goes beyond mere 'usefulness', towards self-interested pursuit of pleasure, satisfaction, or convenience. Else and Curwen (1990:3) characterise the term in this way: 'The fact that an agent prefers a particular state…implies that it offers him more of something…more pleasure or satisfaction. That vague 'something' is what economists refer to as **utility.'**

Interestingly, Else and Curwen (1990:2) justify the assumption of self-interest through the control of nature they associate with human nature:

> looking at the way in which man has applied his mind, over thousands of years, to the analysis of his environment with a view to controlling it and manipulating it to suit his own particular needs and convenience, an assumption that *in general* economic agents behave rationally does not seem an unreasonable one (Else and Curwen 1990:2).

The *homo economicus* described by economists is therefore an extremely unflattering person, someone who manipulates the environment for convenience, acts only to maximise pleasure and satisfaction, and displays no altruism. In addition, the wants and desires of the *homo economicus* are assumed to be insatiable (Daly and Cobb 1994:84).

Due to a complex system of interaction involving the discipline of economics, the government, corporations and the media, the general public start to behave more and more like the *homo economicus*. Daly and Cobb (1994:88) describe how advertisers provide 'a barrage of novelty aimed at promoting dissatisfaction with last year's model. The system attempts to remake people to fit its own presuppositions. If people's wants are not naturally insatiable we must make them so, in order to keep the system going'.

For the *homo economics*, price is the key factor involved in choosing goods because if he/she can find the same good at a cheaper price, then he/she can get more goods and therefore more utility. In some forms of media, particularly tabloid newspapers, the many ads mention price above all else, in huge colourful text, in bold, in all capitals, and with exclamation marks. To take just one example, the first 20 ads in one edition of the Sun newspaper (Dec 1st 2004) contain the following text:

Up to £20 off	PRIVILEGE GUARENTEE TO BEAT YOUR RENEWAL QUOTE
a tiny typical 6.9% APR	DON'T FORGET YOUR CAMERA PHONE £20 OFF
a cheaper mortgage could be yours for the asking. So could a free trip to New York	There's always a great deal going on Buy any 1 get 1 free
Only 4.99 Line Rental. Double minutes and double texts	3 for 2 Choose from up to 50 products
Toy-tastic up to ½ price sale	IT'S YOUR LAST CHANCE FOR AN EXTRA 10%
up to ½ price off personal care	YEAR-END MEGA SALE don't miss these amazing end-of-season offers!
4 for 3 on selected party food	Buy one get one free
plus 25% off with carkits	½ price line rental
hurry, one week only reductions	3 FOR 2 ON OVER 300 CHILDREN'S BESTSELLERS
Fantastic offers this Christmas Buy One Get One FREE £11.99	It's a deal ONLY £1.99 EACH

All of these focus on price, and the most of the ads give very little extra information about the products. Customers have little left to consider when making a purchase, then, except for price. Because of the way that the genre of advertising works, imperative statements such as 'Buy one get one free' presuppose that following the advice leads to something desirable. In this case it presupposes that two of something is more desirable than one, even though the consumer might actually need only one.

Advertisers do, of course, use other kinds of information to sell, both promoting other factors as important when making decisions, and providing customers with enough information to chose based on those factors. Car advertisements, for instance, often emphasise the top speed of cars as a selling point, presenting this as an important criteria for selection, and giving the message that fast is better (even in countries with low speed limits). By controlling the information available to consumers, advertisers can actively select the criteria which are available for customers to base their choices on. And by far the overwhelming majority of choices available for consumers are based on price or short term self-interest. In this way, the consumer is led to become more like the *homo economicus*.

Only recently have advertisers started to give information which encourages consumers to base their decisions on factors which are not directly related to their own self-interest. For example, an advertisement for an investment company contains the text:

> In addition to providing a healthy financial return, an investment in…Environmental Fund provides so much more…More than 700 additional jobs for the local community…The protection of existing forests…(New consumer sep/oct 2004:14)

This example contrasts blatantly with the Sun advertisements described above, because 'more' does not refer to more products for the consumer, but to more welfare for others far away. Again, the conventions of the genre of advertising presuppose that 'protection of existing forests' is desirable for the consumer, spreading this environmental message in the same way as 'more, cheaper is desirable' is spread by traditional advertisements. This form of discourse is not simply reflecting the tastes of the 'new consumer', it is actively taking part in the creation of this new consumer - someone who aims to 'make the neighbours jealous…and change the world in the process' (editorial, New consumer sep/oct 2004:14). In this way, it is opposing the social magic of neoclassical economics with a new form of magic, though one which is still open to criticism in that it seems to encourage conspicuous consumption to 'make the neighbours jealous'.

Space constraints prevent further discussion and examples of the many ways in which the discourse of economics magically constructs social reality in the image of its own theories, but there is space to describe one last trick. In discussing the freedom that managers have to pursue ends other than profit in companies owned by distant shareholders, Else and Curwen (1990:261) write that:

> Since managers derive satisfaction from things like their salaries, the status their jobs confer…we could include all these as possible variables in the utility function. However, since many of these are not easily measurable, it is useful to try and represent them…by more easily observable proxy variables…[Since] all the variables contributing to managerial utility vary with the size of the firm as measured by turnover or sales revenue, managerial utility can be regarded simply as a function of total sales revenue and the objective of the firm taken to be the maximization of sales revenue…

By one stroke of a wand, all the goals of managers beyond profit, including goals such as making the workers happy, contributing to the local community, protecting the environment, and so on, are reduced to one goal only, 'revenue maximization'. And when managers read economics books they will learn how to use the freedom they have to pursue other goals only in terms of 'revenue maximization', with all other goals which could be served left unmentioned. In this way, managers end up actually maximizing revenue and the predictions of the theory come true.

This article has only given the briefest outline how the discipline of economics magically creates the social reality which it pretends only to be describing, in ways which, perhaps unsurprisingly, benefit the segment of population economists belong to. The side effects of the socially constructed insatiable consumer and revenue-maximising manager, of course, are potentially linked to ecological unsustainability.

There is cause for optimism, however, because if the current environmentally destructive system is socially constructed through the magical use of language, it can also be re-constructed along lines which contribute to ecological harmony. The discipline of 'new economics' is, gradually, reconstructing the language of economics. Ekins et al (1992:44), for instance, use the term *wealth* broadly to include 'anything that makes us individually and collectively better off', such as social structures which engender wellbeing, and extend the term 'cost' to include pollution. Hawken et al (2000) describe an economic system which extends the concept of capital to include 'natural capital', thereby encouraging conservation of natural recourses. Daly and Cobb (1994) overcome the narrow concept of self implied in the expression 'self-interest' by describing the 'person-in-community', where community extends ever wider to include the whole biotic community. Daly and Farley (2004) counter growthism by deploying the term 'uneconomic growth', and by using the term 'development' to mean improvement without growth.

The language of new economics is very slowly finding its way into the media. For example, a BBC news report on pig farming in Poland included the following quote from the Animal Welfare Institute:

> Small farmers have the whole cost in the price on the shelf, because they are not polluting, not poisoning anyone, not making anyone unemployed. The food is more expensive, but the hidden costs are less. (BBC 2004)

It is very much a only a start, but New Economics has shown that it is possible to resist the hegemonic discourse of economics, and to use social magic to promote a different agenda, hopefully one which will encourage ecological harmony.

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