

Common Goods: Law, Politics and Economics
Gemeinschaftsgüter: Recht, Politik und Ökonomie

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Is there Value in Inconsistency?

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Nomos

Foreword

Productive provocation, this is the intention behind this book. For many readers, the title alone will be a provocation, the occasion for sigh of exasperation. But if they persevere and read the papers assembled here, we believe that they will at least come to acknowledge the existence of a genuine – and significant – problem. We do not want to proselytize for inconsistency, but we do want to draw attention to its ubiquity and, still more, to the reasons for its ubiquity. The question is less, inconsistency, yea or nay, than what kind of inconsistency, in what context, and to what end?

The papers in this volume collect the proceedings of two conferences held in the summers of 2003 and 2004. The conferences were organized by a historian of science (Daston) and a jurist (Engel) and involved scholars in economics, philosophy, sociology, law, psychology, anthropology, political theory, and biology. Two-thirds of the contributors to this volume participated in both conferences, sustaining the continuity of the discussions.

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The editors

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Comment on Nancy Cartwright: Against 'The System'

By way of introduction I would like to make a remark which might be obvious, but seems nevertheless to be very important for properly understanding Cartwright's philosophy. In her paper "Against 'The System'"³ as well as in her book on "The Dappled World",⁴ from which it has been inspired, Cartwright argues for a pluralistic universe that does not lend itself to description within one consistent scheme. She argues that if we want to rely upon what our best available science provides for us in order to figure out what the world is like, then the evidence shows us that our world is dappled instead of "well ordered through and through" (Dappled World, 17). There is a fundamental inconsistency between the different features of the world around us, and this is what empirical science teaches us. But then Cartwright, in order to come to grips with this fundamental inconsistency prevailing in the dappled world around us, designs a philosophy of science that operates with nomological machines and capacities that are shown to be useful conceptualizations for every phenomenon to be explained in the world. What we have before us, then, is the attempt to construct a consistent philosophy of science for an inconsistent natural and social world. What should one think about this? It seems to me quite clear from reading Cartwright's philosophy of science that she does strive for consistency at the meta-theoretical level. This then means that consistency remains a or the core value in the philosophy of science, though it is explicitly and unreservedly rejected for the construction of the scientific image itself. Why should this be so? Why not, for example, allow for genuine laws in the life sciences, but not for the physical sciences, and reject the notion of nomological machines altogether for the socio-historic world? Why not have three or five or ten methodologies for every different part of the dappled world at hand that are thoroughly inconsistent with each other? Why should we reject "the faith that our world must be rational, well ordered through and through" etc. (ibid.), but retain the faith that our philosophy of science be rational and consistent?

But let me now come to the main theme of my comments, i.e. the role of global theoretical frameworks that seem to be the main concern of Cartwright. More specifically, let me try to shed some light on global theoretical frameworks in economics and the other social sciences. What I do *not* want to address is the question of the logical status of global theoretical frameworks. That is, I do not want to address whether global theoretical frameworks are heuristic devices, needless metaphysical excrescences or theoretical propositions of great generality that can be true or false. Though I tend to favour the third alternative,⁵ I do not want to discuss this issue here. What I do want to address is the question of whether the existence of global theoretical frameworks goes hand in hand with fundamentalism, as Cartwright seems to suggest (Dappled World, 23ff.). My answer to this question will be a negative one, and in arguing this I will proceed in two steps. In the first step I will insist that such global theoretical frameworks do in fact exist in economics and the other social sciences. In the second step I will show that not all

3 Cartwright, Nancy: "Against 'The System'", in this volume, p. 17 ff.

4 Cartwright, Nancy: *The Dappled World*, Cambridge: Cambridge University Press, 1999.

5 See Mantzavinos, C.: *Naturalistic Hermeneutics*, Cambridge: Cambridge University Press, 2005.

of them raise fundamentalist claims, i.e. not all of them claim they are in force everywhere.

As a first step in my argument I would like to state a simple matter of fact and to argue in favour of the following simple proposition: "Global theoretical frameworks exist today in economics and the other social sciences, and they play a fundamental role in *generating* and *testing* models." For the purpose of illustrating my claim I would like to refer to three examples.

The first is the standard neoclassical microeconomic theory, which is based, as well-known, on the theoretical construction of utility maximization. Since the marginalist revolution in the 1870's and the pioneering works of Leon Walras, Carl Menger and William Stanley Jevons, a theory of price has been devised based on marginal utilities. Alfred Marshall's *Principles of Economics* then provided a systematic account of the interplay between demand and supply on product and factor markets. Today neoclassical microeconomic theory provides a standard axiomatization of the behaviour of households and firms in markets. The general theoretical framework that underlies the neoclassical theory of markets is the rationality hypothesis. The hypothesis of utility maximization plays the fundamental role in generating and testing diverse economic models; besides, it claims to cover all those cases where two or more individuals exchange goods under conditions of scarcity. It is, I think, a case of a global theoretical framework par excellence in the social sciences.

The second example I would like to refer to is the New Institutional Economics – more broadly the New Institutionalism in the Social Sciences.⁶ This approach is based on the core theoretical proposition that economic and social phenomena should be analyzed by applying the distinction between the level of rules and the level of action within rules. New Institutionalism employs a choice-within constraint framework for analysis and focuses on the social structural context that channels the interaction between individuals and groups. In the case of economic phenomena, more specifically the general theoretical framework of rules of the game and actions within rules leads to a series of concrete models in the theory of firm, the theory of economic development, etc.

The third example to which I would also like to refer shortly is Evolutionary Economics. Since the pioneering works of Joseph A. Schumpeter and Friedrich A. von Hayek, the evolutionary character of economic phenomena has been explicitly acknowledged, and the market is now largely conceptualized as the arena of activities propelled by innovation and imitation. The underlying framework of this research programme is the variation and selection process, consisting of three essentials: (a) mechanism for introducing variation, (b) consistent selection processes and (c) mechanism for preserving and/or propagating the selected variations. This general theo-

6 See Mantazavinos, C.: *Individuals, Institutions, and Markets*, Cambridge: Cambridge University Press, 2001.

retical framework leads to a series of concrete models in the theory of competition, the theory of technological externalities, etc.

Having presented, very briefly indeed, three examples of global theoretical frameworks in economics and the other social sciences, let me now proceed to the second step of my argument. I would like to show that not all of them raise fundamentalist claims, i.e. not all of them claim that they are in force everywhere. More specifically, I would like to argue that, of these three theoretical frameworks, only neoclassical microeconomic theory can be charged with fundamentalism.

Fundamentalism is, according to Cartwright, thoroughly different from realism. In her words: "To grant that a law is true is far from admitting that it is universal – that it holds everywhere and governs in all domains." (Dappled World, 24). Let me remind you, thus, that the issue at hand is fundamentalism, not realism. I think that Cartwright is right in charging the first global theoretical framework that I have presented, i.e. neoclassical microeconomic theory, with being fundamentalist in nature. There is indeed "a tendency to think that all facts must belong to one grand scheme" (ibid.), and the law of utility maximization is transferred to social domains other than markets, most notably politics. Here we have a clear case of a global theoretical framework going hand in hand with a fundamentalist doctrine that this framework is in force everywhere in the social world.

In the case of the New Institutional Theory, however, this is not the case. As a matter of fact, it is the very defining property of institutions that allows for variability. The core theoretical insight of New Institutional Economics, for example, is that different sets of rules will produce different outcomes. The persistence of a set of rules in a particular social domain defines the very boundaries of a dappled social world. I think that it is clear that what we have is a case of a global theoretical framework that allows for inconsistency among different parts of the social world.

The same is true for the third example that I have mentioned, Evolutionary Economics. The core theoretical insight here refers to the evolutionary process, which is driven by constant variation remaining radically open-ended due to endogenously produced novelty. The environment predetermines the boundaries within which the whole evolutionary process can be unfolded. Different entrepreneurial activities will flourish in the market place depending on the characteristics of the environment. If piracy is allowed in a society, for example, then pirate entrepreneurs will use guns and knives as action parameters in their effort to attain rents, and they will consequently acquire all the skills and knowledge necessary for their activities. In other words, different selection environments will allow for a directed change of the frequency of the traits created in the population of firms. Here again, we have an alternative definition of the boundaries of a dappled economic world according to the prevailing selection environments. In other words, we have here another case of a global theoretical framework that does not go hand in hand with fundamentalism.

The conclusion of my argumentation is that the existence of global theoretical frameworks in the social sciences does not necessarily imply the acceptance of the fundamentalist doctrine. One can put forward a theory that is supposed to cover all relevant cases in the social world, allowing at the same time that the scientific image of the social world is not consistent, but rather dappled. Great bets about great theoretical schemes necessary or not, heuristic or not, metaphysical or not, do not always lead to the construction of a System. It might therefore be needless to argue against the System in the first place.