

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

PROCESS THOUGHT

Edited by

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Silja Graupe

The *Basho* of Economics

An Intercultural Analysis
of the Process of Economics

Translated and Introduced by Roger Gathman



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For Christof

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Foreword

by Roger Gathman

i.

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

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

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

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

³ Rescher, 49.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ii.

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

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

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

count for divergences in economic thought that a more pluralistic approach would notice. Notably, the Keynesian revolution seems to be underplayed, here, perhaps because Keynes rejected Say's law – the axiom of market clearing – and thus allowed for ad hoc conditions to determine market realities.⁷ Keynes move had the effect of shaking mainstream economic assumptions all the way down the line – in effect, the self-organizing market became an intentionally organized one, responding to exogenous shocks that were inherently outside the reach of any fine tuning. Similarly, a tradition in economics that is foreshadowed in Schmoller's historical school and initiated by Veblen, bringing a different heuristic to economic phenomena, is also underplayed in Graue's story.

However, this objection seems to point to the fact that the Schumpeterian paradigm doesn't capture all economic analysis, but not that the paradigm is wrong in claiming that equilibrium centered economics is the defining parameter of economics since the 18th century. Keynesian economists tried to reconnect with the mainstream by developing models that could incorporate mainstream models. The neo-classical 'counter-revolution' in macro-economics, associated with Robert Lucas and Thomas Sargent in the late seventies and early eighties, focused specifically on the failure of Keynesian economics to preserve some form of Say's law – for Lucas, the "condition of intelligibility" of economic analysis. As Alessandro Vercelli puts it:

"By non-intelligible Lucas apparently means 'arbitrary' (ad hoc). He has in mind the adjustment mechanisms that come into play when there is an excess of supply or demand, or those that characterize the hypothesis of adaptive expectations. In such cases the practice of traditional econometrics is based on the use of 'free parameters', to be determined by purely inductive means. The good econometric fit obtained through this methodology is rightly considered by Lucas to be misleading, since the parameters involved are not determined a priori on the basis of theoretical considerations. From this substantially correct observation Lucas derives the principle that such a theoretical foundation can indeed never be possible when the situation under analysis is one of disequilibrium."⁸

The question of the broadness of the historical pattern, then, is ultimately secondary, and has less effect on Graue's history than one might at first

⁷ Galbraith, John Kenneth, *American Capitalism: The Concept of Countervailing Power*, 69.

⁸ Vercelli, A. *Methodological Foundations of Macroeconomics: Keynes and Lucas*, 37.

think. The more interesting philosophical question is my second one: has Graupe given us an account that explains all of the features she picks out?

Here one might be inclined to give her a rougher time, insofar as the unum est necessitatum boils down to a fetishized attachment to a substantivist ontology. It isn't clear that the pattern she is speaking about is so clearly a total extension of that ontology, a sort of projection of metaphysics upon the system of production and consumption. There's a gap here to be filled – a gap that calls for a social epistemology. In fact, Graupe herself provides us with hints as to how to do this in her theme of habits and rituals.

But first, let's get a clearer picture of the problem here.

To do this, put Graupe's conceptual reconstruction in slightly different terms. Using Lakatos' notion of a negative heuristic – those explanatory principles that, according to Lakatos, are common to all sides in the debates between theories within a given normal science – what Graupe shows is how uncommonly successful – weirdly successful – the negative heuristic of economics has been. This is Lakatos's notion of how the negative heuristic works within normal science:

“All scientific research programmes may be characterized by their ‘*hard core*’. The negative heuristic of the programme forbids us to direct the *modus tollens* at this ‘hard core’. Instead, we must use our ingenuity to articulate or even invent ‘auxiliary hypotheses’, which form a protective belt around this core, and we must redirect the *modus tollens* to these. It is this protective belt of auxiliary hypotheses which has to bear the brunt of tests and get adjusted and re-adjusted, or even completely replaced, to defend the thus-hardend core. A research programme is successful if all this leads to a progressive problemshift; unsuccessful if it leads to a degenerating problemshift.”⁹

To make her case, Graupe has to make us see that there is a problem here that should haunt the philosophy of economics: why has economics, unlike the natural sciences, never suffered the kind of ruptures, the kind of interfield asymmetries,¹⁰ that have brought about standard reduction problems in the other sciences? While controversy reducing the objects and concepts of classical genetics to molecular biology, or the objects and concepts of mechanics to quantum mechanics, have determined research projects in the

⁹ Lakatos, I. *Philosophical Papers*, 48.

¹⁰ See Lindley Darden and Nancy Maull (1977), “Interfield Theories,” *Philosophy of Science*, 44.

philosophy of biology and the philosophy of physics, no parallel exists in the philosophy of economics. The closest economics comes to such structural ruptures is in the question of value – with the marginalist rejection of the labor theory of value paving the way for marginal utility theory. But there is no real functional conflict here: the equilibrium theory of classical economics, formulated by Say, and the model of the self-organizing market, transfer without difficulty into the marginal utility vocabulary. For Graue, this problematic lack of a problem has an ontological solution.

Yet readers may be uncomfortable with using ontology as the universal driver, here, especially as Graue leaves a motivating gap in her explanation of the adoption, by economists, of the models of 19th century physics – which, following Mirowski, she shows to be a deeply flawed program. It is at this point that one wants a more concrete sense of the autonomy of epistemology.

Dugald Stewart coined the term conjectural history in his influential introduction to Adam Smith's collected works in 1799. Using it as the key to the methodological commonalities in Smith's essays on astronomy, the origin of language, and economics, Stewart writes:

"I shall only observe farther on this head, that when different theoretical histories are proposed by different writers, of the progress of the human mind in any one line of exertion, these theories are not always to be understood as standing in opposition to each other. If the progress delineated in all of them be plausible, it is possible at least that they may all have been realized, for human affairs never exhibit, in any two instances, a perfect uniformity. But whether they have been realized or not, is often a question of little consequence. In most cases, it is of more importance to ascertain the progress that is most simple, than the progress that is most agreeable to fact; for, paradoxical as the proposition may appear, it is certainly true, that the real progress is not always the most natural. It may have been determined by particular accidents, which are not likely again to occur, and which cannot be considered as forming any part of that general provision which nature has made for the improvement of the race."¹¹

This is the kind of two step process – from grasping the essence of a state of human affairs to abstracting a certain model of 'progress' – which, of course, has a rich career in economics. It foregrounds the ill wrought translation of the models of the natural sciences into economics that are examined by Graue in the light of Mirowski's work. The evidence for the

¹¹ Stewart, D. *The Collected Works of Dugald Stewart*, 37.

weirdness of economics has even been quantified, in a way. Leontief did a survey of the *American Economic Review* between 1972 and 1981 which showed that 50 percent of the articles were mathematical models without any data; Morgan updated the analysis in 1988, using the *American Economic Review* and the *Economic Journal* from 1982 to 1986, and found a similar percentage of purely theoretical articles, and compared them to articles in political science, sociology, chemistry and physics, finding the comparable amounts were 18, 1, 0 and 12 percent.¹² However, all of those sciences developed in the same community of ontological biases. The substantivist skew is not unique to economics alone. We need some bridging story to get us from Graupe's conceptual reconstruction to the peculiarity of economics as a science. That story, I imagine, would come out of looking at the economics itself as a community that developed rituals of intelligibility – rituals that gave or retracted status to economists and to scientific practices. A social epistemology that took the notion of ritual seriously and applied it to economics as it evolved over time would go a ways towards clearing up the mystery of why economics systematically undervalued Baconian science. Acculturated to a discipline that valued innovative model-building over testing, economics has too often valued the elegance of *a priori* parameters over the messiness of *ceteris paribus* conditions, has too often posited agents whose actions are determined by the exigencies of the models in which they are slotted rather than by observation of real human behavior, has too often used simplifying heuristic shortcuts – such as the unmediated notion of 'choice' – rather than going out and looking for the heuristics that are really used in groups and communities. Understanding model-building as a ritual practice helps us to understand how the under-conceptualization of the empirical side of economics occurred.

iii.

I hope I have suggested, here, both the richness and suggestiveness of Graupe's work for the philosophy and historiography of economics. I have neglected the intercultural dimension, which a glance at the title tells us is of equal importance. Just as Francois Jullien, by comparing strategic thinking in China and Europe, showed how this could reveal unexpected ideological structures in both domains, Graupe's use of Japanese thinkers to analyze mainstream economics reveals some unexpected structures of

¹² For a summary, see Clive Beed & Owen Kane, "What is the critique of the mathematization of economics?," *Kyklos* 44 (4), 1991.

Western thinking. For centuries, the direction of comparison has gone mostly one way, with the attempt to overlay European patterns of thought on non-European conceptual systems. But the notion that orientalism or the colonialist mindset is a timeless template of Western thinking is misleading – rather, it emerged in specific circumstances in the early 19th century, and formed itself partly by being critical of an earlier, and more tolerant, era. When James Mill, John Stuart Mills father, wrote about the earlier Orientalists in his *History of India*, he was scathing about their ecumenical stance – for James Mill, Indian civilization was a barbarism that needed to be destroyed, and rebuilt on the Western model. This was typical of a whole turn in thinking about non-European societies, a devaluation that we mistakenly project back to the beginning of the modern era. We seem, finally, to be returning to that period in early modernity where the direction of comparison went both ways – when Leibniz could be inspired by the I Ching, and Xu Guangqi could translate Euclid with the help of Matteo Ricci.¹³ Intercultural thought is not only about finding similarities between cultures, but de-familiarizing cultural patterns – making us see again realities that have become so habitual to us that they have faded into the material of our everyday lives. Graupe, by using Japanese thinking as a tool to unlock one of the truly central Western patterns of thought since the beginning of modernity, opens us not only to the surprising reality of the Other, but to the process by which we have become who we are.

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¹³ For a comprehensive account of Leibniz's interest in China, see Frank Perkins *Leibniz and China: A Commerce of Light*; for I Ching, 125. For Matteo Ricci's collaboration with Xu Guangqi, see Peter Mark Engelfriet, *Euclid in China: The Genesis of the First Chinese Translation of Euclid's Elements, Books I-V*.

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1 Introduction

In today's globalized world, there is a growing consciousness of the cultural multiplicity of cognitive and behavioral styles. In this book I will attempt a theoretical initiative that exploits the critical potential of this multiplicity in order to meditate fruitfully upon economic processes, and thereby create a ludic space for economic thought. Borrowing a phrase from Francois Jullien, we may designate the opening up of such a ludic space as a kind of cognitive detour, a journey of thought.¹ This journey will travel through Japanese thought in order to interrogate economic thinking anew, from a wholly other standpoint. This standpoint, not sharing the basic assumptions of economics, enables us to gaze upon those basic assumptions from the outside and make them the explicit object of reflection. We will disembed economic thought from its usual context and bring it back to its hidden 'sources': to what isn't thought, to what is so self-evident to the economists that they cannot regard it as an object for economic theory, but let it serve entirely as the implicit presupposition of their thought. Intercultural dialogue, with its continual shifts of perspective, offers us not only the possibility of coming to terms creatively with what is un-thought, but also the possibility of finding alternatives to it.

An important insight emerging from intercultural dialogue is that a scientific tradition, in spite of its surface appearance of heterogeneity, rests upon countless collusions and unanalyzed concurrences that form a kind of "footing of thought."² This footing is uncommonly influential, because it consists of unreflected presuppositions of thought that are never given as objects for scientific reflection. A main thesis of this book is that mainstream economics, in spite of having developed through historically distinct phases and being divided into various schools that differ on this or that technical matter, rests on one such "footing of thought." Furthermore, an imminent part of this footing is shaped by what we may call the Substance Paradigm.³ A number of substance theoretical presuppositions are contained within this paradigm: for instance, the assumption that objects exist independently of other entities, or the belief in the immutable, given

¹ F. Jullien, *Der Umweg über China: ein Ortswechsel des Denkens*, Berlin 2002.

² Ibid., 184.

³ For the concept, see J. Seibt, "Individuen als Prozesse: Zur ontologischen Revision des Substanz-Paradigmas," *Logos, Zeitschrift für systematische Philosophie*, 2/4 (1995), 355.

individuality of an entity. Common to all of these presuppositions is that they are neither recognized nor characterized as premises that could be subject to argument.⁴ We can discern the substance paradigm that serves as the basis of economics from the outside if we take the perspective of modern Japanese philosophy, because the latter does not participate in this paradigm. Instead, a new, unusual theoretical paradigm underlies the economy from the Japanese viewpoint: processes, not substances, are the fundamental category of explanation and description. This is the reason we characterize this viewpoint as, in essence, a process philosophical one. Modern Japanese philosophy draws its inspiration and methods of justification from many sources, not just the Far Eastern philosophical traditions associated with Buddhism, Taoism and Confucianism. Rather, this interpretation of everyday reality is deeply rooted in Japanese culture and speech. For all their theoretical differences, these sources still hold in common that processes and not substances, a subject-less net of reciprocal determinants and not an agglomeration of individual molecules serve as the actual ground of the world of human experience. Based on this other “footing of thought”, Japanese philosophers (in particular, for our purposes, Nishida Kitarō⁵) provide us with a new beginning of scientific thought. Their way of thinking has already led to revisions in the normal research paradigms of some disciplines, such as the natural sciences⁶,

⁴ Ibid, 355.

⁵ Nishida is credited as the founder of modern Japanese philosophy. He was born in Unoke, Japan on May 19, 1870. After studying Western philosophy at Tokyo University, teaching German and engaging in intense Zen meditation practice, Nishida received the appointment of assistant professor in Ethics at the Imperial University of Kyoto in 1910. In the same year, he published his first work, „Studie of the Good.“ In 1913, Nishida became a professor of the history of religion, and in 1914, of the history of philosophy, at Kyōto. He founded a scholarly tradition through his research and teaching activities that is known today as the Kyōto School. He became an emiritus in 1928, but continued to work on his philosophy until his death on June 7, 1945.

⁶ See for instance the works of Japanese cognitive scientist Shimizu Hiroshi. Translated into West European languages are: S. Hiroshi, Ba-Principle: “New Logic for the Real-Time Emergence of Information,” *Holonics*, 5/1 (1995), 67-69. See also, “Die ordnende Kraft des ‘Ba’ im traditionellen Japan,” in: C. Maar et al. (ed.), *Die Technik auf dem Weg zur Seele*, Reinbek 1996.

medicine⁷, or systems theory⁸. Especially, the innovation and management theories developed by Nonaka Ikujiro and his co-authors which explicitly refer to Nishida's philosophy have fundamentally changed the understanding of how the dynamics of the knowledge-creating processes is created within companies.⁹ Our aim in this book is to show how fruitful an encounter with Japanese philosophy can be for economics.

As the following pages will demonstrate, the dialogue of Japanese philosophy and economics can contribute in three ways to a process philosophical critique of economics and the renewal of its foundations: firstly, we will make visible substance-theoretical presuppositions that remain unconceptualized within the limits of economic theory. Secondly, we will show how these presuppositions lead to numerous problems – most notably, contradictions and gaps in explanation – and even generate them. Thirdly, we develop new approaches that do not participate in the set of substance-theoretical presuppositions and therefore contribute to a new, comprehensive understanding of economic processes¹⁰. It is by this means that we will breach the discourse of goods, individuals, formal regularities, etc. and ground a new conception of the economy in dynamic processes, mutual determinations and subject-less activities.

In these three steps, our pathbreaking analysis concentrates on the direct confrontation of Japanese philosophy and mainstream economic theory; the philosophical and historical backgrounds that are the contexts of both scientific traditions will therefore be often touched upon, but – being irrelevant to our main purposes – never represented with a lot of depth. The proximity of Japanese thought to Buddhism, Daoism and Confucianism will be emphasized in some places, in order to make it easier for the West-

⁷ For example: Y. Yuasa, *The Body, Toward an Eastern Body-Mind Theory*, translated by P. Nagatomo, T.P. Kasulis, New York 1987.

⁸ T. Latka, *Topisches Sozialsystem, Die Einführung der japanischen Lehre vom Ort in die Systemtheorie und deren Konsequenzen für eine Theorie sozialer Systeme*, Heidelberg 2003.

⁹ I. Nonaka and Takeuchi, H., *The Knowledge-Creating Company, How Japanese Companies Create the Dynamics of Innovation*, New York 1995; Nonaka, I., Toyama R. and Konno, N., "Emergence of 'Ba', A Conceptual Framework for the Continuous and Self-transcending Process of Knowledge Creation," in: Nonaka, I. and Nishiguchi, T. (ed.), *Knowledge Emergence, Social, Technical and Evolutionary Dimensions of Knowledge Creation*, New York 2001, 13-28

¹⁰ In Western process philosophy, this corresponds to the procedure of theory revision suggested by J. Seibt. See J. Seibt, "Individuen als Prozesse," 355.

ern reader, unacquainted with these ways of thinking, to follow along. The manifold connections of Japanese philosophy to Western philosophy will be, conversely, given only surface treatment, even when the path through foreign (i.e. Western) philosophy is most characteristic of Japanese philosophy. In this way we can open up an easy to understand approach to economic questions that is unburdened by the extensive, complicated interventions and associations of the Western history of philosophy. Choosing to go at our argument in this way means that even the proximity of some patterns of thought to Western process philosophy will not always be made clear in the text. The following remarks should serve as a sufficient but provisional sketch of this nearness.

The first section of the work (chapter 3) reflects, in a step-by-step fashion, the implied assumptions in economics about human actors, using as our point of orientation Nishida's "Logic of Place" (*basho no ronri*, 1926). We will point out those presuppositions that determine a certain level of argumentation without being explicitly made into objects of reflection on this level themselves. Then we will make transitions to deeper levels of knowledge, resulting in making conscious the moment of reflection. Through such multiple "place changes of thinking," our knowledge of economic action will be deepened. Gradually, from this process emerges a comprehensive picture of economic man. In regard to our critique of the substance paradigm, it is a decisive point that this critique allows us to see through the delusive character of substance-theoretical assumptions operating on every conceptual level, and to see that those assumptions lead to both logical contradictions within the theory and to obstructing the project of creating a comprehensive picture of economic action. For example, one may query whether the economic assumption of an independent world of goods, existing objectively and independent of human consciousness, can be sustained logically, since in the formal economic principle of optimization a relation to subjective consciousness is always already presupposed, although it is not explicitly thematized. Moreover it will be shown that economic theory implicitly presupposes the substance-metaphysical principle of determinateness insofar as it constructs the agent as a static substance with given qualities in order to allow actions to be calculable. But this systematically blocks the possibility of picturing important aspects of agency, like the mutability of an agent's qualities in space and time or her conscious reflection over her own action. Thus, contrary to its own claims, economic theory narrowly limits its own explanatory power. Altogether it can be seen that humans and their environment cannot be held apart as substances, but are determined in a process of mutual formation that is it-

self to be grasped neither subjectively nor objectively, but just as that which underlies every subject-object division.

Over and above a critique on implicit economic assumptions, the first section makes a positive proposal for describing economic activity without presupposing an underlying substance. This is where East Asian theories of habitus processes can be fruitfully used to represent economic activity. Habits are represented as differentiating activities of the consciousness without presupposing a bearer of the activity. Instead, turning this around, this bearer is regarded, in general, as a subject firstly specified by those habits as being in opposition to an objective outer world. A habitual process is thereby revealed that implicitly precedes all subjective and objective economic methods without being itself reflected within them. This process shouldn't be seen as the alternative to the category of substance, but simply as its logical presupposition.

The second section of the work (chapter 4) uncovers the substance theoretical presuppositions of economic theory as they extend to construing 'society', in order to reveal alternatives to them. In the foreground we put the critique of the economic notion that society is to be explained by positing substantial entities as its foundation. Again, this critique borrows from Japanese philosophy – in particular, from Nishida and Nishitani – but also exploits the resources of other East Asian schemas of explanation. It is important to show that two absolutely contradictory ideas operate within economics, but are not regarded as such: firstly, methodological individualism conceives society as something agglomerated out of sheer individual atoms. But the consequence of understanding those atoms collectively is to have recourse to the assumption of an abstract universal that lawfully, and as a mechanism, coordinates them into a unity. But in doing so these individuals lose just that independence that methodological individualism postulates. The substantiality of the universal negates their individuality. In spite of this problem, mainstream economics holds uncritically to the idea of substantial individuals and a substantial universal. Our critique of economics pierces this substance metaphysics, which lies beneath both ideas, until it reaches the core of the actual problem: individuality and universality cannot be thought coherently so long as one presupposes them to be independent, self-determinate substances. This insight leads to rejecting these notions as insufficient and seeking a real alternative beyond the substance conception. Such an alternative outlines itself in the idea of the economy as a process of formation that is not supported by any substance and in which everything in mutual dependence becomes shaper and

shaped. Borrowing from Nishida's "world" concept (*sekai*), we grasp the economic world as a field of activities that through economic forms of action like exchange, the division of labor, and the use of money is subjectlessly determined. This dynamic world, moving without a firm point of reference, proves itself to be not only the actual ground or place of economic action, but also the un-conceptualized presupposition within economics that seeks to divide this world into strictly separate entities. Building on this insight, new light can be cast upon some further fundamental problems of economics, like the relationship of the market and the state or the meaning of egoism, so that new, surprising perspectives on socio-economic processes open up. Out of these different perspectives, it can be shown that the economic world cannot be systematically explained from the standpoint of the science of economics. Most importantly, calculating and predicting this world by means of formal models, which economics uncritically takes from the physical sciences, can be demonstrated to be not only a problem that has so far eluded a solution in terms of those models, but to be logically impossible to resolve.

The dialogue of economics and Japanese philosophy, however, does not merely penetrate into the deep structure of economic thought, but it shows how very much this kind of thinking is interwoven with our everyday perceptions. For Japanese philosophy, as well as other process philosophies, a central concern is to connect the place of the observer explicitly to the description of the world. Applied to economics, this means: the economist is not independent of the world he describes. He is neither a neutral observer nor a social engineer, who can shape economic processes from the outside without thereby himself being (unconsciously) pulled into the formation process. And inversely it is clear that the supposedly 'objective' goods are not independent of the way that the economist represents them. The economic world doesn't exist independently of the conditions of its references. It only appears to be an ineluctable reality, an objective mechanism or a chain of necessary states of affairs, so long as the abstract, theoretical constructs of economic theory that are continually, in our globalized world, forcing themselves upon us are misunderstood to be the everlasting facts of our everyday life.

From the Japanese point of view, theoretical constructs are no more nor less than the habits of thought, which are rooted deep in everyday human understanding about human nature and its surrounding environment while, inversely, also grounding this understanding. While the overpowering role of social norms for the image of economic man and his world are empha-

sized, one thing should become clear: insofar as the habitus is thematized at all in economics, it is construed to be the irreplaceable presupposition of action. It is judged to be the unconscious mode of acting that determines the economic everyday while not being subject to change itself. Therefore, the conscious, creative shaping of living together outside or beyond economic habits doesn't even appear as a prospect in the mainstream economic perspective. Against this, Japanese philosophy sees through such substantification of social habits and considers it a deception. We are not simply slavishly obedient to supposedly given habits, but can become conscious of them, shape them creatively, and so modify them.

Through the detour of thought between East and West, between economics and philosophy we ought to be able to find a way of thought in the following pages that takes into account this Japanese insight: economic habits, which are increasingly unconsciously determined, may be made gradually visible, and their border lines may be surveyed and penetrated. By means of this, I hope to give a push to economic thinking that will put it on new, creative paths that traverse disciplinary and cultural borders.

In closing, two remarks are necessary: Japanese names appear in the sequence usual in Japan (the family name first, and then the surname). Brackets in the texts will be used to enclose cross-references that refer to a section of another chapter. The bracket (3.3.2), for example, refers to the division "Economic Activity as Habit" in Chapter 3.3.2.

