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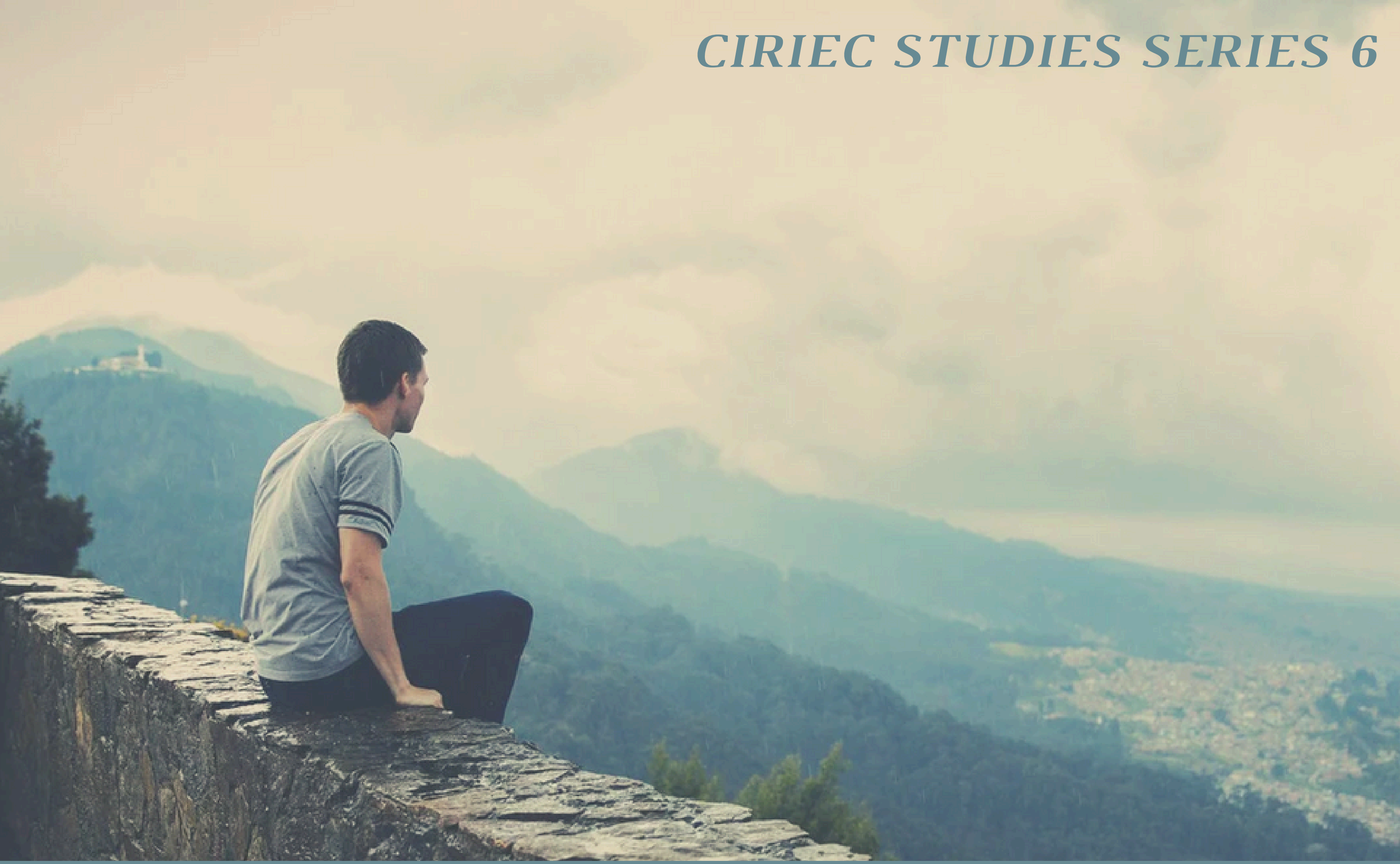

CHAPTER 9

MYTHOLOGIZING IN ECONOMICS: OF UTOPIAS AND DYSTOPIAS

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Chapter 9

Mythologizing in Economics: Of Utopias and Dystopias

Jerome Nikolai WARREN*

"Practical men who believe themselves to be quite exempt from any intellectual influence, are usually the slaves of some defunct economist […] distilling their frenzy from some academic scribbler of a few years back." – John Maynard Keynes

Abstract

This contribution seeks to situation mainstream economic theory with respect to Rudolf Bultmann's concept of "de-mythologizing". Applying this concept, together with Cornelius Castoriadis' discussion around "instituting" vs. "instituted" societies, the chapter argues that neoclassical economics is in fact a *dystopia*. In order to move beyond its influence, scholars and practitioners must together develop economic and management theories lodged in the lived experiences of the diversity of organizational types in existence, including cooperatives. This applies both in the study of contemporary firms, as well as in historiography, where an "archaeology of knowledge" is needed to uncover hidden or lost traditions of community-oriented wealth-building. It suggests three lines of future research to realize this aim.

Keywords: economics, economic history, management theory, theory of the firm, social enterprise, cooperatives

JEL-Codes: A14, J54, B52, B13

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1. Introduction

This contribution is to firstly understand the role of mythologization in economics in as far as it hinders or facilitates the study of cooperation. More particularly, it makes use of the concepts of *utopia* and *dystopia* to engage in two concurrent mythologization exercises. Firstly, a demythologization of the ontological framework of neoclassical economics, and secondly the development of an alternative, practice-oriented approach to economics, which can be used to develop "mid-range theories" to frame a broad array of enterprises and organizations beyond the idealized neoclassical firm.

The chapter is structured as follows. It begins in Section 2 by quickly reviewing the relative lack of attention paid to issues of cooperation in both economics and management, including specifically the pitfalls of applying a neoclassical view to cooperative enterprise. In Section 3, it introduces the approach of *de-mythologizing*, as outlined by Rudolf Bultmann, inquiring as to what it means to apply this approach to the economic domain, choosing Dow's alienation theory as an example of de-mythologizing.

It then argues for classifying neoclassical economics as a *dystopia* in Section 4, before calling for new approaches based on "de-mythologizing" and emphasizing lived experiences in Section 5. This is followed in Section 6 by a conclusion.

2. The Pitfalls of Applying Neoclassical Thought to Cooperatives

While the situation is somewhat better in management and business administration, cooperatives and cooperation hardly play a role in the economics curriculum (Warren, Hübner, Biggiero, and Ogunyemi, 2024). In general, cooperatives progressively disappeared from mainstream economists textbooks after the mid-20th century and exceptions to this silence (often stimulated by the successful model of Yugoslavian self-management (Ellerman, 1991) were generally heavily invested in the neoclassical model. This includes the so-called "Illyrian" or *Ward-Domar-Vaněk* model, named after Benjamin Ward, Evsey Domar, Jaroslav Vaněk (Bonin and Putterman, 2013; Dow, 2018). It also generally includes New Institutional Economics in its various iterations.

Numerous luminary figures in economics including Herbert Simon and Kenneth Arrow emphasized organizational dimensions of what one might at first glance call "cooperation". However, much of their research focus remained analytically ambiguous concerning the distinction between hierarchical *coordination* and *cooperation* proper, which Williamson described as "consummate cooperation", as opposed to "instrumental ooperation"[1]. In the end, Simon (1991) primarily analyzed coordination, not cooperation. Similarly, despite the fact that both theoretical empirical evidence has repeatedly demonstrated that cooperative behavior "pays," for example, via the success of Anatol Rapoport's "Tit for Tat" strategy in numerous

[1] Cf. Kroszner and Putterman (2009, p. 22, footnote).

computer tournaments (Gintis, 2014; Simpson, 2016), contemporary economics curricula generally still focus on binary (that is, two-person), non-cooperative and non-communicative scenarios as the benchmark pedagogical tools in approaches like game theory.

This ontological, epistemological and ultimately *methodological* poverty is all the more puzzing in the face of such evidence that cooperation is deeply intertwined with behaviors, preferences, and institutions we refer generally describe as "economic". Especially in as far as cooperation is a robust solution to the problem of "bounded rationality" (Kyriazis and Metaxas, 2013; Novković, Miner, and McMahon, 2023), it should be a strong area of interest for economic ideation and theorizing. This includes cooperation in its multiple dimensions, including cooperative behaviors in general, for instance among individuals or groups. Yet, it also includes cooperation between organizations according to a pre-established (formal or informal) codex of principles and practices, occasionally referred to as "inter-cooperation". The dimension of cooperation's scope lies beyond this latter cooperative scalar dimension.

In mainstream economics, issues concerning the scale, scope and intensity of cooperation are left to disciplines and approaches like psychology, sociology, anthropology. However, as the recently emerging approach of *relational economics* has made clear, these issues – the scale, scope and intensity of cooperation – are increasingly associated with the generation of value in firms (Wieland, 2018). Therefore, and as the production game facing firms changes, including their relationships to suppliers, consumers and governments, the approach to economic analysis must also change[2].

As this contribution attempts to make clear by looking at cooperative enterprise, the neoclassical model has many blind areas with respect to pluralistic firm types. The assumptions the model makes, such as "expectations that the economic performance of cooperatives is inferior to the performance of profit-maximizing firms because of characteristics inherent in the cooperative organizational form" (Elliott and Boland, 2023, p. 17) are not realistic when faced with decades of evidence (Pérotin, Pérotin and Robinson, 2004; Dow, 2018). Moreover, the neoclassical model is unable to account for the fact that firms exist that "may pursue objectives other than profit maximization" (Elliott and Boland, 2023, p. 19). The approach presents clear limitations when analyzing problems of member-oriented firms, including agency issues,

[2] This is also important considering the sheer influence economics has on both scientific as well as political discourse. Consider, for instance, this quote by Herbert Gintis about business schools: "After World War II, business schools blossomed all over the United States. All the major universities set up business schools. Before that, businessmen were just businessmen. They didn't go to college, or if they did they didn't learn anything about business. But these new business schools were very professional. When they wanted to teach economics, they simply borrowed from the economics discipline. In economics it's called Homo economicus. Homo economicus is not that popular any more but it certainly was after World War II. Homo economicus has no emotions. He's totally interested in maximizing his wealth and income. He really doesn't care about other people, although he does care about leisure. Leisure, income, and wealth are the only things. When they taught this to business school students it obviously followed that if you're a good businessman you should just maximize your material wealth. This is greedy. Being greedy is human, it's good to do, and the more greedy you are the more successful you'll be." Cited in Atkins, Wilson, and Hayes (2019), p. 206.

vaguely defined property rights or claims (Elliott and Boland, 2023, p. 42ff.), and related problems stemming from the complex interplay of forces within democratic or pluralistic organizations.

Indeed, a new approach would ideally be required to deal with these and related questions. But where that approach is to draw from is a question that arguably requires peeling back the mask of mythologizing that neoclassical economics has donned.

3. Demythologizing Economics

Economics has always been at least in part about mythologizing, as respected and renowned economist John Maynard Keynes observed, writing famously in his *General Theory* that "[p]ractical men who believe themselves to be quite exempt from any intellectual influence, are usually the slaves of some defunct economist […] distilling their frenzy from some academic scribbler of a few years back" (Parsons, 1983, p. 369). As at this point countless prominent scholars have pointed out, ideas and concepts like self-regulating markets producing socially beneficent results "as if by an invisible hand", are examples of economic mythologization (Polanyi, 2001 [1944]; Hirschman, 2013; Foley, 2006; Porter, 2020, 1996; Van Lente and Rip, 1998; Giraudeau, 2018).

When philosopher, economist and psychiatrist Cornelius Castoriadis wrote of "the magma of signification" (Castoriadis, 1987, p. 367), he was at least in part referring to mythologizing, the punctuated transference, interaction and interdependence between concepts, meanings and dynamic mutations and shifts that the latter experience during moments of transition. Similarly, the process of advocating for new ontological, epistemological or methodological positions or approaches involves not only "rational" argument, but also a process of "de-mythologizing", which in a figurative sense likely resembles the congealing and melting of magma around a "hard core" (Lakatos, 1978). The dialectical interchange between the real, the imaginary and the possible, interfaced by language as well as by the imagination, implies the "self alteration" of societies, which include as well business networks and scientific communities, via a communicative process of "reception/alteration" (Castoriadis, 1987, p. 370) and implies "the capacity to convert the given confines of the here and now into an open horizon of possibilities". (Steyaert, Beyes, and Parker, 2016, pp. 234-235).

This capacity to alter the economics curriculum to create elements more suitable to the analysis and teaching of cooperatives, cooperation and similar forms requires, as I argue here, returning to some of the founding myths of neoclassical economics and understand these for what they are in the context of the contemporary world. In order to do so and to connect to Castoriadis' distinction, introduced below, I propose applying Rudolf Bultmann's approach of *demythologizing*, a hermeneutic approach developed in theology, to the domain of the epistemic foundations of economics[3].

> In Bultmann's judgment, the writings of the New Testament presupposed a mythological view of the world which now presented an unnecessary hurdle to the contemporary hearing and understanding of the Christian Gospel. The New Testament picture of a three-story universe, populated with angels and demons and fraught with miracles and supernatural happenings, was appropriate to the Hellenistic age in which it was written but was necessarily alien to the scientific frame of reference of its modern hearers. [Johnson, 1974, p. 1]

Much in the same way that Bultmann found the mythological expression of Christian eschatology to be in conflict with the *kergyma*[4], I argue that the mythologizing of neoclassical economists stands in conflict with the idea of an economy as a social system and economics as a social science, studying complex, dynamic and evolving systems. Similar to the cosmology Bultmann critiques, neoclassical economics often has the veneer of presenting an objective picture of the world, which means it presents a problem in that it offers few solutions to complex challenges and therefore stands generally in opposition to an evolutionary approach to social science (Veblen, 1898). And similar to the "three-story universe" of the Christian mythology, neoclassical economics has its own angels, demons, miracles and supernatural happenings, with its strict emphasis on object-object relationships (Walras, 2013).

Similar to Bultmann, I propose as a first solution to *demythologize*: For Bultmann, "[t]o demythologize meant, in a general way, to strip away from the New Testament its antiquated world view, its objectifying conceptuality, its spatial and cosmological imagery." Similarly and orthogonally, the world which neoclassical economics describes no longer applies to a world in transition, a world beset by major conflicts and a world that is in many ways exceeding the planetary boundaries that neoclassical economists mythologize away. Therefore, it is imperative to strip away the "spatial and cosmological imagery" and the "conceptuality" of neoclassical economics. I propose to do this below via Castoriadis' distinction of *instituted* versus *instituting* societies.

4. Neoclassical Economics as Dystopia

While neoclassical economists often retort to accusations that their models are unrealistic with comments along the lines of "it's just a model" (Ellerman, 2021b), the point is not the realism of the models, but the social implications of economics' mythologizing. Mainstream economics' utilitarianism, its emphasis

[3] This exercise has already been attempted, albeit from a theological position. The author claims that "[Milton] Friedman has not revealed the equivalent of Moses' Ten Commandments or Buddha's Four Noble Truths, yet the faith of economism has become creedal and its tenets identifiable." (Peters, 2017).

[4] Kergyma" is Greek for "proclamation" and generally refers to the teachings of Jesus, for example the *Sermon on the Mount*. Cf. also Bultmann, 2014.

on cost-benefit analysis and its treatment of responsible human agency as a commodity have been sufficiently critiqued (Mitchell, 1918; Polanyi, 2001 [1944]; Etzioni, 2010; Porter, 1996). This is therefore not our concern here. Much more, we are interested in de-mythologizing economics, stripping away a mythological view that presents a hurdle to understanding economic and organizational challenges of the present, *a la* Bultmann, especially as it involves a perspective lodged in the dignity of labor (Ellerman, 2021a).

De-mythologizing economics from a perspective of the dignity of labor could commence in a number of ways. Taking the approach chosen by Warren et al. (2024), it might begin with a reference to a general shift towards a networked, relational economy (Wieland, 2018; Biggiero, De Jongh, Priddat, Wieland, Zicari, and Fischer, 2022). It might then continue with Dow (2018)'s outlining three principles of minimum departure from neoclassical economics' "mythological view of the world which now present[s] an unnecessary hurdle to" generating new knowledge about this networked economy, which despite advances like artificial intelligence still depends at its base on responsible human labor (Farjoun, Machover, and Zachariah, 2022).

The three myths that pose the largest hurdle, according to Dow (2018) are firstly, that markets are efficient allocators of resources and therefore, if more prosocial types of organizations like cooperatives are not able to succeed, they are obviously inferior. Secondly, that labor and capital are mere "factors of production". Thirdly, that cooperatives, and especially worker cooperatives, which Dow refers to as *labor-managed firms* (LMFs) somehow only represent extremely small firms like bicycle repair shops (Dow, 2018).

Dow defines the first hurdle as the "imperfection principle". Dow (2018, pp. 61f.) argues that "in an environment of complete and competitive markets, control rights can be assigned to any set of input suppliers (or output demanders) without endangering allocative efficiency." In fact, "the LMF [labor-managed firm] exhibits the behavioral and efficiency properties of the Walrasian firm." Thus, "[a]ny theory claiming to explain the empirical asymmetries between KMFs [capital-managed firm] and LMFs must specify one or more departures from the framework of complete and competitive markets." (Dow, 2018, p. 7). If it is the case that firms are not price-takers, entry is not free, sunk costs are not irrelevant and scale economies and working capital matter, then this circumstance surely has a role to play in the rarity of LMFs in most contemporary economies. Therefore, "[t]he task facing both advocates and skeptics of workers' control is to identify market failures that differently affect labor-managed and capital-managed firms". (Dow, 2018, p. 62)

Since the neoclassical model does not generally distinguish between firm types, it is clearly guilty of what Bultmann referred to as a "mythological view of the world". The problem becomes clear when connecting the failures of the model to account for any differential market failures facing capital- versus labor-managed firms to the policy arena. Nevertheless, the mythological view of neoclassical economics is not exhausted, according to Dow, by reflection on market failures. As Dow (2018, p. 7) argues, “[a]lthough they are necessary, market imperfections are not sufficient to explain patterns like [e.g., compressed wage structures, less elastic quantity responses to prices], because such imperfections may have symmetric effects on KMFs and LMFs.”

Therefore, in the interests of de-mythologizing, one must find fundamental differences between capital and labor that, in combination with market imperfections, facilitate differences in practice between the two firm types. Thus, Dow (2018, p. 8) suggests an *asymmetry principle*, stating that “[a]ny theory claiming to explain the empirical asymmetries between KMFs and LMFs must identify a causally relevant asymmetry between capital and labor.” For Dow, as for numerous other authors in the cooperative economics and management tradition (see Ellerman, 2021b) the most relevant of these asymmetries is *alienability*, meaning that labor cannot be separated from the person providing it, as can capital. This *inalienability* represents a fundamental distinction between capital and labor, as labor is responsible productive activity[5].

The last hurdle involves the fact that, while cooperatives generally have managerial hierarchies, the neoclassical model usually stipulates that they are leaderless, small firms with no formal hierarchy. Dow's *replication principle* merely asserts that one should not essentialize non-intrinsic characteristics of firms when analyzing market and firm behavior. For example, “it would not be satisfactory to explain [productivity advantages of KMFs] by asserting that KMFs have managerial hierarchies but LMFs do not. There is nothing about the principle of ultimate control by labor suppliers that rules out the use of a managerial hierarchy.” (Dow, 2018, p. 9) Dow says that one instead “would have to show that control by labor suppliers makes managerial hierarchy more costly or less effective than it would be in an otherwise identical KMF.” (*ibid.*) On this basis, Lucio Biggiero has developed a multi-dimensional organizational democracy measure that takes into account the responsiveness of a firm's management to various indicators[6].

Thus, it is incorrect to infer from the fact that in most economies cooperatives have not managed to proliferate that this is merely the result of some intrinsic weakness in the cooperative form. The long-standing history of the plywood cooperatives of the Pacific Northwest and their continued resilience against their KMF counterparts; the success and proliferation of Mondragon in Spain, a collective of some €26 billion in capitalization; and the continued growth and success of the Legacoop and the combined cooperative sector in Italy (moving from 2.5% to 8% of GDP between the 1990s to the present day) put lie to this claim (Ammirato, 2018). The replication principle anchors this rejection in an analytical frame: if an LMF can do it, then it will do it, given the opportunity.

[5] Ellerman (2021b) speaks here of “imputation”.
[6] See Chapter 10 in Warren et al. (2024).

Considering these three departures at a minimum[7], it is fair to say that mainstream economics, as taught in University curricula and represented in textbooks, is not able to recognize differential effects of market failures on firm phenotypes[8], as it only recognizes firms as price-takers, it is unable to view labor as anything but a differentiable and alienable commodity, to be sold on the market like apples and used cars, and it recognizes, if it regards them at all, cooperatives as quaint shops organized around a campfire, instead of being understood as complex, multi-layered organizations with a distinct identity, history and agency.

Therefore, I argue that the mythological view of neoclassical economics is actually a *dystopia* that turns the living, creative and responsible human beings engaged in the dynamic process we call the division of labor into what Ellerman (2021a) calls "part-time robots". This is especially the case when applying the lens of cooperative economics and management (CEM), which departs from a perspective lodged in the dignity of labor, supplementing this view with both a moral economy framework and a notion of abolitionist relationality[9]. It has been pointed out since Mitchell (1918), Etzioni (2010) that much of neoclassical economics is based on a strongly normative worldview. In particular, it is a pessimistic, untrusting and mechanical worldview (Bowles, 2016). Moreover, it is largely based on an atomistic view of individual agents acting in isolation, which has been critiqued both on theoretical, as well as on practical grounds (De Woot, 2005; Peters and Adamou, 2015).

Lastly, it should be pointed out that the consensus around ecological sustainability demands a new orientation of the global economic order, beyond a model of social harmony through growth (Raworth, 2017; Wilkinson and Pickett, 2020). Neoclassical economics, with its penchant for optimizing economic systems represented as differential equations is in a miserable state to meaningfully contribute to this effort. Its approach merely accelerates and intensifies the problems which the planet is experiencing, as it does not perceive anything beyond its reductivist search for competition within the price mechanism. It has already been pointed out in theoretical ecosystems science that this is a framework that is lethal for any complex, living system (Ulanowicz, 2009). Therefore, the international consensus around sustainable development serves as merely another dimension of the indictment against neoclassical economics as a dystopia.

[7] And others can be emphasized that would go beyond the limits of this short contribution. Many of these alternative departures can be found in the first seven chapters of the upcoming Warren et al. (2024), and include Global South perspectives, extending mainstream approaches like Transaction Cost Economics by introducing cooperation as a distinct pole of agency, alongside markets and hierarchy, adopting a relational approach, a feminist approach, among others.

[8] Pheno.

[9] Cf. Warren et al. (2024), Introduction.

5. An Ounce of Practice

In keeping with the second moment of Bultmann's de-mythologizing (Bultmann, 1962; Johnson, 1974), suitable economic theory must stem directly from the realities of economic actors who populate a diversity of economic systems and firm types with a wide range of *raisons d'etre*. It firstly requires both detailed and adequate study of the lived experiences of actors engaged in the diverse economies to be found around the globe (i.e., it must at least in part be inductive). At the same time, it demands an approach to theory-building akin to Michel Foucault's "archaeology of knowledge", which admits a multiplicity of knowledges based on shifting relationships of power. In the context of the social economy, such archaeological uncoverings have occurred in recent decades in volumes like Nembhard, 2014.

As Nembhard's and similar efforts (Kropotkin, 2021) show, de-mythologized theories often tend to emphasize the collective, the public and, most importantly, the community-oriented dimension of a diversity economic relationships over the satisfaction of individual wants. Thus, the domain of relational economics and its abolitionist cousin cooperative economics and management require new relational approaches on which to found ideation and theory-building for a range of phenomena ranging from industrial districts, research and development networks, science parks, so-called "competitivity poles", cooperative enterprise, social enterprise, stewards and purpose enterprise, enterprises with a mission, etc. Many of these approaches will be found to align with Karl Polanyi's broadened notion of economy, beyond "formal" exchange to include also the "substantive" sphere of reciprocity and redistribution (Wilk and Cliggett, 2018).

Furthermore, these efforts will involve issues of complexity in their relation to the agenda of sustainable development. Beyond this, they broach issues of organizational learning, as well as entrepreneurialism and leadership in as far as they involve deviations from an atomistic model[10]. I suggest three arenas in which this might occur, each responding to one of Dow (2018)'s three principles of alienation theory. The first of these approaches would concern the role of cooperatives in helping to facilitate a sustainable transition by acting as intermediaries in a process of strengthening local, regional, national and global economies' resilience. This element also includes viewing cooperatives and their federations as "emergently coherent" institutions that deal with complexity via a catalog of principles and practices, as authors like Silva or Camargo-Benavides and Ehrenhard (Warren et al., 2024) argue. This agenda will connect cooperatives' democratic structures to outcomes validating these structures as preferable to alternatives.

Secondly, there is a need for better understanding the role of cooperatives in achieving organizational learning, a process related variously to a sustainable transition, but more generally reflecting on a firm's ability to navigate a changing environment.

[10] On issues of organizational learning and leadership in a "de-mythologized" context, see especially Vieta, et al. and Cousin, et al. In Warren, et al., 2024.

Cooperatives' anchoring of education, training and information, as well as participation in management, arguably provide their members with the experiences needed for navigating an environment characterized by a high degree of change and uncertainty. A robust tradition in the literature exists, stemming from Pateman (1970)'s seminal work on the "spillover hypothesis." Much current and future work is being done and must be carried out to understand robustly the directionality of such spillovers, as Vieta, et al. have done in Warren et al. (2024), in which they argue for bi-directional spillovers.

Thirdly, there is an acute need for enlarging the domain of entrepreneurial theory to incorporate cooperative approaches to entrepreneurialism. In particular, how can one understand collective, community-based or distributed notions of entrepreneurialism? Concepts like the "Pegasus enterprise" and collective notions of leadership in the digital realm are promising in this respect (Cousin, et al. and also Martinelli in Warren, et al., 2024).

Surely, future challenges like artificial intelligence and data governance will place increasing strain on the cooperative sector, as it will on traditional firms, family firms, small and medium sized enterprises (SMEs) and others. Scholars of pluralistic and heterodox economics and management science will be increasingly called upon to provide creative and bold knowledge for how to adapt to the increasingly and rapidly changing environment, including new and innovative forms of ownership (Gonza, Juri and Ellerman in Warren et al., 2024). Only by continuing to "de-mythologize" can contemporary scholars ensure that those future "scribblers" Keynes was referring to in the introductory quote are not misleading future economic, including cooperative, leaders.

6. Conclusion

This short contribution has set out to apply Rudolf Bultmann's concept of de-mythologizing to the economic domain, looking at where "mythological conceptions of the world" pervade and to what extent they hinder in providing new knowledge for a pluralistic economy able to deliver on the promise of sustainable development. By adopting Rudolf Bultmann's lens of "de-mythologizing", I attempted to demonstrate, borrowing Dow (2018)'s three principles of alienation theory, how neoclassical economics is in fact a dystopia. In place of this dystopia, new theories are needed that reflect not only the lived experiences, but the aspirations of a diversity of economic actors, including the cooperative sector and social enterprises more broadly.

In outlining what these theories might look like, I have drawn on Cornelius Castoriadis' juxtaposition between *instituted* and *instituting* societies and their respective imaginaries. Connecting these categories to the emerging consensus around a sustainable transition, I argued that the judgments – both on the organizational, as well as the meta-organizational level – this transition implies actually require an institut*ing* society to deliberate, select and execute.

Viewed from this vantage point, I suggested that cooperatives and their allies are actually at a competitive advantage in contributing to the realization of the goals of sustainable development, since their identity, as established in the various formulations of cooperative principles and practices adhered to globally, is anchored in both an abolitionist relationality as well as a moral economy that institutionalist economist John Commons argued represented “a new universal right to collective action” (Commons, 1936, p. 247).

I then argued that scholars to “de-mythologize” based on the lived experiences of cooperatives and their members, both presently and historically. Arguably only in this manner can the risk of harm from applying what in essence are dystopian theories by avoided.

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