

RESEARCH INTO THE SUBSTANTIVE ECONOMY

Since the Cold War, "Point I", and the national revolutions in Asia and Africa, economists have been called upon to produce ideas on the development of backward countries on which to base practical policies for private and public investment, as well as "foreign" aid. The economists' response, after a period of fruitless effort, was almost unanimously to the effect that but little progress could be expected from economics alone. Substantial advance required the help of the anthropologist familiar with primitive economics (in the sense of Malinowski's "argonauts"); of the sociologist who knew his Maine, Gierke, Weber and even Veblen. The economic historian too was to be heard; for how much did we know of the economy of antiquity before Rostovtzeff? Yet had not Rodbertus', Buecher's and Max Weber's predictions proved correct that simple communities and early societies were showing a great similarity with conditions of the Ancient world? To forego their potential contributions to the problem in hand would be a grave error.

And so the curtain rose on a second act, revealing numerous anthropologists, a sprinkling of sociologists and even an occasional historian joining forces with the economist to unravel the skein of economic development in backward countries - with singularly disappointing results.

The fruitlessness of the initial contact should not be blamed on either side. It was due neither to unwarranted expectations on the part of the economists, nor to failure of the ancillary disciplines to co-operate. Rather, to overreadiness of the economic anthropologist, the economic sociologist and the economic historian to acquaint himself with modern economics. For almost at once the new allies were infected with the selfsame limitations ~~themselves~~ that had prevented the economist<sup>3</sup> themselves from penetrating the tissue of primitive communities, so that in their innocent ardour the scholars of the ancillary fields merely reproduced the efforts of the professional economist which had proved inadequate in the first place.

To this comedy of errors both sides contributed with equal generosity. A ranking anthropologist is on record who pleaded against a theoretical economist that the economist's definition did not apply to primitive societies; but after a public exchange of arguments, he had himself convinced by his opponent, to re-write his own textbook of economic anthropology, this time on the economist's lines, with the effect of rendering it less useful not only to anthropologists but also to economists. The economists, on the other hand, often denied having even cognizance of any other than their own definition of economics, and in effect handled the problem in a manner that showed convincingly their unfamiliarity with the issue.

Two different meanings of 'economic' are then in question, creating uncertainty which of them is related to the subject matter of economic theory and which to that of the other social sciences, insofar as they deal with the same field of man's livelihood. These sciences - economic anthropology, economic sociology, economic history - I will call the ancillary disciplines. The question is then what have the two meanings in common with economic theory on the one hand, the ancillary disciplines on the other. For further abbreviation I will call the meaning more suited to the main theory the formal, the other meaning the substantive. Accordingly I take the formal meaning to come close to economizing or maximizing; the substantive, to be related to material want satisfaction. In common usage the two are compounded into a maximizing of material want satisfaction.

The theme of this paper is the state of research into the substantive economy of the underdeveloped countries and the difficulties that arise for research from the still unclassified meaning of "economic". It will be seen that the distinction between the two meanings was present from the beginnings of neo-classical economics, and that it was always related to the theory of our modern exchange economy on the one hand, the study of other economies on the other.

As was to be expected inquiry that was at the clarification of the two meanings and at their empirical application to the substantive economy is beginning

to produce new lines of research. We will try to outline the nature of some of their results.

Neo-classical economics was born out of the discovery of Carl Menger, in 1871, that not man's livelihood but 'the allocation of insufficient means to provide for his want satisfaction' was the appropriate subject/<sup>matter</sup>~~matter~~ of economics. After another fifty years of further effort, Menger elaborated at length that there were in fact two elemental directions to our economic activities: An economizing or maximizing direction stemming from insufficiency of the means, and a technico-economic direction deriving from the nature of production regardless of the sufficiency or insufficiency of the means to be used.

"I call these two directions the human economy can take - the technical and the economizing - elemental, though these appear, as a rule, indeed almost always linked with each other they nevertheless spring from causes that are essentially different and independent from one another, and in some branches of economics actually make their appearance alone.... The technical direction of the human economy is neither necessarily dependent upon the economizing nor is it necessarily linked with it."

Menger introduced for lack of any other German scientific term the word sparende (adding himself in brackets "oekonomisierende") for the economizing direction of the economy, as he said, to distinguish it from the technico-economic direction. A special section was devoted to the discussion of "the phenomena that emerge from the conjunction of the technical and the economizing directions of the human economy".

Because of the brilliant and formidable achievements of economic theory, the economizing meaning - which we called formal - became the only meaning, and the common sense but seemingly naive "technico-economic" meaning - our substantive referring to the material objects themselves, whether they be scarce or not, lost academic status, and was eventually forgotten. Menger himself, having carefully under-pinned his distinction, did not give too much thought to the substantive

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Carl Menger's posthumous edition of his Grundsätze (Principles) (1923), have never been translated into English. No discussion of his Principles - including Robbins' well known <sup>work</sup> (1935) - mentions the subject of the two meanings. Hayek's preface to the London School of Economics rare books photostat edition of Menger's original Grundsätze (1871) contributed to the elimination of the matter from the ~~consciousness~~ consciousness of economists. He chose as we said <sup>re-</sup> to have the first edition/published, instead of the posthumous one, and referred in his preface to the posthumous MSS. as fragments.

Another 27 years later the Principles were at last translated into English, but this time, again the 1871 edition was selected (1950). To top the irony the translators decided to render the crucial term 'wirtschaftend' (engaged in economic activity) throughout by the word 'economizing' which Menger wished to have restricted to the allocation ~~of~~ of scarce means. The two meanings were now not only buried, but their grave was sprinkled with ashes.

meaning. Only recently has the field of primitive and archaic type countries been taken up again. But by this time the ancillary disciplines had largely endorsed the formal meaning of economic and the substantive meaning had gone out of fashion even in the ancillary disciplines which formerly were employing it as a matter of course, like Moliere's husband-man who had never realized that he was talking prose.

Thus it proved to be a circumstance of significance for the future of the science of economics that the posthumous edition of the Grundsätze was never translated into English. No discussion of Menger's 'Principles' - including Robbins' well known book (193 ) mentions the subject of the two meanings. Hayek's preface to the London School of Economics process edition of the original German Grundsätze (1871), contributed to the elimination of the matter from the consciousness of the economists. Hayek chose the first edition for publication, and referred to the posthumous MSS. as fragmentary and disordered. "For the present, at any rate, he added, the results of the work of Menger's later years must be regarded as lost." Another 27 years later the Grundsätze were at last rendered in English (1950). Again the first edition was selected, to top the irony, the translators decided to render the crucial term 'wirtschaftend' (engaged in economic activity) throughout by the word economizing which Menger had expressly restricted to the allocation of insufficient means. Menger's two meanings of economy were now not only buried, but their grave was sprinkled with ashes.

The first of the two meanings gave rise to the scarcity definition of economics; the second was ignored.