Economics as Social Science and the Role of Comparative Economics

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All sciences evolve over time thanks to new theoretical and empirical results. Progress in natural sciences (like Physics) largely depends on new "hard" (laboratory) results while evolution in the social sciences (like Sociology) derives from new "soft" findings. Social sciences (including Economics) focus on "complex systems", in particular, on the consequences of human and social behaviour and interactions; in addition, a significant emphasis is placed on the role of economic-institutional-social structures and dynamics in shaping the course of history. However, more than a century ago, especially with the diffusion of "General Economic Equilibrium" theory, the Economics profession, started on an ambitious path moving from the ambit of social sciences and attempting to approach the realm of the natural sciences (e.g. Vercelli, 1991). Was that evolution the beginning of a virtuous advancement toward a necessary rigorous and consistent apparatus or was it the first sign of a dangerous involution? The answer to this question is not simple, but we can propose some observations. First of all, it should be noted that this evolution of Economics has not been linear, nor unchallenged; a significant exception was provided by Keynes who based his General Theory (1936) on the rejection of the ergodic axiom (e.g. Davidson, 2012). Despite this, in the last half a century many keynesians also substantially favoured or accepted the "ergodic hypothesis" for Economics (e.g. Samuelson, 1969), in addition to the economists of the non-keynesian schools (e.g. Lucas and Sargent, 1981). As argued, especially by some post-keynesians, in an ergodic world all future events are predetermined, and the role of human decisions and actions is dramatically reduced (i.e. adopting a reductionist concept of rationality), as the importance of the temporal dimension is overlooked (i.e. reducing the role of uncertainty and the importance of irreversibility).

So, where does Comparative Economics fit within this paradigm? Comparative Economics is an important branch of Economics and has itself experienced a significant evolution, during the past half a
century,\textsuperscript{4} also in relation with historical changes: the major event was the fall of the Berlin wall and the beginning of ‘transition’ in Eastern Europe. Nevertheless, through this it has preserved some crucial characteristics of particular importance for maintaining Economics within the realm of the social sciences. In particular, Comparative Economics mainly focuses investigating the diversities in economic performance, within and across regions, but especially highlighting the role of the different institutional and structural frameworks and their interactions with social behaviour and human decisions. It is this, the existence of different (absolute and relative) economic performances and their - often surprising - evolutions over time in the real world, which represents a key critical challenge to the "ergodic axiom".

In any case, it is likely that Comparative Economics can further enrich it’s already positive influence within Economic Science if certain features and – theoretical or empirical – developments are highlighted: (i) a wider adoption, in cross-national investigations, of several performance indicators (contrasting with the use of per capita GDP alone)\textsuperscript{5}; (ii) a deeper analysis of the key features "within national systems" (e.g. at sub-national level) in addition to the "between systems" investigations (e.g. the varieties of capitalism); (iii) a stronger effort in investigating the determinants of medium- and long-run comparative economic performance in the various countries or areas of the world; (iv) a greater priority attached to identifying the policy levers appropriate for improving real conditions.

In conclusion, it is important that Economics largely uses all possible instruments (mathematics, statistics, econometrics, game theory, etc.), but without adopting - explicitly or implicitly - the "ergodic axiom"; in fact we cannot accept the assumption that the future is predetermined without a significant role for (i) human actions, especially in conditions of uncertainty and incomplete information, and (ii) the temporal dimension, in real “historic” time, and the importance of irreversibility. Comparative Economics, with its specific approaches and methodologies, can help in better shaping Economics, while keeping it in the realm of social sciences, promoting cross-disciplinary cooperation, and avoiding unnatural and damaging transitions towards the natural sciences.

References


\textsuperscript{4} For good analyses of the complex evolution of Comparative Economics, see Brada (2009), Djankov et al. (2003), Dallago (2004) and Murrel (2011).

\textsuperscript{5} In this respect, see Stiglitz, Sen and Fitoussi (2009) for discussion of wider measurements of economic performance and social progress; Milanovic (2006) on the importance of measuring income and wealth inequalities; Brada and Signorelli (2012) for a discussion of the indicators necessary for comparing labour market performance.


