

# Economic History and Postmodern Theory

*Postmodernism questions the possibility of narratives of 'progress' in the sphere of culture, a position that disagrees with economists' faith in economic progress in which cultural change plays a large role. This fundamental incompatibility has made economic history uncomfortable for historians, and led to a breach between economics and history. Can this rift be repaired?*

**TIRTHANKAR ROY**

In the last quarter of the century that just ended, a critique of the historiography of 'progress' took shape under the influence of postmodern theory. The sway of postmodernism is receding in historiography, though it remains strong over anthropology, especially in the North American academia. Nevertheless, it has changed the way social and cultural historians conceive their subject matter. This change has had a subtle and unwholesome influence on the practice of economic history.

Steadily over the 1980s and beyond, the theoretical filters through which culture used to play a major role in stories of economic growth – Marxism and modernisation theory – were made obsolete by postmodernism, the former for its structuralist methods and the latter for its implicit ethnocentrism. Economists were largely unaware or unconcerned while these tools were being removed from the historian's tool-box; the operation went unnoticed and without a serious dialogue between economists and postmodern theory.<sup>1</sup> The relationship between economics and history that emerged thereafter has not been an easy one. Economic history has veered towards economic theory. The centre of the discipline has shifted towards what is more aptly called 'historical economics', in which the role of culture is inadequately theorised. Within 'history' broadly speaking, the economic has more or less been submerged in a burst of cultural studies. The interdisciplinary spirit that was so evident in the 1970s faded in the 1990s.

For Southasianists, it just died. Within south Asian studies, scholars trained as historians made substantial and distinctive contributions to economic history in the 1980s. Seminars and conferences on economic history themes used to figure historians and economists. Historians believed that economic change mattered to whatever else that they studied. And economists believed that history mattered to policy analysis. Those voices and dialogues have fallen silent for quite some time, with adverse consequences for the practice of economic history in India. The neoliberal economics spawned by the economic reforms of the 1990s finds it difficult to relate to the orthodox paradigms in Indian economic history, which project a solidly anti-globalisation message. And postmodern historiography finds it difficult to relate to economics.

One stark example of this tacit closure of a dialogue within history and historical anthropology is the 'subaltern studies', which shifted its interests from political-economic experiences of marginal groups in colonial India toward the study of 'subjugated knowledges'. The first few collections (1981-85) had essays that combined economics and politics without questions about a relationship between them. Such a combination was conspicuously rare in the collections that appeared in the 1990s. Economics ceased to matter from about 1988-89 when some members of the collective redefined 'subalterneity'.

Even if these signs of a disciplinary breach appear overdrawn, we need to answer two questions. Is there a reason why historians and economists might not see eye to eye in today's world? How can we bring back culture into the centre of economic history, and yet meet the postmodern critique? The present essay addresses these two questions.

The rest of the essay has three parts. The first outlines the postmodern critique of history, the second studies how some elements in this critique were anticipated in economics and led to new theoretical tools, and the third tries to develop an unencumbered idea of modernity reusing these tools.

I

Postmodernism takes a position against narrative history centred on a subject or a structure. The project is seen to be incompatible with 'progress', 'evolution' or 'modernisation', for these terms require the speaker to specify the non-existent centre of that process. Postmodernism in historiography accommodates a variety of argumentation, of which two are central, one dealing with language and the other with knowledge and power. This essay contends with the second variant, for power is of more direct interest to economics.

There are well known difficulties in attributing any specific critique of modernity to any specific figure within the postmodern tradition. Nevertheless, a bare outline can be constructed, consisting of three sets of propositions. First, Reason, the centre of enlightenment, is another name for the human subject's desire to master forces within and without in the attempt to self-realisation. Modernity, or the claim of subject-centred reason to science and culture, constitutes itself with reference to an 'Other'. The discourse of modernity becomes such a discourse by an act of exclusion, subjugation, and by enabling an index of 'scientificity'. In short, there is no one history of progress, but rather repression and resistance are written into histories of progress. The liberal humanist narrative of history as a progress of elite consciousness implies that those that fail to keep up do so for their own shortcomings.

Second, 'power' is seen as a propensity of social relations to become strategic relations where each party tries to influence the other's conduct. In Marxism, power is vested in classes and arises from property. In postmodern theory, power is universal, the bourgeoisie is distinguishable only by the particular mechanisms of domination.

Third, what holds a science together cannot be sought in the 'foundation of things' the discourses are about, but in "the body of rules that enables them to form as objects of a discourse and thus constitutes the conditions of their historical appearance".<sup>2</sup>

What we discover at the core of any discursive practice is “a group of rules that are immanent in a practice, and define it in its specificity”.<sup>3</sup> In a more radical formulation, that theory claims universal validity, which has the maximum power-effect. Discourses are ranked as dominant or subjugated, a position that makes narrative history impossible, and only that history possible which is a “kaleidoscopic changes of shape in discourse totalities that have nothing in common apart from the single characteristic of being protuberances of power in general”.<sup>4</sup> Such ‘genealogical’ history is supposed to not tell a story, but ‘set traps for humanistic discourse’.

Turn-of-the-century historiography imbibed the spirit of this critique in large measure. The idea of human essence and strong forms of empiricism receded. Ruptures and chaos became more acceptable as units of analysis than large continuities. A healthy suspicion of the written, printed, or ‘official’ sources came about. On the other hand, struggles to recover grounds for truth claims also led to various forms of counter arguments.

At the same time, several tendencies crept in within the practice of history that made economics steadily fall out of line. There was, first, a distrust of narrative history for tending to be too susceptible to teleology, whereas most economic history, dealing as it does with structures rather than subjectivity, tend to use the narrative mode.<sup>5</sup> Second, having made a strong connection between power and the production of knowledge, postmodernism also questioned claims of ‘scientificity’ in the human sciences. The claim that economics was a ‘science’ dealing with testable propositions and progressing by verification of these propositions posed a problem, even though such claims are weaker now in methodological pronouncements. Third, postulating a fundamental asymmetry in any relationship left terms such as ‘contracts’, ‘bargaining’, ‘negotiations’, without much content. By coincidence, at that very time, economists were discovering the potentialities of such consensual transactions via game theory.

The fourth feature, and the most serious of all, concerns the possibility of a discourse of modernity, or the search for a trajectory of progress on which societies can be located and compared. The idea of progress forms the critical core of economic history, so much so that it does not usually require qualification or articulation. The language of modernity was deeply entrenched in economics, even as modernity was left wide open in cultural studies. This created a serious problem. If we believe that culture matters to economic modernisation at all, economic modernisation must have a cultural side to it, or cultural modernisation must be a real thing for economists. But economists could not any more hope to co-opt the cultural historians into this project of defining cultural progress. Instead, they did so in their own sometimes clumsy or casual way.

Given this scenario, there are two ways that postmodernism can be pursued vis-a-vis economic history. The first is to take sides with those paradigms of history where the metaphysics of power is already central. In that spirit, social theory after postmodernism tends to allow in only one theoretical perspective on third world economic history, the world-systems approach.<sup>6</sup> In the same way, whenever postmodern anthropology comments on economic relationship in the third world, it displays an unquestioned scepticism on globalisation and market exchange. The second is to expel economics from history. Postcolonial historiography is the best example of such a trend. The majority of the historians of the former colonies now accept that the project of colonial modernisation in these regions was a project of colonisation of the minds, which in turn produced a progressive west and a backward non-west in discourses on both sides. The historian of colonialism, then, gives up the language of modernisation, and takes up the plurality of discourses that the experience of domination, and resistance to categorisations, generated.

But here arises a problem that is symptomatic. Many former colonies experienced significant rates of economic growth and real wage increases in the late nineteenth century, apparently suggesting that there can be a case for a substantive modernity even in such manifestly inequitable contexts as colonialism. This economic idea of the ‘modern’ needs to be spelt out.

## II

There are two senses in which the term ‘modern’ tends to be employed in economics, both different from the rational subject of western enlightenment. There is ‘modernism’ as a methodological position in the social sciences, the claim that the knowing subject can reach the truth by following certain rules. A second sense can be derived from the economists’ concept of growth. The latter does not refer to the knowing subject, nor to criteria of persuasion, but to a quality of economic interaction. Such a notion echoes the sense in which Frederic Jameson sees modernity in art, “the quantum leap to the undeveloped or underdeveloped”.<sup>7</sup> The economist’s narrative of progress is an account of the process wherein resources underutilised or underdeveloped begin to be used over a long time horizon. The modern period saw both a quickening and a global transmission of this process. The discourse of economic history not only takes this thematic for granted, but even believes that modernity can be measured. In cultural critiques of modernity, measurability is ignored. Not because cultural or social modernity cannot be measured at all, but because the definition of modernity as a constructed idea makes measurements redundant. In the sense in which ‘modern’ is used in, say, Kuznets’s ‘modern economic growth’, measurability is an important dimension. Some of the key signs of this process – increasing subsistence, access to time, and access to surplus over subsistence – are measurable.

The protagonist of the growth story has never been clearly identified in economics. However, until recently, the mainstream answers to this question identified either a system as in scientific Marxism, or a systemic average such as the rational purposive individual of neoclassical economics, as the centre of history. Both these proposals have been deeply controversial. Marxian dynamics placed a structural tension at the centre. Its greatest and perhaps enduring success was in allowing for a role for power, based on property relations. But that very strength brought in a weakness, the tendency to define power-relations too precisely. On the other hand, Marxism failed to persuade neoclassically inclined economic history by not accounting for cooperation and consent in economic transactions.

In a more gradual revolution, neoclassical economics saw its own postmodern turn. The rational knowing subject of neoclassical economic theory, and the evolutionary idea that exchanges ordered by instrumentally rational individuals lead to economic growth, have long been questioned.<sup>8</sup> There are at least four major forms that this internal critique has taken. First, a breach between individual and collective rationality that appears due to the uncompensated, and sometimes unintended, consequences of individual action upon others. These possibilities have been central to market outcomes, theories of the firm, industrial organisation, public choice, political theory, game theory, and now environmental economics. A breach also appears due to uncertainty, which is a central point for the post-Keynesians. Second, there has been persistent uneasiness with the solipsistic ‘agent’ of microeconomics. Marxists, Austrians and institutionalists persuasively argue that individuality is a social construct, an idea long established in classical economic sociology. Third, game theory and interface between economics and law shifted the unit of analysis from the atomistic individual to strategic interaction. Grounds were specified for cooperation, altruism,

group interests, as well as individual strategic behaviour that are harmful for the collective, because such behaviour is aimed at, by definition, wresting more from a given social product. Game theory and new developments in macroeconomics, moreover, have had to grapple with indeterminacy that calls for some forms of extra-rational rules. Fourth, strong versions of positivism came under attack in the 1980s.

From then on, the possibility of failure of the economic subject led to a quiet burial of the naïve biological metaphor – what evolves out of a competitive process must be the best possible world. Within economics, the old solution to the failure of the rational subject was state intervention. A more encompassing, in some ways an alternative, solution became popular, institutions or rules that structure transactions. Rules include routinised practices, practical conventions, customs, and informal agreements. Some of these rules can be seen as the society's response to the limitations of the individual subject. Rules and organisations are then seen as information-processors, as referees in situations when information is distributed asymmetrically, as coercive or cooperative means to bring self-interest in line with social interests in the presence of such problems as manipulative behaviour or free-riding. In all these senses, economic theory approaches social theory, and both seem well aware of the proximity of their relation.<sup>9</sup>

In the same spirit, economic history proposes that economic growth is embedded in a set of growth-generating rules.<sup>10</sup> Growth-generating rules are those that create incentives for increasing productivity and make contracting and negotiations easier. For the modern west, the growth-generating rules were those that enabled the society to adapt to the 'second economic revolution' based on alliance of science with technology, and on technologies with increasing returns to scale. Some of these rules must be socially specific, to the extent that the technological imperative is not everywhere of the same kind. But some of these rules do form a core set with universal relevance, for example, protection of private property rights.<sup>11</sup> Institutions change, partly due to changes in economic variables that make a different set of rules more profitable.

These new trends in economic history involve a mode of analysis less susceptible to postmodern critiques. For, there is a shift here in the unit of analysis from individuals to structured interactions. In Marxism, interactions represent a relatively fixed ordering of rules that can be understood in terms of a limited set of variables. The theoretical centrepiece is the 'sum of interrelationships'.<sup>12</sup> Institutional history can be seen to leave the 'sum' unpredictable, and the variables that explain the totality a larger and a more open set. Economic history tracks transactional games. It deals with finding out conditions of the transition in rules, and the contingent and immanent content of rules. In this broad sense, economic history has a centre – transactional games – that does not need assumptions about either rationality or power-relations to become workable.

That said, new economic history has not been all that clear on cultural agency. In new institutionalist history, for example, culture enters economic change via a whole series of terms – norms, behaviour, informal constraints, ideology, enforcement, conventions, etc – the distinctions between which are not clear. There is, furthermore, a reductionist tendency in such propositions as the second economic revolution 'uprooted' informal constraints to suit them to the new economy or 'induced' changes in ideology in the same direction. At the same time it is granted that western institutions are 'more flexible', which begs the question of explaining how they could be so.<sup>13</sup> Underdevelopment in this formulation is a matter of a path-dependence, a politically induced 'lock-in', or remaining stuck with bad rules. This is questionable not only because it is hard to test, but also because it

explains 'lock-in' better than unlocking. If growth in any significant sense derives from cultural change, that idea is not theorised.

There is a deeper cause behind the ambiguity about culture. Marx, Weber, and their legacy was comparativist, that is, their sense of the 'modern' entailed a grappling with the premodern or non-modern. Such methods made Weber, rightly or wrongly, emphatically culturalist in defining modernity. By contrast, the applied side of new institutional economics is preoccupied with the 'Rise of the Western World'. The older institutional economics, likewise, was preoccupied with explaining the interwar American economic system. There is, as a result, a built-in bias wherein culture tends to be seen as buttressing rationality. It is possible to read in this account a common path in history charted by rationalisation, much like in modernisation theory, good or bad path-dependence is the only differentiating factor. There is no asking the questions how some societies discover rules that produce slow growth, instability, muddled and conflicting rules, or rules about subversion of rules.

And yet, some of these new building blocks in historical economics suggest how economic historians might be able to meet the postmodern critique and at the same time bring back culture into the centre of economic history. I study this point in two steps.

### III Narrative History

Two arguments can be advanced in favour of a history with 'progress' at its centre. First, economics recognises that cooperation is a possible mode of interactive relationships, the connection between power and knowledge being a conditional one. Because all transactions are not structured on authoritarian basis, not all narratives of progress represent the voice of authority. What, then, do they represent? Here comes the second argument. The centre of economic history is not the rational individual, but rules that govern transactions in such a way as to provide incentives for productive or unproductive behaviour. Economic history tracks transactions, rather than the evolution of the rational subject or big structures. This is clearly a far less rigid programme than subject- or structure-centred histories. 'Laws of motion' become obsolete. Narrative history has to contend with flexibility, difference, chance, and ignorance. For, in the current state of knowledge, we understand growth-generating rules, which tend to focus on the state and productive coalitions, better than growth-subverting ones. It is also essentially an interdisciplinary programme. The interdisciplinary content is captured in the belief that rules are embedded, contingent, can serve political goals, and can have non-economic origins.

These two foundations for sensible and legitimate narrative history about modernisation entail a different attitude to sources and reading of sources. Postmodernism is suspicious of attempts to discover continuity in situations – on material or on the cultural plane – that provokes theories, statements, documents. The documents must be described as events on a discursive plane, and not as expressions of a deeper unity. If discontinuity is the key in postmodern history, economic history acknowledges that significant chains of continuity exist within situations that give rise to documents or discourses. Documents, no matter how they are produced, can always contain significant truth-value if they directly relate to transactions or transactional rules. It is a different matter where documents talk about perceived social gains and costs from a given set of transactions. These benefit-cost statements and pure descriptions of transactional rules need to be kept distinct in any reading of sources. Source-scepticism cannot be an arbitrary starting point, but needs justification with reference to objects of inquiry.

All this also entails a very different view on power. The problems in incorporating postmodern views of power in economic history stem not from accepting power matters, but from the foundational status of the will to power in postmodernism. In economic history, concrete forms of power matter not only in a dominating sort of way, but also in an equalising and liberating way, when for example these forms of power set and enforce rules that prevent free riding or unproductive coalitions. The idea of the contractarian state that arises from a need to reduce the costs of protecting private property is in sharp opposition to the postmodern idea of the state as machinery for surveillance. The former idea has had a particularly strong impact in development studies, via a rethinking of the role of governments and politics in economic development. Proscriptive rules are a case of particular interest. In postmodernism, economic-prohibitory rules tend to be identified with disciplining, and the latter with repressive devices such as were used to harnessing labour to the production system.<sup>14</sup> In economics, a lot of prohibitory rules are seen to represent 'rationally accepted subordination' adopted to counter free riding, 'distributional coalitions', or injurious pluralism.<sup>15</sup> In this respect, power can be liberating. Power as such is characterless, what matters are the effects of power measured in terms of governance costs.

### Conceptualising Economic-Cultural Change

A purely economic notion of modernisation as the possibility of that condition which enables sustained rise in productivity is not likely to be controversial. What is at stake, however, is the interdependence between economics and culture in a development context. Modernisation theory made a connection and gave it a clearly western face. The problem is not with the connection, but with the face.

Economic modernisation is driven, only in part, by institutions built to implement economic rationality. Since the rules making economic modernisation possible are embedded in culture, there is also a 'reorientation in social norms and values' involved.<sup>16</sup> On this point, new economic history and modernisation theory share a common premise. However, if the latter was too narrowly bound to particular definitions of culture, the former is inadequate as an aid to think this relationship through.

Several past traditions in social theory explained the non-emergence of economic modernity by factors that suppressed rationality. Growth-compatibility was seen in terms of instrumentality as opposed to 'ceremoniality', and disembeddedness seen as opposed to embeddedness of economic actions in non-economic contexts. In different variants (another example is Marx's abstraction and institutionalisation of labour), the idea of disembeddedness reappears in interpretations of what economic modernity entails.<sup>17</sup> In that sense, modernisation is simply increasing disembeddedness, the emergence of rationally guided behaviour from the constraints of conventions, or 'rationalisation' of action in Max Weber. There are two problems with this approach. It presumes rationality as an original attribute, and it underestimates tradition.

The view of tradition as a constraint must be discarded for one that can see tradition as a vital ingredient in modernity in being 'the unquestioned context for processes of mutual understanding', or in enabling formation of narratives.<sup>18</sup> Manifest ceremoniality, such as a Weberian tradition once saw in east Asia, did not obviously constrain economic growth. Much modern research in sociology argues that success needs contacts.<sup>19</sup> Economic-theoretic work on the limits of rationality suggests that social norms can be a virtue if they become a basis for cooperation where cooperation is needed.

Embeddedness as such is neither growth-restraining nor growth-inducing. The problem is the kind of bed that generates

rules that fail to meet legal-theoretic standards of 'rule of law', or fair rules that generate their own support. These standards include equality, procedural fairness, negotiability, consent or legitimacy, and 'publicity' or public recognition and knowledge about the conception of justice involved.<sup>20</sup> These standards need to be learnt, so that they also require institutions that enable communication and common understanding about them to grow.

The language of embeddedness tends to slip in a propensity to privilege a particular kind of 'bed'. A more open characterisation would be to have two axes along which a cluster of rules is positioned: we can call them the 'economic efficiency' and the 'rule of law' axis respectively. Along one of these, costs of production fall, driven by markets, technology, tastes, or opportunism. Along the other, costs of governance fall, driven by power, tradition, mentality, consensus, learning, or administrative dynamics. The former movement corresponds, for example, to parties devising a new set of exchange rule when confronted with different relative prices, with no change in the governance regime. The latter movement might be characterised by, say, a change from exchanges mediated by the underworld to those mediated by the state, reducing governance costs per head. 'Progress' can be defined as a north-easterly movement on this space, a movement that characterises a whole constellation of transactions and rules.

In this very flexible sense, progress or economic modernisation does involve cultural change, but it does not mean movement along a fixed trajectory. Nor does it mean movement from a 'traditional society'. There is no fixed set of points on this space that can be called the absolutely traditional or the absolutely modern. Cases of sustained economic growth (or its opposite) might reveal these dynamics to be mutually reinforcing in the long run. We cannot travel along one axis alone too far. Indeed, it is possible to suggest that it is bad laws or governance systems that primarily lock in a set of economic transactions to remain crude and inefficient. In some forms of transaction, such as where cooperation is essential, changes in economic exchange and legal regimes are impossible to distinguish. Nevertheless, individual transactional fields may be quite widely dispersed for a given society. Culture matters in this framework, but we do not know very well the culturally variable content of rule of law. In that respect, this definition of (economic) modernisation does not need to be ethnocentric.

I wish to take this picture of transactions being dispersed on a two-dimensional space somewhat further, to offer an unconventional characterisation of developing societies, especially those that emerged from colonial rule. It seems that developing countries, or societies in rapid transition, present the most contradictory of pictures. Colonialism was a regime that caused primarily a wider dispersal of transactions on this space by superimposing new forms of transaction and new concepts of law upon older ones. By pushing market-based exchanges or commercialisation, colonialism widened the scope for efficiency gains as well as rule of law. At the same time, economic gains were not necessarily accompanied by changes in governance systems, or vice versa. In some cases, access to new profit opportunities strengthened older governance systems. Most historians of colonial India would perhaps not disagree with these statements. What I would particularly like to stress is that, given these many-sided movements on the law-economics space, and given the fact of a wider scatter of transactions, the average trend in the cluster of transactions remains open to interpretation. For an ex-colonial developing economy, the movement on this space describes a line, if any, with an especially bad fit.

It is possible to think of at least three situations where conditions for sustained economic growth are undermined on the

cultural side. Or, a culturally induced lock-in is at work. High governance costs can restrain economic modernisation, trapping a given cluster of transactions in a low-level equilibrium in each of these situations.

First, societies characterised by deep hierarchies, based on gender or caste for example, may become used to hierarchical or exclusive mode of interaction that affect information-sharing and negotiations when these become virtues for building or maintaining economic institutions. Second, there is the possibility of destruction of the basis for communicative action, in critical theory terms 'pathology of the life-world'. For late capitalism, power or money is seen to pose such a threat.<sup>21</sup> In poorer societies, rapid pace of transition and consequent social dislocation, or deep imbalance in resources, can pose a similar threat. Third, power can derive from different types of capital – economic, social, cultural, symbolic – such that conflicts or disparities could occur between accumulation in these forms of capital.<sup>22</sup> Such disparities are more likely in societies that are too hierarchical to begin with, in those experiencing rapid transition, or in those under foreign domination. Accumulation of symbolic capital can occur at the risk of exposing economic capital. Or attempts to preserve gender-biases or caste-biases can lead to modes of interaction that compromise economic capital.

## Conclusion

Attempts to find objective lessons in economic history need to restate their own claims against postmodernist critiques of historiography. Such rejoinders, however, are rare. The first part of the essay considers why they are rare.

The second and the third parts suggest that a flexible interpretation of economic history can meet some of these objections. In this interpretation, the unit of analysis shifts from societies or individuals to transactions, bound by rules that do not need to presume any essential quality of its players, such as 'rationality' for the individual or 'disembeddedness' for whole societies. Narrative histories relate how transactional rules change to produce the possibility of growth or its opposite. In a broad way, what we call economic growth, and what economic historians routinely deal with, is a change in transactional rules along a two-dimensional space, the two axes measuring efficiency in exchange and better/cheaper governance of rules of exchange respectively.

We may, in the absence of a better word, use 'modernisation' to mean north-easterly movements in this space. But there are fundamental differences between this version of change and the modernisation theory. The latter made a polarised opposition between the traditional and the modern as two systems of work-thought combination. It claimed to know what constituted the traditional and identified it with 'pre-industrial and non-rational' ways of life. It also tended to propose a foundation of culture in economic practices thereby falling into circular reasoning. Economic history does not need to make such claims. Those key identities – industrialisation-rationality, rationality-modernity and modernity-westernity – are not necessary. For, growth or its weakness is a characteristics, not of societies, but of a cluster of rules. We know enough to spot good rules. But we haven't finished understanding when good rule appear or when transactions remain trapped in bad rules. [\[22\]](#)

Address for correspondence:  
tirthankar\_roy@yahoo.co.in

## Notes

1 Within economics, postmodernism has struck a sympathetic chord in self-conscious heterodoxy represented particularly by segments within

new versions of old institutionalism, post-Keynesianism, feminist economics, anti-developmentalism, and non-determinist Marxism. See 'Postmodernism, Economics, and Canon Creation', symposium in *Journal of Post Keynesian Economics*, 13, 1991; A Escobar, *Encountering Development*, Princeton, 1995; F E Foldvary (ed), *Beyond Neoclassical Economics*, Cheltenham, UK, and Brookfield, US, 1996. D McCloskey's critique of positivism is consistent with, but not shaped by, the spirit of postmodernism. See *Rhetoric of Economics*, Brighton, 1986. Concern with economic history is marginal in this array of critical writing.

2 M Foucault, *The Archaeology of Knowledge*, transl A M Sheridan Smith, London, 1994, pp 40, 46, 48.

3 J Habermas, *The Philosophical Discourse of Modernity*, trans F Lawrence, Cambridge, 1985, p 277.

4 Habermas, *Philosophical Discourse*, p 283.

5 These arguments appear in various forms in critiques of modernisation discourse in history or policy, see Escobar, *Encountering Development*, and I Wallerstein, 'World-Systems Analysis' in A Giddens and J Turner (eds), *Social Theory Today*, Cambridge, pp 309-26.

6 For example, A Giddens, *Sociology*, Cambridge, 1994; S Seidman, *Contested Knowledge: Social Theory in the Postmodern Era*, Oxford, 1998.

7 *Postmodernism*, London and New York, 1991, p ix.

8 Classic writings in social choice theory redefined rationality. Notably, Simon gave a specific sense to 'procedural rationality' in the suggestion that individuals follow rules of thumb to economise on time and information. That these rules might be shared and variable leads one to the notions of institutions and collective rationality. See H. Simon, 'Rationality in Psychology and Economics', *Journal of Business*, 59, 1986. On a survey of evolutionary ideas in economics, see G M Hodgson, *Economics and Evolution*, Cambridge, 1993, Ch 1.

9 In evidence in N J Smelser, and R Swedberg (eds), *Handbook of Economic Sociology*, Princeton, 1994.

10 D C North, *Institutions, Institutional Change and Economic Performance* Cambridge, 1990. See also a summary that stresses the importance of culture somewhat more, North, 'Toward a Theory of Institutional Change' in W A Barnett (ed), *Political Economy: Institutions, Competition and Representation*, Cambridge, 1993.

11 H Demsetz, 'Toward a Theory of Property Rights', *American Economic Review*, 57, 1967.

12 Karl Marx in *Grundrisse der Kritik der Politischen Ökonomie*, cited by B Mayhew, 'Structuralism versus Individualism: Shadowboxing in the Dark', reprinted in Donald McQuarrie (ed), *Readings in Contemporary Sociological Theory*, New Jersey, 1995, p 287.

13 D C North, 'Institutions and Economic Development', essay prepared for the World Development Report, St Louis, 1991.

14 Mechanisms of exclusion and surveillance began 'to reveal their political usefulness and to lend themselves economic profit' for the bourgeoisie, M Foucault, 'Two Lectures' in Colin Gordon (ed), *Power/Knowledge: Selected Interviews and Other Writings, 1972-1977*, transl Colin Gordon, Leo Marshall, John Mepham, Kate Soper, New York, 1980.

15 The term is taken from R Rogowski, 'Structure, Growth and Power: Three Rationalist Accounts' in R H Bates (ed), *Toward a Political Economy of Development: A Rational Choice Perspective*, Berkeley and Los Angeles, 1988.

16 B F Hoselitz, 'Non-Economic Barriers to Economic Development', *Economic Development and Cultural Change*, 1, 1952, p 8.

17 Embeddedness is associated with Karl Polanyi, see J R Stanfield, *The Economic Thought of Karl Polanyi*, London and New York, 1986. Ceremoniality is used in institutionalist economics, see W Waller, 'Institutional Political Economy: History' in P A O'Hara (ed), *The Encyclopedia of Political Economy*, London, 1999.

18 Habermas, *Philosophical Discourse*, p 314; A McIntyre, *After Virtue*, Notre Dame, 1984, pp 244-45.

19 For a survey, see R Swedberg, 'Economic Sociology' in E F Borgatta and R J V Montgomery, (eds) *The Encyclopedia of Sociology*, Second Edition, New York, 2000.

20 On rule of law and publicity, see J Rawls, *A Theory of Justice*, Cambridge Massachusetts, 1971, Sections 29, 38.

21 J Habermas, *The Theory of Communicative Action*, Vol 2, transl T McCarthy, Cambridge, 1987, Ch VIII.

22 The third point draws on ideas of Pierre Bourdieu, for a summary of which see his 'Social Space and Symbolic Power', *Sociological Theory*, 7, 1989.