

CHALLENGING THE LEGITIMACY OF NORMATIVE POSITIVISM: INSTITUTIONALIST ALTERNATIVES TO DOMINANT ANALYSES OF ECONOMIC ACTION

UDC 330.831.8

Maxim Kokushkin

Kalamazoo College, Michigan, USA

Abstract. *In standard Habermasian terms, legitimacy is the recognized worthiness of a political order that justifies and solidifies that order's domination. It may thus appear that the concept of legitimation can only be applied to the political sphere, for instance to analyze the emergence of a political system such as Western Democracy. However, the growing political influence of neoliberal economic thought and policies allows the application of the concept of legitimacy to the knowledge underlying neo-liberalization. This article investigates the delegitimation of normative positivism, the epistemological premise of dominant analyses of economic action. The decontextualizing logic of those analyses continues guiding neo-liberal policies despite the evidence that these policies do not produce the promised results. At the same time, the marriage between political capitalism and positivist economic analyses presents both the knowledge and the resulting policies as the only possible solutions to the multiple crises of capitalism. Hence, I advocate for an increased reliance on institutionalist epistemologies that emphasize historical and cultural contextuality. In doing that, I highlight promising examples of institutionalist thought that can help accelerate the delegitimation of normative positivism and thus create openings for studying the alternatives to capitalism.*

Key words: *legitimation, delegitimation, normative positivism, institutional epistemology.*

INTRODUCTION

The inability of economics to predict major crises became clear during the global financial crisis, 2007–2008, in spite of the field's commitment to modeling and

Received November 22, 2015 / Accepted February 14, 2016

Corresponding author: Maxim Kokushkin

Kalamazoo College, 1200 Academy Street, 49006-3295, Michigan, USA

E-mail: mkokushk@kzoo.edu

forecasting (Silver 2012, 11–28). Statistician and political forecaster Nate Silver claims that the whole “history of trying to make economic forecasts is one of complete failure” (Campione 2015). Silver’s observations are echoed by professional journalists (Shermer 2012, Thoma 2014) and some economists (Krugman 2013; Lawson 2009; Smith 2015; Wieland and Wolters 2010). However, instead of signaling the end of liberal and neo-liberal economics, the aftermath of the financial crisis was marked by increased austerity and financialization (Blyth 2013b; Jabko 2013; Jessop 2013; Lapavistas 2011; Peck 2013). The short answer to the paradox of why an empirically failed science dominates policy-making is “ideology” (Blyth 2013a; Harvey 2005), but it is unclear how that domination can be ended.

The contrast between the empirical failures of economics and the field’s leading role in policy-making highlights the need to explore the legitimacy relationship between an academic field and a policy paradigm. In standard Habermasian terms, legitimacy is the recognized worthiness of a political order that justifies and solidifies that order’s domination (Habermas 1979, 178–182). It may thus appear that the concept of legitimacy can only be applied to the political sphere, for instance to analyze the emergence of a political system such as Western Democracy (e.g. Celikates, Kreide, and Wesche 2015). However, this article uses the concept of legitimacy to critique the knowledge creation that underlies the merger between neo-liberal economic thought and actual economic policies.

On the one hand, dominant economic analyses and paradigms enjoy the endorsement of the political class and present neo-liberal capitalism as the only possible economic system of late modernity. Neo-liberalism here is understood as an adaptable ideological project aimed at establishing market relations as the *modus operandi* for politics, culture, education and economics alike (Harvey 2005; Glendhill 2004; Mudge 2008; Connell and Dados 2014; Giroux 2014; Kokushkin and Pettys 2015). On the other hand, the social science of economics engages in normal Kuhnian puzzle solving (see Kuhn 1996) without incorporating any forms of dissent within the main paradigm. Therefore, the processes of political legitimation of neo-liberalism may be accompanied by parallel processes of scientific delegitimation expressed by the empirical inefficacy of dominant economic theories and analyses. Based on the parallel processes of legitimation and delegitimation, I argue that alternative knowledge can contribute to the delegitimation of mainstream economics and the overall shift in the paradigm of the approach of social science to the economic sphere thus eventually leading to alternative policy formations.

The article advances its argument by first exploring how the concept of legitimacy and the processes associated with it can be extended outside of the political sphere. In doing that, I point to the openness of Habermasian thought to such an extension. Then, the article proceeds with a detailed critique of the epistemological premises of economics – normative positivism and General Linear Reality (GLR) – in the context of the divergence of economic analyses from the empirical reality and actual people’s experiences. Further, institutionalist alternatives are explored as a set of approaches that can remedy the epistemological issues introduced by normative positivism and GLR. Finally, a pathway to delegitimizing contemporary economics is discussed by highlighting contemporary works of promise.

LEGITIMACY

In order to construct a working context for the argument, this section reviews a normative and a descriptive approach to legitimacy and builds the case for applying the concept to the study of economic life. Strictly speaking, there are three basic elements in Habermas's definition of legitimacy: (1) political order, (2) worthiness, and (3) recognition. The first pre-requisite, political order, Habermas emphasizes, shows the specific sphere where the concept operates (domain of application). To put it in other words, one could explore legitimacy only if the object is a certain political system, e.g. democracy. The second element is worthiness as a quality of the political order, which, in Habermas's view points out the contestability of legitimacy as a validity claim. Finally, the third element, recognition, reflects the acceptance of a political order as legitimate by society as a whole or a relevant social group that stabilizes the domination of that order (Habermas 1979, 178–182).

Habermas's approach is normative in that it seeks to establish what a legitimate political order should look like (Connolly 1984, 12; Outhwaite 2009, 62). It is precisely because of that normative aspect that Habermas's concept of legitimacy can be applied outside of the immediate jurisdiction of the political sphere by tracing factors residing in the economic and cultural spheres that affect the worthiness and recognition of the political order. In fact, Habermas himself highlights the close ties between the economic and political spheres in liberal capitalism (McCarthy 1984, 159–161; Outhwaite 2009, 63–64). Recognizing that multiple types of domination overlap in political capitalism then allows the application of legitimacy to the intersections between the political, economic and cultural/knowledge spheres.

Habermas's normative orientation is inseparable from Weber's descriptive/positive¹ approach to legitimacy, because Weber views legitimation as the process through which the relationship between rulers and the ruled is established. Weber's framework distinguishes among four different types of potentially legitimate domination: legal, charismatic, traditional, and a mixture of the last two, e.g. feudalism. Characteristic of modernity, legal domination is the submission to impersonal norms rather than to individuals. Legal domination is thus the opposite of charismatic domination, which is brought about by legitimizing the abnormal qualities of a leader's character. Further, traditional domination develops through the legitimation of sacred enduring practices, in accordance to which the leader is provided with respective fidelity. The last type of domination, feudalism, combines elements of charisma and tradition and is legitimated through a contract between the lord and the vassal (Swedberg 1998, 62–69).

Weber considers only legal domination to be inherent in rational capitalism, while the other three types have a more or less negative impact on rational capitalism. For instance, political capitalism and economic traditionalism both rely on traditional domination, while charisma and tradition combine with no form of capitalism, because the two characterize feudalism (Swedberg 1998, 68–69). If one considers neo-liberal capitalism to be a form of political capitalism (Prechel 2012), then the normative and positive

¹ I use the terms positive and descriptive interchangeably in opposition to the term normative.

approaches to legitimacy can be combined to explain how an empirically flawed paradigm can be dominant/legitimate in descriptive terms and illegitimate in normative terms.

While Weber's discussion of political capitalism is not as comprehensive as his discussion of rational capitalism (Holcombe 2015), the concept is applicable to late modernity by virtue of the fusion of the political and economic elite. In the aftermath of the global financial crisis, 2007–2008, political capitalism can be defined as “a system in which the political and economic elite design the rules so that they can use the political system to maintain their elite positions” (Holcombe 2015, 43). Given the expansive nature of political capitalism, one could also add the academic elite, particularly in economics, as a constitutive component of the dominant no-alternative neo-liberal order.

Ontologically, mainstream economics does not even recognize the existence of the concept of political capitalism. In its quest to establish the superiority of capitalism over socialism before the collapse of state socialism and the diversity within the presumed rational capitalist systems, the dominant paradigm in economics has failed to question its very assumption of rational capitalism (Holcombe 2015, 43–46). Further, the epistemology of mainstream economics reinforces the inability to recognize the very concept of political capitalism. In particular, the rationality and atomicity assumptions underlying economic models make it impossible to account for collective interests that may create inefficiencies and irrationality in an economic system in order to maintain elite power. The fact that the income of the economic elite is responsible for the global financial crisis is at an all-time high (Crowe 2015) illustrates that point.

NORMATIVE POSITIVISM AND GENERAL LINEAR REALITY

So far, I have stressed that political capitalism relies on a production of knowledge about economics that legitimizes its domination. That knowledge is produced by mainstream economics, which claims to rely on objective scientific theories and evidence. In addition, I have asserted that legitimacy can be approached from both normative and positive perspectives. Because of its ties to modern political institutions, mainstream economics is a social scientific field that can be evaluated using a legitimacy framework.

In Habermasian terms, such an evaluation can be justified because the extreme positivism of mainstream economics could be seen altering the very premises of social science, particularly its relationship with history and contextuality (Outhwaite 2009, 22). In this context, the abstract mathematical economic models and their assumptions can be seen as an example of scientific achievements with thorough ideological implications (Habermas 1970, 81–82). This section elaborates on the normative aspects of a positivist epistemology directly related to the inability of a social science to detect specific social formations.

If political capitalism benefits from remaining unexamined, the tools used to present it as rational capitalism have direct normative implications. In this sense, a form of positivism can be normative in that it assumes a certain image of the world that should exist based on a given set of prescriptions. Hence, normative positivism can shift the epistemological basis of a social scientific field away from exploring an existing reality or exploring an existing reality through a specific ideological lens (Tinker, Merino, and Neimark 1982). For example, within normative positivism, economic activity can be

approached through abstract formal mathematical models that rely on a fixed set of variables, rather than as a complex social, cultural and historical process.

The resulting inconsistency between theoretical and empirical investigations is conceptually, albeit artificially, resolved by a set of assumptions described as General Linear Reality (Stroschein 2012, 33–35). Defined as a way of thinking that treats linear models as representative of social reality (Abbott 1988, 170), General Linear Reality (GLR) constructs an image of social science as the equivalent of a natural science applied to the individuals in society. Here, social science is assigned the status of a young and undeveloped science that relies on the same epistemological and logical premises as natural science (Bernstein 1978). While GLR has had its successes, its assumptions can skew knowledge creation in the natural sciences, the social sciences and the humanities (Adriani and McKelvey 2011).

GLR postulates that its linear models can be generalized, because it operates under the premise that individuals and collectives can be treated as variables – uniform objects of study whose attributes can change. However, committing to the uniformity assumption denies the potential for human agency, individual or collective, in relation to structures. Thus, GLR postulates that macro-structures cause micro-structures, but not vice versa. In addition, GLR assumes that the attributes of the variables it uses are the same across histories, geographies and academic contexts thus ignoring the fact that these concepts are grounded in specific contexts, which are subject to change² (Abbott 2001, 37–63). Ultimately, GLR underlies a positivist social science that decontextualizes social issues thus generating abstract disconnected knowledge about a highly complex social world.

The limitations of GLR are not new and neither are the calls for increased contextuality in the study of social processes. For instance, Bernstein argues that an “adequate, comprehensive political and social theory must be at once empirical, interpretative, and critical” (Bernstein 1978, xiv). However, the shift of focus towards contextuality signals an increase in the complexity of the analysis and applicability of that analysis to social life. In other words, GLR’s continuing dominance in economics may have two possible explanations. First, GLR offers an uncomplicated and accessible approach to analyzing social life in general and economic activity in particular. Economists can thus be trained to be technically competent in a very efficient way. Second, thanks to outside influence from related fields, GLR can adjust its models to include cultural or other contextual variables without altering its assumptions.

Without altering its assumptions, adaptation and change within GLR would thus have no effect on normative positivism. Instead, new frameworks need to be constructed. The alternatives may then include constructing a wider range of models – demographic, sequential or network – of reality (Abbott 2001), revising the concept of time in social science as contextually relative and contained in events (Bluedorn 2002), or reconceptualizing the relationship between subject and object beyond established functionalizing patterns (Mannheim 1985). These and other alternatives to GLR can offer legitimate, in Habermasian terms, knowledge that reflects social reality, rather than one

² For instance, Foucault argues that key economic concepts like money and markets did not exist in the 17th and 18th centuries. Yet, contemporary economic theories apply these concepts retroactively and thus reconstruct a history that did not exist (Foucault 1990, 177–225). This critique equally applies to the assumption that economic variables and their attributes have the exact same meaning across all cultural or historical contexts.

that relies on the domination of the normative positivism paradigm. As Mannheim points out, “A new type of objectivity in the social sciences is attainable not through the exclusion of evaluations but through the critical awareness and control of them” (Mannheim 1985, 5), which means that a positivist component can be retained, but one that yields a different kind of objectivity.

While the historical, cultural, and linguistic turns in different areas of social science have produced contextualized knowledge, mainstream economics has been immune to such change. Hence, challenging the epistemological aspects of normative positivism is not sufficient, because the underlying GLR assumptions remain untouched. GLR is in part so powerful, because it is premised on the notion that normal science is universally objective and therefore universally applicable. However, this section claimed that GLR does not reflect actual social reality, which questions its scientific value and delegitimizes its continual use in policy-making. In the sections that follow, I explore that critique in more detail by discussing a set of inter- and trans-disciplinary approaches that tackle the very assumptions of GLR and normative positivism.

INSTITUTIONALIST ALTERNATIVES TO NORMATIVE POSITIVISM

Institutionalism, a school of thought that stresses that institutions and organizations are theoretically, empirically and practically crucial social phenomena (Sum and Jessop 2013, 33), is a framework committed to developing alternative knowledge and challenging dominant paradigms that exist in any given social scientific field. In defiance of GLR’s focus on individuals, the very premise of institutionalism is that social formations are more than the sum of the individuals involved. Institutionalism is broadly divided into two branches – early and new – historically located in the first and second halves of the 20th century respectively. However, within each branch, institutionalisms vary by field and ideas. For example, early institutionalists in economics were calling for a reversal of the postulates of classical economics. In political science, however, early institutionalists established the basis for positivism in the field. Alternatively, the views of early institutionalists in sociology ranged from structuralism to interactionism (Scott 2001, 2–21) .

The new institutionalists are following the path of offering multiple alternatives to dominant paradigms, rather than a single specific alternative (Hall and Taylor 1996). Conceiving of neo-institutionalism as one epistemological approach in social science could be problematic (March and Olsen 1984), but the search for contextuality beyond the canons is endemic in institutionalist³ thought and in institutional analyses of economic policy in particular. Typically, the search for contextuality includes historicity and cultural analysis. To demonstrate the focus on contextuality in institutionalist analyses, this section offers a discussion of several exemplars that highlight institutionalist thought.

³ After introducing early and new institutionalism as categorically distinct forms of institutionalism, I proceed by referring to institutionalism and institutionalist approaches, rather than the technically accurate new institutionalism and new institutionalist approaches. I do that because there is a tendency to view DiMaggio and Powell’s seminal piece “The Iron Cage Revisited” (1983) as representative of neo-institutionalism. However, the actual heterogeneity in institutionalist thinking is such that the distinction between early and new institutionalisms is more periodical than analytical.

Each exemplar below offers a distinct alternative to normative positivism and GLR and thus outlines strategies for delegitimizing GLR as a valid premise for knowledge production in the spheres of economic activity and policy.

Within economics, institutionalist analyses challenge neo-classical and neo-liberal economics by stressing the importance that culture has on actual economic processes. That importance is contrasted with the fact that the assumptions that guide economic modeling ignore culture as a factor. For example, Douglas North's "Institutions, Institutional Change, And Economic Performance" (1990) targets key assumptions as particularly inadequate by pointing out that economic actor's decisions are impacted by the unequal amounts and quality of information that they can access. In addition, economic actors do not have equal guarantees of their property rights, because contemporary capitalism and its markets reward economic actors who are better informed. Moreover, the actual process of defining and enforcing property rights goes through legal and political institutions that design and apply certain rules to some and not others (North 1990).

Douglas North's economic institutionalism is still present in the field of economics, particularly in the works of prominent economists like Joseph Stiglitz (e.g. 2003, 2015) and Paul Krugman (e.g. 2007, 2009) and the subfield of heterodox economics (Lawson 2006, 2009). While economic institutionalism may not address the issues of power directly, they are at least implicit in the relationships between different types of economic actors. Further, these institutionalists insist that structures, identities and history play a crucial role in economic behavior thus negating GLR's focus on generalizable individual characteristics.

Similarly, within political science, institutionalist analyses draw attention "to the role that strategic interaction between actors plays in the determination of political outcomes" (Hall and Taylor 1996, 950), which is in stark contrast with GLR's assumption of unidirectional causality. However, new institutionalism in political science also focuses on issues of power. GLR's assumptions are thus challenged even further. For example, in "Markets and States in Tropical Africa" Bates (1981) directly critiques abstract linear models and thus GLR. Bates frames economic developments in 20th century African societies in terms of political interests and power, rather than efficiency and bounded rationality. He argues that an abstract model is not worth credibility, if it refuses to accommodate for the specificities of real cases (Bates 1981).

Further, the futility of abstract models is illustrated by the exploitative relationship between the elite and small-scale farmers in the African societies in question. Bates claims that African farmers are subjected to below-market purchase prices despite the predictions of economic models of market equilibrium (Bates 1981). Not unlike North, Bates's departure from GLR allows him to emphasize how crucial contextuality is when analyzing economic processes and to detect power relations in the background. However, neither discusses the concept of power or the power relationship that installs an empirically inaccurate paradigm as the guiding framework in understanding economics or designing economic policies.

In addition to connecting culture and history, sociological institutionalism detects and directly addresses issues of power between groups and societal formations. Sociological institutionalism takes those connections even further by tackling structural power (Hall and Taylor 1996). For instance, Frank Dobbin's "Forging Industrial Policy" (1994)

illustrates how institutionalists can draw connections between history, culture and power. Dobbin argues that political culture influences both the perceptions of existing economic problems and choices of potential policy solutions. Accordingly, the causal processes that lead to particular policy choices are different across geographical and political contexts. Further, unique political traditions shape collective understandings of social order and instrumental rationality. This political culture approach leads to the conclusion that the industrial policies pursued in the railroad sector in France, Britain, and the United States, were reflective of the political-economic models followed by these countries and the pre-existing institutional arrangements that affected the 19th century economic institutions in the three countries (Dobbin 1994).

The exemplars of institutionalist alternatives to normative positivism and GLR discussed in this section all illustrate that the integration of culture in the study of economic institutions or policies is an important step in moving away from GLR, because culture allows the creation of a better fit between theory and research. However, to offer a meaningful alternative, an institutionalist approach should also be historical. Taking time and history into account drives the analysis away from the realist fallacies that lead to abstract models of capitalist development disconnected from actual realities. At the same time, there is room in institutionalism for strengthening its focus on power in order to actively contribute to the delegitimation of normative positivism in economics and economic policy-making. The following section lays out the mechanism that can serve as the premise for such refocusing of institutionalism.

THE PROCESS OF DELEGITIMATION

Delegitimation, the opposite of legitimation, can be defined as the process through which a power and prestige order loses the properties that have collective support. The process can be initiated and supported by specific events that undermine the normative prescriptions of a dominant order and change the expectations toward that order (Berger et al. 1998). According to Habermas, legitimation crises are an inherent trait of the capitalist society because of the social issues and contradiction that the system fails to resolve on a regular basis. In that context, GLR then serves a role in masking the legitimation crises of a system by providing a seemingly legitimate basis for assessing the systems crises and their origins. This article continues by making the point that since crises can be seen as sites for potential transformations (Kellner 1989, 197–198) delegitimizing GLR can open up a conversation about such changes removing the false perception that political capitalism is rational capitalism.

As highlighted in the beginning of this article, political capitalism can exist as a descriptively legitimate order (in Weber's terms) and as a normatively illegitimate order (in Habermas's terms) that relies on political, economic and cultural/knowledge structures for its dominance. Yet, recent political and economic crises, that is, major events that undermine the normative prescriptions of the order, have not resulted in its delegitimation. The latter can be explained with the resilience of legitimate structures, even when there are inconsistencies between their normative prescriptions and task outcomes (Berger et al. 1998).

A Habermasian explanation of the continued positive legitimacy of political capitalism and neo-liberalism would then focus on the fact that the current legitimization crises are not accompanied by motivation crises. In other words, the delegitimation of political capitalism cannot produce openings that would lead to post-capitalism, unless the cultural sphere, including knowledge structures, stops supporting the dominant order and creates a motivation crisis (Kellner 1989, 198–202). I argue elsewhere that the Occupy Movement presents a blueprint for using communicative action to plant the long-term seeds for a motivation crisis (Kokushkin 2015). However, this article stresses the ongoing immediate role that institutionalism can play in such a motivation crisis by fostering the delegitimation of the knowledge structures that support political capitalism.

Because of the heterogeneity of institutionalist analyses in terms of social scientific fields, objects of study and level of analysis, institutionalist epistemologies can challenge both the premises of normative positivism and the support it lends to political capitalism via mainstream economics. Hence, one could expand Sum and Jessop's (2013, 38) typology of institutionalisms to include transformative institutionalism whose motto could read, "Studying institutions can challenge the way in which a dominant order is legitimized."

In order to delegitimize mainstream economics and its domination of economic policy-making, institutionalism can tackle two aspects of political capitalism's empirical legitimacy. First, institutionalism can challenge the consensus that abstract economic models are the norm when it comes to analyzing economic processes. As Berger et al. point out, high levels of consistency, compactness and comprehensiveness of a status structure tend to lead to legitimate orders (Berger et al. 1998). It is not surprising then that a simple yet pervasive framework, such as GLR, can help solidify the domination of neo-liberal economics and underlie austerity policies consensually perceived as having no alternatives. Second, Berger et al. stress that a process of delegitimation necessarily involves the modification of the performance expectations toward a legitimate order in a way that those expectations cannot be met by that order (Berger et al. 1998). Within the framework I have developed here, such modification would actually mean that economics is expected to act like a social science where theory and research interact in a way that connects the production of knowledge with an empirical reality.

INSTITUTIONALISM'S ROLE IN DELEGITIMATION

I now turn to institutionalist analyses that illustrate how delegitimation can develop. The examples discussed below are by no means exhaustive, but highlight key contradictions in the study of economic activity that contribute to the delegitimation of the related production of knowledge. I break down institutionalist contributions into three broad and frequently intersecting analytical categories of delegitimation efforts: 1) direct challenges to mainstream, (i.e. classical, neo-classical and neo-liberal) economics and GLR; 2) alternative empirical explorations to those in mainstream economics; and 3) alternative conceptual and long-term visions for analyzing economic activity.

Within the first category, institutionalist approaches point to the empirical failures of mainstream economics and connect those failures with assumed empirically-driven economic policies. For example, Streeck claims that capitalism cannot be empirically

explained using GLR and the tools of mainstream economics. Further, the empirical reality of increased financialization at the expense of growing inequality through austerity does not reflect the efficiency logic of economic models, which claim to represent rational capitalism. Ultimately, Streeck calls for a new theory of capitalism reflective of Polanyian and Habermasian concerns over the cultural nature of markets and the political contradictions embedded in capitalist processes (Streeck 2010).

Similarly, Sum and Jessop critique the narrow disciplinary approaches to the study of economic activity embraced by mainstream economics. The authors go even further in pointing out the role economics education plays in the quasi-religious entrenchment of the “naïve, positivist belief that the market economy exists and can be studied in isolation from other spheres of social relations” (Sum and Jessop 2013, 12). Hence, institutionalism can contribute to the delegitimation of mainstream economics and normative positivism by shedding light on the institutional logics that structure the creation of deeply unscientific and ideological knowledge that is used to guide policies. In that sense, institutionalism is invested in unveiling the connections that political capitalism is deeply invested in ignoring.

Within the second analytical category, institutionalism uncovers the inability of mainstream economics to detect failures and contradictions of the institutions and organizations of modern capitalism. Jens Beckert’s work on fictionality and economic processes demonstrates the endogeneity of economic projections in the models that generate those projections. The guiding role of fictional expectations in motivating economic action is both contrasted and integrated with rational calculations. While Beckert does not directly challenge the premises of political capitalism, he uses the institutional and cultural embeddedness of economic expectations to explain how fictional and imaginary expectations become a legitimate mechanism for economic action. In contrast, two GLR pillars – rational calculations and macrostructures – are dismissed as causal factors of economic decision-making (Beckert 2013).

Although in a different substantive area, Harland Prechel’s work on organizational deviance also offers an empirical analysis that would not be supported by mainstream economics. Prechel’s capital-dependence theory offers a mezzo-level analysis reflective of actual empirical arrangements. The theory focuses on: 1) identifying how specific historical conditions produce economic policies that affect irrational economic agents and 2) the role economic agents play in shaping those economic policies (Prechel 2000, 266). This institutionalist theory is then able to establish that the economic elite exercise continuous political pressure on government bodies, which produces a power imbalance between corporations and the state (Prechel and Morris 2010).

Here, institutionalism’s contribution to the delegitimation of mainstream economics and GLR operates on several levels. On the one hand, institutionalist research showcases a wide and diverse range of tools that can be used to analyze economic activity more contextually, instead of a limited decontextualized set of models. On the other hand, the findings and conclusions of institutionalist research highlight the fact that contemporary capitalism is in fact not rational capitalism.

Within the third analytical category, institutionalism can help delegitimize normative positivism and mainstream economics by offering alternative visions for approaching and analyzing economic activity. Institutionalisms belonging to this category recognize that the epistemological stance of mainstream economics has deep ontological implications

and changing the method can have profound effects on the results and implications of economic analyses. The focus on heterogeneity and the overall lack of coherence among all the strains of institutionalism can thus be reconceptualized as their major strength. For instance, Tony Lawson argues that the heterodox economics movement presents a diverse and multifaceted vision of economic analysis that goes beyond the methodological fundamentalism of mainstream economics. Hence, this vision aligns economics with the complexities of the social world the science studies (Lawson 2006).

Beyond economics, trans- and post-disciplinary institutionalist perspectives can take advantage of the reflexivity and recursivity embedded in them to offer a dynamic vision of for analyzing economic activity. In this context, the Cultural Political Economy (CPE) advanced by Sum and Jessop denies the normative premises for the legitimacy of mainstream economics and points to the relationship between complexity and complexity reduction, which are conceptualized as parts of the same process of studying the social world (Sum and Jessop 2013, 467–483).

Further, this type of institutionalism is committed to developing and updating an ongoing critique of capitalist social formations, rather than a set of universal principles. In maintaining a level of fluidity, CPE can thus borrow and negotiate constructivist and structuralist ideas as needed (Sum and Jessop 2013, 467–483). An institutionalist vision for the alternative analysis of economic life is therefore not a vision of a coherent paradigm replacing a failing coherent paradigm. Instead, institutionalism celebrates diversity and heterogeneity in a way that recognizes that economic activity is deeply social, cultural and historical.

CONCLUSION

This article set out to establish a positively legitimate (in Weberian terms) manifestation of political capitalism – mainstream economics – experiencing delegitimation (in normative Habermasian terms) while dominating a cultural order. However, registering the inability of dominant economic analyses to produce knowledge that reflects an empirical reality cannot be an end on its own. The delegitimation of mainstream economics is a necessary step in the construction of diverse alternative frameworks capable of analyzing contemporary capitalism.

While classical Marxism has been accused of engaging in reductionist economic analysis (Sayer 1998, 137), it aimed at advancing a comprehensive critique of capitalism and an alternative to liberal/classical economic analyses. In other words, the legitimation/delegitimation dynamics discussed in this article are not new. However, what is new is the differentiated way in which contemporary capitalism operates. Its core process, variegated neo-liberalization, enables capitalism to engage in “systemic production of geoinstitutional differentiation” (Brenner, Peck, and Theodore 2010, 184). Because contemporary capitalism operates in non-linear patterns that inform one another, even when they occur across different territories and times (Kokushkin and Pettys 2015), classical Marxism would not be an appropriate tool to use.

The close connection between a great deal of institutionalist analyses and critical theory (see Dugger and Sherman 1994) provides continuity between Marxian and contemporary critiques of capitalism. The unique role that insitutionalism can play is thus

to delegitimize the knowledge that supports political capitalism. In a context where economic reductionism in the form of normative positivism and GLR dominates economic analyses and policies, alternatives are not even considered, because there are no legitimate alternatives. It is thus the task of institutionalism to generate such alternatives.

REFERENCES

- Abbott, Andrew. "Transcending General Linear Reality." *Sociological Theory* 6, 2 (1988): 169-186. doi: 10.2307/202114.
- Abbott, Andrew. *Time Matters: On Theory and Method*. Chicago: University of Chicago Press, 2001.
- Adriani, Pierpaolo, and Bill McKelvey. "From Skew Distributions to Power-Law Science." In *The Sage Handbook of Complexity and Management*, edited by Peter Allen, Steve Maguire and Bill McKelvey, 254-274. London: SAGE, 2011.
- Bates, Robert H. *Markets and States in Tropical Africa: The Political Basis of Agricultural Policies*. Berkeley: University of California Press, 1981.
- Beckert, Jens. "Imagined Futures: Fictional Expectations in the Economy." *Theory and Society* 42, 3 (2013): 219-240. doi: 10.1007/s11186-013-9191-2.
- Berger, Joseph, Cecilia L. Ridgeway, M. Hamit Fisek, and Robert Z. Norman. "The Legitimation and Delegitimation of Power and Prestige Orders." *American Sociological Review* 63, 3 (1998): 379-405.
- Bernstein, Richard J. *The Restructuring of Social and Political Theory*. Philadelphia: University of Pennsylvania Press, 1978.
- Bluedorn, Allen C. *The Human Organization of Time: Temporal Realities and Experience*. Stanford, Calif.: Stanford Business Books, 2002.
- Blyth, Mark. "Austerity as Ideology: A Reply to My Critics." *Comparative European Politics* 11, 6 (2013a): 737-751. doi: 10.1057/cep.2013.25.
- Blyth, Mark. *Austerity the History of a Dangerous Idea*. Oxford and New York: Oxford University Press, 2013b.
- Brenner, Neil, Jamie Peck, and N. I. K. Theodore. "Variegated Neoliberalization: Geographies, Modalities, Pathways." *Global Networks* 10, 2 (2010): 182-222. doi: 10.1111/j.1471-0374.2009.00277.x.
- Campione, Joanna. "History of Economic Forecasts 'a Complete Failure' Says Nate Silver." *Yahoo! Finance*, February 2, 2015. Accessed April 16, 2015. <http://finance.yahoo.com/news/history-of-economic-forecasts--a-complete-failure-131116883.html>.
- Celikates, Robin, Regina Kreide, and Tilo Wesche. *Transformations of Democracy: Crisis, Protest and Legitimation*. London: Rowman & Littlefield International, Ltd, 2015.
- Connell, Raewyn, and Nour Dados. "Where in the World Does Neoliberalism Come From?" *Theory and Society* 43, 2 (2014): 117-138. doi: 10.1007/s11186-014-9212-9.
- Connolly, William E. "Introduction: Legitimacy and Modernity." In *Legitimacy and the State*, edited by William E. Connolly, 1-19. New York: New York University Press, 1984.
- Crowe, Portia. "Wall Street Pay Just Hit a Record High." *BusinessInsider.com*, October 6, 2015. Accessed October 15, 2015. <http://www.businessinsider.com/wall-street-pay-hit-a-new-record-2015-10>.
- DiMaggio, Paul J., and Walter W. Powell. "The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organizational Fields." *American Sociological Review* 48, 2 (1983): 147-160.
- Dobbin, Frank. *Forging Industrial Policy: The United States, Britain, and France in the Railway Age*. Cambridge [England] and New York, NY, USA: Cambridge University Press, 1994.
- Dugger, William M., and Howard J. Sherman. "Comparison of Marxism and Institutionalism." *Journal of Economic Issues* 28, 1 (1994): 101-127.
- Foucault, Michel. *Les Mots Et Les Choses Une Archéologie Des Sciences Humaines*. Paris: Gallimard, 1990.
- Giroux, Henry A. *Neoliberalism's War on Higher Education*. Toronto: Between the Lines, 2014.
- Glendhill, John. "Neoliberalism." In *A Companion to the Anthropology of Politics*, edited by David Nugent and Joan Vincent, 332-348. Malden, MA: Blackwell Pub., 2004.
- Habermas, Jürgen. *Toward a Rational Society; Student Protest, Science, and Politics*. Boston: Beacon Press, 1970.
- Habermas, Jürgen. *Communication and the Evolution of Society*. Boston: Beacon Press, 1979.
- Hall, Peter A., and Rosemary C. R. Taylor. "Political Science and the Three New Institutionalisms." *Political Studies* 44, 5 (1996): 936-957. doi: 10.1111/j.1467-9248.1996.tb00343.x.
- Harvey, David. *A Brief History of Neoliberalism*. Oxford and New York: Oxford University Press, 2005.
- Holcombe, Randall. "Political Capitalism." *Cato Journal* 35, 1 (2015): 41-66.

- Jabko, Nicolas. "The Political Appeal of Austerity." *Comparative European Politics* 11, 6 (2013): 705–712. doi: 10.1057/cep.2013.21.
- Jessop, Bob. "Revisiting the Regulation Approach: Critical Reflections on the Contradictions, Dilemmas, Fixes and Crisis Dynamics of Growth Regimes." *Capital & Class* 37, 1 (2013): 5–24. doi: 10.1177/0309816812472968.
- Kellner, Douglas. *Critical Theory, Marxism, and Modernity*. Cambridge, UK: Polity Press, 1989.
- Kokushkin, Maksim. "We Are the 99%": *The Occupy Movement's Challenge to Existing Power Structures* (Unpublished Manuscript), 2015.
- Kokushkin, Maksim, and Alicia M. Pettys. "'Shock Therapy' as a Neo-Liberal Response to an Economic Crisis." *Territory, Politics, Governance* 2015: 1–19. doi: 10.1080/21622671.2015.1036914.
- Krugman, Paul. "What Killed Theory? (Wonkish)." *The Opinion Pages*, August 5, 2013. Accessed May 3, 2015. http://krugman.blogs.nytimes.com/2013/08/05/what-killed-theory-wonkish/?_r=0.
- Krugman, Paul R. *The Conscience of a Liberal*, 1st ed. New York: W.W. Norton & Co, 2007.
- Krugman, Paul R. *A Country Is Not a Company*, *Harvard Business Review Classics*. Boston, Mass.: Harvard Business Press, 2009.
- Kuhn, Thomas S. *The Structure of Scientific Revolutions*. 3rd ed. Chicago, IL: University of Chicago Press, 1996.
- Lapavistas, Costas. 2011. "Theorizing Financialization." *Work, Employment & Society* 25 (4):611–626. doi: 10.1177/0950017011419708.
- Lawson, Tony. "The Nature of Heterodox Economics." *Cambridge Journal of Economics* 30, 4 (2006): 483–505. doi: 10.1093/cje/bei093.
- Lawson, Tony. "The Current Economic Crisis: Its Nature and the Course of Academic Economics." *Cambridge Journal of Economics* 33, 4 (2009): 759–777. doi: 10.1093/cje/bep035.
- Mannheim, Karl. *Ideology and Utopia: An Introduction to the Sociology of Knowledge*. San Diego: Harcourt Brace Jovanovich, 1985.
- March, James G., and Johan P. Olsen. "The New Institutionalism: Organizational Factors in Political Life." *The American Political Science Review* 78, 3 (1984): 734–749.
- McCarthy, Thomas. "Legitimation Problems in Advanced Capitalism." In *Legitimacy and the State*, edited by William E. Connolly, 156–179. New York: New York University Press, 1984.
- Mudge, Stephanie Lee. "What Is Neo-Liberalism?" *Socio-Economic Review* 6, 4 (2008): 703–731. doi: 10.1093/ser/mwn016.
- North, Douglass Cecil. *Institutions, Institutional Change, and Economic Performance*. Cambridge and New York: Cambridge University Press, 1990.
- Outhwaite, William. *Habermas: A Critical Introduction/William Outhwaite*, 2nd ed. Stanford, Calif.: Stanford University Press, 2009.
- Peck, Jamie. "Explaining (with) Neoliberalism." *Territory, Politics, Governance* 1, 2 (2013): 132–157. doi: 10.1080/21622671.2013.785365.
- Prechel, Harland. *Big Business and the State: Historical Transitions and Corporate Transformation, 1880s–1990s*. Albany: State University of New York Press, 2000.
- Prechel, Harland. "Political Capitalism, Markets, and the Global Financial Crisis." In *The Wiley-Blackwell Encyclopedia of Globalization*. John Wiley & Sons, Ltd., 2012.
- Prechel, Harland, and Theresa Morris. "The Effects of Organizational and Political Embeddedness on Financial Malfeasance in the Largest U.S. Corporations: Dependence, Incentives, and Opportunities." *American Sociological Review* 75, 3 (2010): 331–354. doi: 10.1177/0003122410372229.
- Sayer, Andrew. "Abstraction: A Realist Interpretation." In *Critical Realism: Essential Readings*, edited by Margaret Archer, Roy Bhaskar, Andrew Collier, Tony Lawson and Alan Norrie, xxiv, 756. London and New York: Routledge, 1998.
- Scott, W. Richard. *Institutions and Organizations*, 2nd ed. Thousand Oaks, Calif: Sage Publications, 2001.
- Shermer, Michael. "Wrong Again: Why Experts' Predictions Fail, Especially About the Future." *The Blog*, January 5, 2012. Accessed April 20, 2015. http://www.huffingtonpost.com/michael-shermer/wrong-again-why-experts-p_b_1181657.html.
- Silver, Nate. *The Signal and the Noise: Why So Many Predictions Fail--but Some Don't*. New York: Penguin Press, 2012.
- Smith, Noah. "Economists' Biggest Failure." *Bloomberg View*, March 5, 2015. Accessed April 12, 2015. <http://www.bloombergview.com/articles/2015-03-05/economics-can-t-predict-the-big-things-like-recessions>.
- Stiglitz, Joseph E. *The Roaring Nineties: A New History of the World's Most Prosperous Decade*, 1st ed. New York: W.W. Norton, 2003.

- Stiglitz, Joseph E. *Towards a General Theory of Deep Downturns: Presidential Address from the 17th World Congress of the International Economic Association in 2014*. Houndmills, Basingstoke Hampshire and New York, NY: Palgrave Macmillan, 2015.
- Streeck, Wolfgang. "E Pluribus Unum? Varieties and Commonalities of Capitalism." *MPIfG Discussion Paper No. 10/12* (2010). doi: dx.doi.org/10.2139/ssrn.1805522.
- Stroschein, Sherrill. *Ethnic Struggle, Coexistence, and Democratization in Eastern Europe*, Cambridge Studies in Contentious Politics. Cambridge and New York: Cambridge University Press, 2012.
- Sum, Ngai-Ling, and Bob Jessop. *Towards a Cultural Political Economy: Putting Culture in Its Place in Political Economy*. Cheltenham, UK: Edward Elgar, 2013.
- Swedberg, Richard. *Max Weber and the Idea of Economic Sociology*. Princeton, NJ: Princeton University Press, 1998.
- Thoma, Mark. "Why Are Economic Forecasts Wrong So Often?" *CBS Moneywatch*, September 29, 2014. Accessed April 15, 2015. <http://www.cbsnews.com/news/why-are-economic-forecasts-wrong-so-often/>.
- Tinker, Anthony M., Barbara D. Merino, and Marilyn Dale Neimark. "The Normative Origins of Positive Theories: Ideology and Accounting Thought." *Accounting, Organizations and Society* 7, 2 (1982): 167–200. doi: [http://dx.doi.org/10.1016/0361-3682\(82\)90019-8](http://dx.doi.org/10.1016/0361-3682(82)90019-8).
- Wieland, Volker, and Maik Wolters. "The Diversity of Forecasts from Macroeconomic Models of the U.S. Economy." In *CFS Working Papers*, edited by Center for Financial Studies, 2010.

PROPITUJUĆI LEGITIMNOST NORMATIVNOG POZITIVIZMA: INSTITUCIONALNE ALTERNATIVE DOMINANTNIM ANALIZAMA EKONOMSKE AKCIJE

U standardnim Habermasovskim terminima legitimacija je prepoznata zasluga političkog poretka koja opravdava i učvršćuje dominaciju tog poretka. Može se stoga činiti da koncept legitimacije može biti primenjen samo na političku sferu, na primer da bi se analizirala pojava političkog sistema kakav je Zapadna demokratija. Ipak, rastući politički uticaj neoliberalne ekonomske misli i primenjenih politika dozvoljava primenu koncepta legitimacije na znanje na kome se neoliberalizam temelji. Ovaj tekst istražuje delegitimaciju normativnog pozitivizma, kao epistemološke premise dominantnih analiza ekonomske akcije. Dekontekstuališuća logika tih analiza nastavlja da vodi neoliberalne primenjene politike uprkos evidenciji da te politike ne vode obećanim rezultatima. U isto vreme, brak između političkog kapitalizma i pozitivističke ekonomske analize predstavlja i znanje i rezultirajuće primenjene političke planove kao jedina moguće rešenja višestrukoj krizi kapitalizma. Stoga, u radu se zalažem za pojačano oslanjanje na institucionalističke epistemologije koje naglašavaju istorijsku i kulturnu kontekstualnost. Čineći to, ističem i obećavajuće primere institucionalističke misli koji mogu ubrzati delegitimaciju normativnog pozitivizma te tako otvoriti mogućnosti za pručavanje alternativa kapitalizmu.

Ključne reči: *legitimacija, delegitimacija, normativni pozitivizam, institucionalna epistemologija.*