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This dossier – on the economy as substantive reality – celebrates the first meeting of the recently created Portuguese Association of Political Economy, which took place in late January of 2018 in Lisbon, at ISCTE-IUL. The Association aims to approach the study of the economy from a substantive perspective, as an existing reality, rather than in terms of a single method, as is usually the case with mainstream economics, where the latter is understood as the formal study of the allocation of scarce resources in the face of a variety of potential uses. This requires an interdisciplinary stance, welcoming the study of the economy from diverse vantage points and through the use of diverse methods. The aim of the Association is to provide a forum for researchers who study the economy from different perspectives, and the theme of its first annual meeting, the economy as substantive reality, reflects this aim.

In this first meeting around 150 authors from various disciplinary and interdisciplinary backgrounds presented approximately 90 papers in 23 parallel sessions and three plenary sessions, approaching the study of the economies in their institutional, historical and geographical context and through a plurality of methods, in order to better address underlying social, political, legal, cultural, technological and ecological aspects.¹ The three articles that make up this dossier include three keynote addresses – by Ben Fine, Helena Lopes and José Luís Garcia – that adequately reflect the Association’s methodological and epistemological stance and the challenges ahead. The three book reviews – by Vicente Ferreira, João Rodrigues and Luísa Veloso – offer an additional set of political economy issues that are currently being debated, and the website review – by José Reis – presents

¹ See <https://economiapolitica.pt/eventos/1o-encontro-anual-de-economia-politica>.

more thoroughly the aims and ambitions of the Portuguese Association of Political Economy.

Ben Fine's article provides an overview of how the formal conception of economics became dominant, leading to what he calls economics imperialism, defined as the dominance of the formal conception of economics, and its extension into other disciplinary fields. In so doing, Fine defines mainstream economics in terms of key concepts which he calls the Technical Apparatus (TA1). These key concepts are the utility function and the production function, which are applied to the analysis of market supply and demand. Fine argues that drawing on these key concepts, mainstream economics, and microeconomics in particular, set itself the problem of deriving supply and demand functions based on the idea of optimising individuals, a problem that was addressed in the 1930s. Using these tools, another central problem – how an aggregate economy arises out of the activity of optimising individuals in a market – is dealt with. This issue was tackled in the 1950s through general equilibrium theory, aimed at showing that a unique and stable equilibrium exists, and that it is Pareto efficient. The tools developed within general equilibrium theory constitute what Fine calls the Technical Architecture (TA2). If we bring together TA1 (utility and production functions leading to supply and demand functions) and TA2 (general equilibrium theory) we reach what Fine calls TA², that is, the combination of the Technical Apparatus and the Technical Architecture. This, according to Fine, is the core of mainstream economics. Fine also notes that while initially macroeconomics took centre stage, given the need to address the problem of unemployment, microeconomics soon became a major field, as part of the process that he terms economics imperialism. The first phase of economics imperialism consisted in the application of the core of mainstream economics, defined within microeconomics, not only to the study of markets, but also to the study of various economic and social problems, all of which were treated as the outcome of the interaction of optimising individuals. Gary Becker is the most representative economist of this phase, which provides the ground for applications in human capital theory, new economic history and public choice theory.

The stagflation of the 1970s led to the rise of monetarism at the expense of Keynesianism, and to the definitive establishment of microeconomics (rather than macroeconomics) as the central field of mainstream economics. This meant that various fields of applied economics had to be reformulated in terms of the now dominant microeconomic theory, including macroeconomics itself and related fields like development economics. Despite orthodox Keynesian reactions, the acceptance of the dominance of

microeconomics was also accompanied by a restoration of Keynesianism, through the recognition of market imperfections, asymmetric information, and so on. This in turn led to the emergence of a second stage of economics imperialism, which viewed economic and social problems (including those outside the sphere of the market) as a response to market imperfections, within fields such as new economic sociology, new welfare economics, new institutional economics, new economic history, and new approaches to growth and development. But it is still the core framework of microeconomics that, together with the idea of market imperfections, is being applied to every domain of economic and social reality, and which is to be explained in terms of optimising individuals.

The aftermath of the 2007-2008 Global Financial Crisis brings us to a third stage of economics imperialism. According to Fine, this phase is characterised by the suspension of the exclusive concern with optimisation, which can now be combined with other motivations or constraints besides those present in a market-oriented logic, while also adopting empirically-oriented methods through the increasing presence of econometrics. Still according to Fine, suspension of the exclusive concern with optimisation is possible only because the core principles of microeconomics are now sufficiently well established, otherwise suspension would be viewed with suspicion within mainstream economics. Fine also contrasts his assessment of mainstream economics with that of other contributors, such as Tony Lawson and David Colander. Lawson argues that mainstream economics cannot be characterised in terms of any one substantive theory, but rather in terms of its adherence to a mathematical-deductivist methodology. Such a view tends to relegate the analysis of the theoretical framework of mainstream economics to a secondary position, since it is not its key feature. In contrast to this perspective, Fine contends that there is a core theoretical framework, which drives the successive stages of economics imperialism he describes. Fine also criticises Colander's idea that mainstream economics will disintegrate from the outside as new methods are brought in from other social sciences, and he argues that it is the current state of suspension that leads to the belief that the theoretical core of mainstream economics does not exist, or is in the process of disintegrating.

Helena Lopes revisits the debate on the political function of work. The motivation for this is the dominance of the method and theoretical framework of mainstream economics – what Fine calls Technical Apparatus (TA1). Lopes argues that the increasing dominance of neoclassical economics has led to the progressive eradication of the political dimension in analysis of work, particularly of the agency theory of the firm, with its exclusive focus

on the optimising individual in the workplace. But work is an inherently collective activity with a significant emancipatory and transformational potential, and thus inherently political and moral.

Work is an intrinsically collective activity. Within the context of the firm, work is a collective endeavour requiring cooperation and involving interpersonal relations. This is in contrast to the view that takes instrumental and individual motivations as the main, if not the sole, drivers of human behaviour, as claimed by the neoclassical agency theory of the firm or by the social philosophies that obliterate the political dimension of work by focusing on their technical aspects, such as the one put forward by Hannah Arendt. By denying the collective nature of work, these accounts eschew the political and moral nature of firms. By conceiving of work as a merely technical matter or an instrumental activity, these accounts disregard power relations – i.e., the asymmetric nature of work relations – and the role of interpersonal interactions – i.e., interactions that engage workers in a way that allows them to exercise virtue and character by permitting them to act in accordance with their own morality.

Work is a complex and collective productive endeavour requiring a high level of interdependence between workers and involving not only a shared understanding of the common goal but also a personal commitment towards the pursuit of that goal, despite inevitable conflicts of interests. It also involves engaging in interpersonal interactions, which generate affective states that ground and sustain norms of cooperation. Instead of autonomous and independent individuals, workers are social and interdependent and relate to each other as distinct, unique and moral individuals, who develop affective states and make evaluative judgments about their own behaviour and that of others. To echo Adam Smith's concept of sympathy, as put forward in his *Theory of Moral Sentiments*, the ability to feel empathy with others is the basis of human behaviour and the trigger of cooperation, and what ultimately sustains work as well as other joint endeavours.

Invoking Marx, Lopes claims that work can be emancipatory. However, in order to realise this political function, workers must have class consciousness, i.e., they have to be aware of their subordinated position so as to collectively strive for a more balanced power relation. Historically, this has been achieved through class struggle resulting in the creation of collective entities, such as trade unions and workers' representative bodies within the firm, thus counterbalancing the control managers have over the organisation of labour and over workers.

However, over the last four decades neoliberal policies have undermined the balance of power between labour and capital. The agency theory of the

firm has been instrumental in this regard, grounding at the theoretical level the elimination of collective forms of worker participation in the governance of the firm. This has been pursued through a conception of the firm as a set of principal-agent contracts and its governance as a set of incentive structures that align the interests of principals and agents, i.e., those of shareholders and managers, on the one hand, and of managers and workers, on the other. This view has underpinned the rise of the maximisation of share-value as the dominant criterion of good governance. From being a centre of production and employment, the firm has increasingly become a centre for the management of a portfolio of material and financial assets.

This has led to the quantification of work. Drawing on Supiot's "governance of work by numbers", Lopes underlines the role of quantified objectives, targets and performance appraisals, on the basis of which pecuniary incentive schemes have been defined. This fact has individualised and de-moralised work processes and de-politicised the workplace, instilling behaviours in line with the normative model of *homo economicus*, i.e., rational and self-interested human action. In so doing it compromised the workers' disposition toward collective action and thus the political function of work.

Individualistic and quantitative modes of management have undermined the moral and political dimensions of work. As a result, we have witnessed the promotion of competitive behaviours at the expense of cooperation, the disruption of solidarities and mutual help, and the naturalisation of *homo economicus* as an acceptable and undisputable normative model of human action, to the detriment of other social contexts. In response, Lopes proposes the democratisation of firms – for example through a return to co-determination forms of governance – as a means to enhance the moral and political dispositions of citizens for the betterment of workers and community life, and as a way of challenging our present, neoliberal times.

José Luís García's article also examines the present neoliberal era. He does so by way of a critical analysis of innovation, something which has become a fundamental pillar of contemporary neoliberal discourse whose main objective is to legitimise the increase of profits and the process of knowledge commodification. On the other hand, the use of the term innovation to describe transformations in the economy and society serves to promote the notion that such transformations institute an order that is superior to that which existed before it. This term also contributes to legitimise these transformations in the eyes of citizens, including the financial and institutional support received from the State, despite the increase in social inequalities, technological unemployment, environmental destruction, accidents and health risks.

Garcia's text is organised into four sections. The first presents the context of the explosion of innovation, its antecedents and the emergence of the notion of the commercialisation of technological innovation; the second shows the shift from a negative view, which lasted until the beginnings of modernity, to a favourable one in the twentieth century; the third recaptures Polanyi's notion of the subordination of society to the market logic; and the fourth, still following Polanyi, argues that the dis-embedding of innovation promoted by neoliberal discourse has turned it into a new, fictitious commodity, as it had previously done with land and labour, for example.

In the first section of his article, José Luís Garcia argues that at the end of the twentieth century, on the basis of the Schumpeterian idea that development stems from creative destruction, that is, innovation, the State strongly supported innovation, funding it as a priority with commercial potential. In fact, innovation has itself become the subject of funded research in university and scientific circles.

In the second section Garcia explains how in the twentieth century, and contrary to what had been the case until then, a positive view of the new emerged. This recent prestige of novelty contributed to an uncritical acceptance of innovation. Innovation, and its corollary of the self-regulated market, presented itself as a natural consequence of evolution, a progressive movement towards human greatness. As he adds, technology and the market would become the new dynamos of history.

In the third section Garcia recovers Karl Polanyi's thesis that economic liberalism subordinates society to its logic and consequently produces innovation that is dis-embedded from society. Thus, whereas the economic order was once merely one of the functions of the social order, in societies subject to a market economy the tendency became for the social order to be subject to market logic. In this process, goods that were not produced to be bought or sold acquired exchange value and were converted into fictitious goods.

The fourth section argues that, as a result of the hegemony of the market idea, innovation itself became a fictitious commodity, in line with Polanyi's view. The main characteristic of this new fictitious commodity is that its main objective is basically to generate more profit, dissociating itself from any other purposes. Under this understanding of innovation, the recent evolution of the economy and of society can then be interpreted as the transition from a "labour economy" to a "knowledge economy", to a cognitive capitalism.

José Luís Garcia then describes three essential facets of innovation as they have developed since the end of the twentieth century. First, innovation has played a key role in creating economic value and fine-tuning the process of

competition whereby researchers became primarily commodity producers. Second, as a result of the dominant logic of innovation, not only have vast areas of knowledge been subjected to the logic of commodification, but many other domains potentially beneficial for humanity have also become marginalised for not being commercial enough. Among these, according to Garcia, are fundamental research, the humanities, various environmental issues, uncertainties associated with technologies, alternative forms of agriculture and the improvement in health and living conditions of the most deprived populations. Finally, the third aspect of innovation concerns its aesthetic dimension, with value creation being associated with marketing and advertising, which Garcia calls pseudo-innovation.

The article concludes that, contrary to the neoliberal discourse, innovation should not be guided solely by commercial ends, but instead seek to achieve socially equitable and ecologically sustainable goals and be evaluated according to ethical, political, social and environmental standards. In short, it should take up a political economy approach.

In the book review section, Vicente Ferreira offers an account of Adam Tooze's *Crashed: How a Decade of Financial Crises Changed the World*. He notes the author's assessment of how initially the focus was misplaced on commercial imbalances rather than on financial risks, and critically examines the competing responses to the 2007-2008 crisis in the United States and the European Union, the way in which austerity was construed so as to pass the costs on to the overall population, China's response, and the economic and political consequences of the crisis.

João Rodrigues reviews Robert Kutter's *Can Democracy Survive Global Capitalism?*, explaining the author's intellectual and professional background and the way in which he approaches the history of democracy and its crises, including the centrality of class struggle and the need for a political economy approach that is not exclusively economic, nor merely political. The connections between capitalism and democracy and their implications for each type (or variety) of capitalism are also discussed. Noting the difficulties in reconciling capitalism and democracy, Rodrigues suggests an approach that draws on the teachings of Karl Marx, John Maynard Keynes and Karl Polanyi.

In her review of *O valor de tudo. Fazer e tirar na economia global* – a Portuguese translation of Mariana Mazzucato's *The Value of Everything: Making and Taking in the Global Economy* –, Luísa Veloso comments on the author's double emphasis on economic phenomena and economic thought, as well as on her explanation of the impact of economic ideas on reality. The notion of value is scrutinised as a key concept throughout the history

of economic thought, and attention is paid to the way in which markets are constructed and so should not be seen as a given. Noting that social phenomena are not always sufficiently explained in all their complexity, Veloso also points out the author's effort to reach a larger audience through careful explanation of expressions commonly used in economics.

Finally, in the website review section, José Reis, the president of the Portuguese Association of Political Economy, offers a detailed introduction to the Association's website. Reis describes the Association's mission, its goals and achievements, including the first annual meeting, and many other events and news pertaining to the Portuguese Association as well as its sister Associations around the world.

Edited by João Paulo Moreira

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