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### **John Dewey's Perspective on Individualism and Social Action and Its Links with Original Institutional Economics, Pragmatist Psychology and Psychoanalysis+**

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## Introductory abstract

In the work we focus attention on the contributions of John Dewey to the theory of social oriented liberalism and its radical import for collective action. We deem it interesting to address these contributions — perhaps today somewhat overlooked in favour of the aspects of Dewey's thought that are (or appear) more moderate — because of their radical import for building a progressive society. He notes that intelligence and knowledge, while finding a cooperative application in physical sciences and the related technical applications, remain at an abstract and fragmented level in all the matters concerning social sciences. In the latter instance, intelligence is appraised as an individual asset, with no direct social implications.

In this light, we will address the main aspects of Dewey's contributions on individualism and social action and how they relate with important contributions of Original Institutional Economics (OIE), Pragmatist psychology and psychoanalysis. In the concluding part we highlight the importance of bringing out these synergies for devising more effective policies for addressing the problems and emergencies of our economies.

## 1. John Dewey's Theory of Individualism and Its Ties with Social Action

### Introduction

John Dewey (1859-1952) is a leading exponent of the philosophy of Pragmatism, whose approach he employed also for the analysis of many social and psychological issues. He was also involved in the fields of education and culture where he promoted pioneering reform projects aimed at the development of pluralism and critical thought.

His works include *Democracy and Education*; *Logic: The Theory of Inquiry*; *Reconstruction in Philosophy*; *Experience and Nature*; *The Quest for Certainty*; *Philosophy and Civilization*; *Art as Experience*; *A Common Faith*; *Freedom and Culture*; *Theory of Valuation*; *Human Nature and Conduct*.

These and other Dewey's contributions were a part of an interesting interchange — having its focus in the university of Chicago, which was in the first decades of the XX century a springboard of progressive social sciences — between pragmatism<sup>1</sup>, original institutional economics and other theories of social action.

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<sup>1</sup> As is known, Dewey was a key figure in the Pragmatist approach (for a good introduction to the main versions of Pragmatism refer to Menand 1997). It can be noted that there exist two versions of

In our work, we will consider Dewey's contributions to the theory of liberalism and social action<sup>2</sup> and how they relate to important contributions of heterodox economics and psychoanalysis. We start our journey from the mentioned *Individualism Old and New*.

### **The House Divided against Itself**

In the first article, "The House Divided against Itself", he looks into the main characteristics of the pecuniary culture of the US in the post WWI time. Along with the much advertised aspects of personal initiative, dynamism and prosperity, there are the negative aspects of poverty, precariousness and confinement of personal initiative only to pecuniary aspects. The origin of these contradictions is to be found in the split of social philosophy between the values of freedom and self-realisation it professes and what comes about in the reality of corporate capitalism. In this situation there is, beneath the appearance of individual liberty, an economic determinism. In this situation "Liberty becomes a well-nigh obsolete term; we start, go, and stop at the signal of a vast industrial machine.", Dewey, "The House Divided against Itself", [in *Individualism, Old and New*, (1929) 1999: 6].

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Pragmatism: to summarize briefly, the first, going back to the founder of Pragmatism, Charles Sanders Peirce, constitutes a theory of meaning and a method of scientific enquiry; the second, developed subsequently by, among others, William James and John Dewey, is intended as a theory of truth, experience and values.

The evolution of the different concepts of Pragmatism is clearly expressed in the following passages by William James, "(Pragmatism)...has no dogmas, and no doctrines save its method. As the young Italian pragmatist Papini has well said, it lies in the midst of our theories, like a corridor in a hotel. Innumerable chambers open out of it. In one you may find a man writing an atheistic volume; in the next someone on his knees praying for faith and strength; in a third a chemist investigating the body's properties. In a fourth a system of idealistic metaphysics is being excogitated; in a fifth the impossibility of metaphysics is being shown. But they all own the corridor, and all must pass through it if they want a practicable way of getting into or out of their respective rooms. No particular results then, so far, but only an attitude of orientation, is what the pragmatic method means. *The attitude to look away from first things, principles, "categories", supposed necessities; and of looking towards last things, fruits, consequences, facts...*...Meanwhile the word pragmatism has come to be used in a still wider sense, as meaning also a certain *theory of truth*....Such then would be the scope of pragmatism—first, a method; and second, a genetic theory of what is meant by truth.", [in James, (1907), republished in L.Menand (quoted): pp.98, 99, 104].

<sup>2</sup> We will consider, in particular, John Dewey's (i) *Individualism, Old and New*, that includes several articles published in the progressive magazine "New Republic" and later on published as a book in 1984 by the Southern Illinois University and then by Prometheus Books in 1999; and (ii) *Individualism and Social Action*, that consists of a series of lectures delivered at the University of Virginia upon the Page-Barbour-Foundation, and later on published as a book in 1991 by the Southern Illinois University and then by Prometheus Books in 2000. The quoted passage are from the latest editions.

The reason for such undiscerning determinism is the scant control that ordinary citizens have over the industrial apparatus and its way of working. This is one central reason of alienating and distressing character of corporate capitalism. As he notes, "With an enormous command of instrumentalities, with possession of a secure technology, we glorify the past, and legalize and idealize the *status quo*, instead of seriously asking how we are to employ the means at our disposal so as to form an equitable and stable society. This our great abdication. It explains how and why we are a house divided against itself. Our tradition, our heritage. is itself double...Instead of the development of individualities which it prophetically set forth, there is a perversion of the whole ideal of individualism to conform to the standards of pecuniary culture. It has become the source and justification of inequalities and oppressions. Hence our compromises, and the conflicts in which aims and standards are confused beyond recognition.", (Dewey, *ibidem*: 8, 9).

### **The Growing Importance of Collective Action**

In his article "Toward a New Individualism", he notes that our productive life is acquiring a corporate and collective character. And that, conversely, our moral culture is still "saturated with ideals and values of an individualism derived from a pre-scientific, pre-technological era.", Dewey, "Toward a New Individualism" [*ibidem* (1930) 1999: 37].

The somewhat paradoxical idea of Dewey is that the spiritual roots of such individualism are to be found in medieval religion. In this sense, "The apparent subordination of the individual to established institutions often conceals from recognition the vital existence of a deep-seated individualism....the fact that the controlling institution was the Church should remind us that in ultimate intent it existed to secure the salvation of the individual....The power of established institutions proceeded from their being the necessary means of accomplishing the supreme end of the individual.", Dewey, *ibidem*: 37.

It is interesting to note how this wild form of individualism went in tandem with political absolutism and a very hierarchical society. With the advent of industrial revolution, many things had changed, and societies became more dynamic, but

such kind of individualism — expressed in the form of natural rights — remained relatively unaffected and persisted also in the next stage of corporate capitalism. This stage, despite its semblance of individualism, is much more than individual capitalism based on collective action. This assertion can appear paradoxical: in fact, is it not that corporations are privately owned? This is true, of course, but it is also true that the work of corporations requires a notable socialisation of their activities as they must work together and interact each other in order to keep the system working. Also, the legally “private structure” of corporations often conceals the articulation of the stakeholders. These include not only the classic shareholders, but also other subjects like workers, consumers, local and (especially today) civic communities and environmental groups. Although these aspects would require a different and more collective attitude, the earlier creed of economic individualism still persisted. But, notes Dewey, “If [this individual creed] is not an echo of the echo of a voice of a long ago I do not know what it is.”, Dewey, *ibidem*: 38. In this respect, the “pure individualism” so often held at the basis of American development plays in the corporate time a modest role and exists only “in the movie and the novel”. But the persistence of this old individualistic creed in a context that requires a totally different attitude has caused the phenomenon of “lost individual”. This comes about in a situation of “anomie”, when there is for the persons a lack of social relations and no clear meaning of the public functions of their activities. As noted by Dewey, “They [influential and wealthy people], may be captains of finance and industry, but until there is some consensus of belief as to the meaning of finance and industry in the civilization as a whole, they cannot be captains of their own souls....Their reward is found not in what they do, in their social office and function, but in a deflection of social consequences to private gain....An economic individualism of motives and aims underlies our present corporate mechanism, and undoes the individual.”, Dewey, “The Lost Individual”, [*ibidem*: (1930), 1999: 27, 30].

In this regard, notes Dewey, “It is not fantastic to connect our excited and rapacious nationalism with the situation in which corporateness has gone so far as to detach individuals from their old ties and allegiances but not far enough to give them a new centre and order of life....The balked demand for genuine cooperativeness and reciprocal finds in daily life finds an outlet in nationalistic

sentiment. Men have a pathetic instinct toward living and struggling together; if the daily community does not feed this impulse, the romantic imagination pictures a nation in which all are one. If the simple duties of peace do not establish a common life, the emotions are mobilized in direction of a war which supplies its temporary simulation.”, Dewey, *ibidem*: 30, 31.

In Dewey’s view, also religion, conceived of as a cultivation of individual virtues detached from the social scene, cannot help realize a more organic society.

To that purpose, what matters is the actual realization in economic and social life of these ideals of communality and solidarism. This lack of social meaning has its economic counterparts in economic insecurity, unpredictable and disruptive business cycles, chronic unemployment and precarious work. A situation of this kind, as people cannot live in a vacuum and continue to express their need of social relation, calls for vacuous and surreptitious values of “liberty” and “nationalism”. In this way, a kind of uniformity of thought will ensue but, notes Dewey, such standardization does not go deep. In fact,

“Its superficial character [of such standardization] is evident in its instability. All agreement of thought obtained by external means, by repression and intimidation, however subtle, and by calculated propaganda and publicity, is of necessity superficial; and whatever is superficial is in continual flux. The methods employed produce mass credulity, and this jumps from one thing to another according to the suggestion of the day. We think and feel alike—but only for a month or a season. Then comes some sensational event or personage to exercise a hypnotizing uniformity of response. At a given time, taken in cross-section, conformity is the rule. In a time span, taken longitudinally, instability and flux dominate.”, Dewey, “Toward a New Individualism”, *ibidem*: 42.

It is then a psychological anchorage to a wild and unsocial form of individualism that produce these evils. Their overcoming, for Dewey, rests in promoting an economic system based on elements of democratic socialism and new, social oriented forms of individuality.

## **Towards a New, Social Grounded Liberalism**

What are, then, the main aspects of a social grounded liberalism more respondent to the profound needs of society? These can be expressed as participation and social intelligence in action. These notions, that can appear rather straightforward, acquire in Dewey's analysis a quite radical import. He notes that intelligence and knowledge, while finding a cooperative application in physical sciences and the related technical applications, remain at an abstract level in all the matters concerning social sciences. In the latter instance, intelligence is appraised as an individual asset, with no direct social import. These aspects appear evident in the activities more oriented to the social sphere, education and the conduct of public affairs. In education, science is treated as a separate and specialized subject. What is lacking is the teaching on how to apply scientific insights and intelligence in action to social issues.

In public affairs, the situation is no better. Here, the political discussion is based more on catching slogans and personages than on scientific-grounded analyses and debates over the best policies to address socio-economic problems. As he notes,

“Our presidential elections are upon the whole determined by fear. Hundreds of thousands of citizens who vote independently or for democratic candidates at local election or in off-year congressional elections regularly vote the Republican ticket every four years...[in this respect]....because of vague but influential dread lest a monkey-wrench be thrown into the economic and financial machine....[all this]...testifies to the import of crowd psychology of suggestion and credulity in American life...[and, for these reasons]....We live politically from hand to mouth.”, [Dewey, “Capitalistic or Public Socialism” in *Individualism, Old and New*, (1929) 1999: 51-52, 53, 56].

However, if things stand like this, an easy objection comes to fore (also raised by Dewey): namely, that such superficiality depends on the lack of sufficient intelligence of the average citizen to grasp the complexity of public affairs. But such objection, notes Dewey, is ill grounded since it considers only the individual dimension of intelligence. As he notes,

“There are few individuals that have the native capacity that was required to invent the stationary steam-engine, locomotive, dynamo or telephone. But there are none so mean that they cannot intelligently utilize these embodiments of intelligence once they are a part of the organized means of associated living.”, Dewey, “The Crisis in Liberalism”, [in *Liberalism and Social Action* (1935) 2000: 58].

In this light, one important reason why the ordinary citizen seems less active and intelligent in social matters can lay in the circumstance, in Dewey’s words that “The indictments that are drawn against intelligence are in truth indictments of a social order that does not permit the average individual to have access to the rich store of the accumulated wealth of mankind in knowledge, ideas and purposes [and it is in this aspect that should be found the structural inequalities in society, in fact]...Back of the appropriation by the few of the material resources of society there lies the appropriation by the few in behalf of their own ends of the cultural, the spiritual, resources that are the product not of the individuals who have taken possession but of the cooperative work of humanity.”, Dewey, “The Crisis in Liberalism”, *ibidem*: 58.

For Dewey, then, the weak aspects of liberalism do not lie in its principles but in the circumstance that such principles — after being used for liberating oppressed classes from feudal fetters — were soon afterwards watered down by vested interests. The solution for these evils is not a recourse to abstract moral principles but in linking such principles to social action. Liberalism, then, in order to bring out its full potential, should become radical, in the meaning of a far-reaching change of the institutional framework aimed at really promoting participation and the social employ of the intelligence. In this perspective, he neatly departs from the mainstream economics’ notion of *laissez faire* by underscoring the inadequacy of an economy only based on uncoordinated individual actions. Wild competition, therefore, produces not more efficiency but the concentration of economic power in few hands. In so doing, such



concentration<sup>3</sup> cripples the very process of competition that it claims to promote. In his words,

“That the controls of the means of production by the few operates as a standard agency of coercion of the many, may need emphasis in statement, but is surely evident to one who is willing to observe and honestly report the existing scene...it is not surprising in view of our standing dependence on coercive force that at every time of crisis coercion breaks out into open violence.”, Dewey, “Renascent Liberalism”, *ibidem*: 67, 68.

It is for this reason that Dewey’s radicalism departs from the employ of violence for attaining social ends. In his view, the real revolution lies in the widespread application of intelligent action to social issues, which is antithetical to violence. As he notes in discussing the quest for violence of many progressives,

“The curious fact is that while it is generally admitted that this and that particular social problem, say of the family, or railroads, or banking, must be solved, if at all, by the method of intelligence, yet there is supposed to be some one all-inclusive social problem which can be solved only by the use of violence. This fact would be inexplicable were it not a conclusion from dogma as its premise.”, Dewey, “Renascent Liberalism”, *ibidem*: 80.

### **The Need of an Interdisciplinary Approach**

The previous analysis contains interesting insights on the causes of alienation and distress of the corporate capitalism of Dewey’s time (and we can safely say that not much has changed in our time). The chief reason of such crisis lies in the incapacity to understand that the new corporate capitalism demands — despite its appearance of wild individualism — not less but more cooperative action for its thriving. The stubborn attachment to an old-type individualism is detrimental both at the individual and socio-economic level. In this light, Dewey

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<sup>3</sup> We will address these aspects later when dealing with heterodox economics’ perspective. As noted before, there was an intense interchange between pragmatism and institutionalism and many concepts of the latter are present in Dewey’s contributions.

considers wars and nationalisms as a distorted expression of the instinct/need/propensity for community and cooperation.

These insights are acute but demand a better qualification. For instance, considering modern wars and nationalisms as a failure to frame individual action in the social context constitutes a bright insight but does not explain why this mismatch has taken place and the related circumstance that wars and nationalisms are phenomena anything but new. As a matter of fact, the “pugnacious/warrior/predatory instinct” leading to enlarge the territorial/political dominion has always been a constant trait which found expression, in different ways of course, not only in our civilization but also in many tribal populations.

Any explanation of these trends has to make reference, more or less explicitly, to a conception of human nature. Dewey was aware of these aspects when he noted that the ideals of liberalism became soon an empty concept of propaganda for the new ruling class. Dewey treats these aspects also in a subsequent work, “Freedom and Culture”, where he wonders whether human nature<sup>4</sup> is more prone to authoritarian or libertarian relations. His answer is that no definite answer can be given since the mind is a highly flexible structure that easily adapts itself to various cultural contexts. That is why education is so important, especially in the early stages of life, for promoting sound values.

Again, these insights are interesting but remains at too high a plane of generalism. This comes about because many underlying social and psychological hypotheses remain implicit in his analysis.

For instance, as regards the socio-economic side, what role plays the institutional and legal framework in shaping the corporate capitalism described by Dewey? Relatedly, when Dewey remarks that individual initiative should be socially and cooperatively grounded, what does it mean in the real organization of the economy? For instance, how individual achievements and initiatives should be assessed and rewarded at economic and social level? And relatedly, should markets exist and in what form? And, as regards the psychological side, how these aspects promote or frustrate the real motivations of the persons? For instance, how the indictments of the full use of intelligence for social matters can influence the self-esteem and self-assertion of the ordinary citizen? In the

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<sup>4</sup> We have addressed with more details these aspects in Hermann (2011).

same light, can predatory attitudes be explained by Freud's theory of death instincts (for which little or nothing can be done)? Or by a distorted and neurotic expression of life instincts (which can find a better expression by a deeper understanding of these disturbances)? We believe the latter hypothesis much more convincing but it is only through the employ of psychological and social theories that these issues can be better focused.

Hence, in order to clarify these complex aspects an interdisciplinary approach is particularly indicated and in this direction are devoted the next paragraphs. We will address some contributions of heterodox economics, social psychology and psychoanalysis.

## **2. The Links with Original Institutional Economics**

As is known, Institutional economics originated in the United States in the first few decades of the twentieth century, during which time it had considerable prominence, even a claim to be the dominant school of economic thought. Its cultural roots can be identified in the philosophy and psychology of Pragmatism — in particular, in the theories of Charles Sanders Peirce, John Dewey and William James — and in the German historical school. There are various strands within institutionalism (in particular, T.Veblen-C.Ayres, J.R.Commons, W.C.Mitchell and W.H.Hamilton) that, although dealing with different issues with partly different perspectives, share these common elements of institutionalism: **(i)** the recognition of the complex and interactive character of 'human nature' and the consequent importance of the social and institutional framework for its amelioration; **(ii)** an inductive methodology based on case studies and statistical analysis, rejecting abstract and deductive forms of theorising that are detached from the observation of reality; **(iii)** an emphasis on the notion of 'social control', by which it is meant a proactive role for institutions and policies in addressing economic and social problems; **(iv)** an interdisciplinary orientation, linking economics with the philosophy and psychology of pragmatism and other related contributions of social psychology in seeking a more realistic account of human nature in its individual and social unfolding.

## The Evolution of Capitalism

This perspective brings to the fore, in particular with John R. Commons's analysis (1934), the transition from the "individual capitalism" of the industrial revolution to the "mixed economies<sup>5</sup>" of our time. He identified three stages of capitalism: Scarcity, Abundance and Stability. In his words,

"Taking an historical view, we distinguish three corresponding economic stages: a period of Scarcity preceding the "industrial revolution," the latter beginning in the Eighteenth Century and continuing today with augmented speed through collective action; a period of Abundance with its alternations of oversupply and undersupply for a hundred years or more, accompanying this industrial revolution; and a period of Stabilization, beginning with the concerted movements of capitalists and laborers in the Nineteenth Century, and the equalization of competitive conditions, the "live-and-let-live" policies of the Twentieth Century in America.", Commons, 1934: 773.

These stages had quite different implications for economic organization.

In the period of scarcity there was "the minimum of individual liberty and the maximum of communistic, feudalistic or governmental control through physical coercion" (Commons, 1934:774), which broadly corresponds to the merchant capitalism (broadly from the XVI century up to the industrial revolution).

The period of abundance was instead characterised by the "a maximum of individual liberty, the minimum of coercive control through government" (ibidem: 774), which corresponds to the "unlimited growth" of the industrial revolution; whereas a period of stabilization witnessed a "diminution of individual liberty, enforced in part by governmental sanctions, but mainly by economic sanctions through concerted action, whether secret, semi-open, open, arbitrational, of associations, corporations, unions, and other collective movements of manufacturers, merchants, labourers, farmers and bankers.", (ibidem: 774).

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<sup>5</sup> In this respect, it is interesting to note that the notion of a "mixed economy" has interesting parallels with Rudolf Hilferding's theory of "concerted capitalism" and with other heterodox economics' contributions underscoring the importance of public action (and spending) for the development of the later stages of capitalism.

## **The institutional analysis of the market and the social valuing process**

A central and related aspect of this evolution of capitalism pertains to the analysis of the markets, which are conceived of not as exogenous and tendentially perfect mechanisms but as institutions created and maintained by an evolving set of norms, institutions and policies.

The concept of market adopted by Commons acquires an interesting 'double' meaning, not only in the sphere of exchange but also in that of production. In this respect, Commons provides a historical reconstruction of the emergence of the market, underscoring the importance of deliberate public intervention in its creation. The origin of the market is located in the processes by which the justice courts decided disputes and thereby established the reasonable value. As he remarks,

“A market usually originated with a special monopolistic franchise, named a ‘liberty’, and granted to a powerful individual or ecclesiastical magnate, authorising him to hold concourse of buyers and sellers, with the privilege of taking tolls in consideration of the protection afforded [...] [in the course of time] [...] The courts, in their decisions, developed the principle of the ‘market overt,’ or the public, free and equal market [...] These principles were not something innate and natural but were actually constructed out of the good and bad practices of the time. The early physiocrat and classical economists thought of them as handed down by divine Providence or the natural order.”, Commons (1934): 775.

From this perspective, the market cannot realistically be considered as an abstract mechanism leading automatically — if it is sufficiently “perfect” — to individual and social utility maximisation. Indeed, even the (seemingly) most atomistic and impersonal transaction occurring between individuals who are unknown to each other does not take place in an imaginary ‘free market’ world but within a complex institutional and legal framework that defines the ‘working rules’ of transactions, with the related set of “rights”, “duties”, “liberties” and “exposures”. This process, observes Commons, “tells what the individual *must* or *must not* do (compulsion or duty), what they *may* do without interference from

other individuals (permission or liberty), what they *can* do with the aid of collective power (capacity or right), and what they *cannot* expect the collective power to do in their behalf (incapacity or exposure).” Commons 1924: 6.

The institutional nature of the market implies that it is heavily embedded in the social and cultural domain and that it involves a process of social valuing. As he notes,

“Reasonable Value is the evolutionary collective determination of what is reasonable in view of all changing political, moral, and economic circumstances and the personalities that arise therefrom.”, (Commons 1934: 684).

Thus, reasonable value can be regarded as an imperfect process whose characteristics can be interpreted as the synthesis of the conflicting and evolutionary components of collective action. The imperfection of reasonable value is also caused by its partly unconscious and conflicting character, often embodied in habits of thought and life. These insights have significant synergies with the social psychology of Pragmatism and with psychoanalytic contributions highlighting the reasons of the psychological dependency of many people on authoritarian leaders/ideas and the need of a new participatory society.

### **The Growing Complexity of the System and the Evolution of the Concept of Ownership**

A key aspect of this transition, most often overlooked by mainstream economics, relates to the growing complexity of the system. On that account, markets and products have become more complex and articulate. This aspect, by increasing the importance of scale economies, has favored the growth of big corporations, which have become the more powerful players of our economies. In this respect, the corporations, as also noted by Dewey, since constitute a large and common pool of activities, require a real socialization of their activities for their effective working. In this respect, as also extensively analyzed by the principal-agent’s contributions, there is a growing articulation of the stakeholders of firms (including, for instance, workers, local communities, environment supporters) that make the objectives of firms more articulate. Such

articulation often relates also to the ownership structure of the companies, that reflects the growing importance of public-private partnership.

Among the manifold effects of this transformation, one thing seems quite certain: namely, that the corporate capitalism of our time marks a neat departure from the perfect competition of the “general equilibrium models”, which render more and more inadequate the policies of *laissez faire*.

Also in order to manage the growing imperfections and contradictions of the markets at micro and macro level, there has been a growing importance of public action.

### **Other Heterodox Economics' Contributions**

A central aspect of a novel economic system relates to the building a society of the systems towards a society less based on the “economic motive” and more on the unfolding of the true inclinations and potentialities of persons.

This implies that this system will be fully compatible with situation of limited growth, steady state, or de-growth.

It can be interesting to note that this tendency was noted by important economists, and now we mention two significant examples. The first one can be found in perhaps the most “heterodox” classical economist, John Stuart Mill. In his appraisal of the long term economic evolution, he remarks that the structural tendency towards the stationary state not only does not imply a static way of living but, on the contrary, constitutes the necessary condition for the full expression of the more advanced aspects of personality. The central element for attaining such a state is the control of population. In his words,

“There is room in the world, no doubt, and even in the old countries, for a great increase of population, supposing the arts of life to go on improving, and capital to increase. But even if innocuous, I confess I see very little reason for desiring it....I sincerely hope, for the sake of posterity, that they ..[the future generations]..will be content to be stationary, long before necessity compels them to it.

It is scarcely necessary to remark that a stationary condition of population and capital implies no stationary state of human improvement. There would be as much scope as ever for all kinds of mental culture, and moral and social

progress; as much room for improving the Art of Living and much more likelihood of its being improved, when mind ceased to be engrossed by the art of getting on. Even the industrial arts might be as earnestly and as successfully cultivated, with this sole difference, that instead of serving no purpose but the increase of wealth, industrial improvements would produce their legitimate effect, that of abridging labour. Hitherto it is questionable if all the mechanical inventions yet made have lightened the day's toil of any human being....Only when, in addition to just institutions, the increase of mankind shall be under the deliberate guidance of judicious foresight, can the conquests made from the powers of nature by the intellect and energy of scientific discoverers, become the common property of the species, and the means of improving and elevating the universal lot.”, [John Stuart Mill, 1994, (1871): 129-130].

Another relevant contribution to these structural issues has been provided by J.M.Keynes, in particular in the final part of the *Essays in Persuasion*.

This can appear a bit surprising because Keynes, owing to his proposals for recovering from economic depression, is often considered as the theorist of the short period. This opinion tends to be reinforced by his famous expression “in the long run we will be all dead”.

However, from the reading of the *Essays* we discover that the long-term perspectives<sup>6</sup> of economy and society play a paramount role in his analysis.

For Keynes, centring the analysis also on short-term problems constitutes only a part of more profound awareness of the structural transformations of society. The focus of these changes will be on a substantial reduction of the working time, made possible by the increase of productivity. The main obstacle to the attainment of this potential rests not in technical but in psychological difficulty. He notes, with great psychological intuition, that the latter obstacle relates to the difficulty of people to employ leisure time for a better realization of their personalities. In his words,

“We are being afflicted with a new disease of which some readers may not yet have heard the name, but of which they will hear a great deal in the years to come—namely, *technological unemployment*. This means unemployment due

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<sup>6</sup> On that account, it is interesting to note that Keynes mentioned Commons's analysis of the evolution of capitalism in order to give a good reason of public action to stabilize at full employment an otherwise unstable and economy unable to deal with unemployment and other structural imbalances.



to our discovery of means of economising the use of labour outrunning the pace at which we can find new uses for labour.

But this is only a temporary stage of maladjustment. All this means that in the long run *that mankind is solving its economic problem....*[but, despite this opportunity]....Yet there is no country and no people, I think, who can look forward to the age of leisure and of abundance without a dread. For we have been trained too long to strive and not to enjoy...[hence, in this perspective, economics]....should be a matter for specialists—like dentistry. If economists could manage to get themselves thought of as humble, competent people, on a level with dentists, that would be splendid!”, (*ibidem*, 364, 368, 373).

### **3. The Links with Pragmatist Psychology and Psychoanalysis**

The previous analysis is closely related to the psychology of pragmatism and to psychoanalysis, a fascinating field that, for space reasons, we can only briefly address here.

#### **The Psychology of Pragmatism**

John Dewey's seminal article (1896), 'The Reflex Arc Concept in Psychology', which has exerted a far-reaching influence, not only in the pragmatist field, but also in the larger domain of the psychological sciences. The main objective of the article is to explain the mechanism of body reactions to external events. A typical example is that of a child and a candle: the child is at first attracted by visual stimulus to touch the candle, but when he got burnt he suddenly withdraw the hand. In this instance, the most obvious explanation, which was elaborated in the notion of reflex arc, assumes a dichotomy stimulus-response, according to which an 'exogenous' factor would trigger a kind of automatic response in the body. In his article, Dewey strongly underscores that such apparently obvious dichotomy is totally fallacious. Moreover, such dualism opens the way to a parallel dichotomy between mind and body which, in turn, lies at the basis of behaviouristic (and positivistic and reductionist) psychology, according to which only external and measurable phenomena are truly 'scientific'. The reason for the fallacy of the dichotomy stimulus-response rests in the circumstance that, in

Dewey's words, 'the so-called response is not merely to the stimulus; it is into it' (Dewey, 1896, p. 359). In fact, while the stimulus most often originates from external factors, it is also true that such stimulus must be interpreted and mediated by the person according to previous experiences. For instance, in the case of the candle, only the burning experience will teach the boy to withdraw the hand. In this sense, the response is a part of a more ample coordination process, similar not to an arc but to a circuit. In his words, 'It is the coordination which unifies that which the reflex arc concept gives us only in disjointed fragments. It is the circuit within which fall distinctions of stimulus and response as functional phases of its mediation and completion. The point of his story is in its application; but the application of it to the question of the nature of psychic evolution, the distinction between sensational and rational consciousness, and the nature of judgement must be deferred to a more favourable opportunity' (Dewey, 1896, Vol. I, p. 370). From this passage it emerges clearly that Dewey was well aware of the implications of a more encompassing conception of human action.

### **The role of habits**

The analysis of habits plays a central role in institutionalism and pragmatism, with important synergies. We can mention here William James, who, in his *Principles of Psychology*, investigated the role of habits in both the individual and collective dimension. In the individual dimension, the disposition of the person to form habits can be traced to the circumstance that, 'Man is born with a tendency to do more things than he has ready-made arrangements for in his nerve-centres....If practice did not make perfect, nor habit economise the expense of nervous and muscular energy, he would therefore be in a sorry plight.' (James, *Principles of Psychology* 1950 [1890], Vol. I, p. 113).

In this sense, the set of personal habits performs the important function of reducing the conscious attention upon them. This entails the apparent paradoxical result that the person, although routinely performing several actions, is largely unable to know how he or she has performed them. This concept is expressed in the following passage,

“We all of us have a definite routine manner of performing certain daily offices connected with the toilet, with the opening and shutting of familiar cupboards, and the like. Our lower centres know the order of these movements, and show their knowledge by their “surprise” if the objects are altered so as to oblige the movement to be made in a different way. But our higher thoughtcentres know hardly anything about the matter. Few men can tell off-hand which sock, shoe, or trousers-leg they put on first. They must first mentally rehearse the act; and even that is often insufficient—the act must be performed.”, (James, 1950[1890], Vol. I, p. 115).

The interesting aspect of this analysis is that, in describing some important features of personal habits, it also casts light on the role of collective habits in social dynamics.

As a matter of fact, habits constitute the normal way of working not only of personal life but also, in a complex interplay of reciprocal influences, of collective life. The following passages convey these concepts vividly,

“Habit is thus the enormous fly-wheel of society, its most precious conservative agent. It alone is what keeps us all within the bounds of ordinance, and saves the children of fortune from the envious uprising of the poor. It alone prevents the hardest and most repulsive walks of life from being deserted by those brought up to tread therein. It keeps the fisherman and the deck-hand at sea through the winter; it holds the miner in his darkness, and nails the countryman to his log-cabin and his lonely farm through all the months of snow; it protects us from invasion by the natives of the desert and frozen zones....It keeps different social strata from mixing.” (James, *Principles of Psychology*, 1950 [1890], Vol. I, p. 121).

## **Psychoanalysis and Its Relevance for Social Change**

In the definition of the International Psychoanalytic Association — [Home \(ipa.world\)](http://ipa.world) — “Psychoanalysis is both a theory of the human mind and a therapeutic practice. It was founded by Sigmund Freud between 1885 and 1939 and continues to be developed by psychoanalysts all over the world. Psychoanalysis has four major areas of application:

1. as a theory of how the mind works
2. as a treatment method for psychic problems
3. as a method of research, and
4. as a way of viewing cultural and social phenomena like literature, art, movies, performances, politics and groups.”

The vast majority of psychoanalytic contributions<sup>7</sup> highlight — within partly different approaches on the role of the various “instincts or propensities” in human development — that persons have an emotional need of establishing sound interpersonal relations in order to express the various aspects of their personality. In this sense, group life acquires significance for persons in that it allows, in a dynamic interaction, **(i)** to give and receive affection, **(ii)** to shape individual and social identity and **(iii)** to unfold intellectual faculties.

### **Sigmund Freud as a Progressive Reformer**

An analysis of this kind is interesting not only *per se*, but also because such understanding can open the way for social change. In fact, one central contribution of psychoanalysis is the discovery of a new method for the analysis of psychological disturbances, through which the person can reach a better self-understanding of his/her neurotic conflicts, and of neurotic aggressiveness related to them.

These aspects can be found also in Freud’s perspective which, owing to his later (and unconvincing) view of a dichotomy between life and death instincts, is often appraised as pessimistic about the possibilities of social change. In this regard, we can note that, even when he endorses the view that life has the character of an irreducible struggle between life and death instincts, he does assume neither that these instincts are given in any “fixed and immutable proportions”, nor that there is any systematic tendency across individuals for the prevalence of one or the other of these instincts. Consequently, little

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<sup>7</sup> For space reasons, we mention only a few quotations of the main psychoanalytic strands, with particular attention on those more focused on social issues: S.Freud (1914, 1926, 1930); Ammon (1971); Bion (1970); De Board (1990); Desjarlais and al. (1995); Erikson (1968); Fenichel (1945); Fine (1979); Gabriel (1999); Horney (1939); Ketz de Vries and Miller (1984); M.Klein (1964, 1975); Klein, Heimann and Money-Kyrle (1955); May (1972); Sandler and Dreher (1996); Sullivan (1953); P.Tyson and R.L.Tyson (1990); Winnicott (1974).

determinism is allowed in his theory, which, on the contrary, contains aspects which clearly point to the possibility of social change. For instance, in discussing the 1917 Russian Revolution, he is not against such transformation but underlines the importance for social reformers, in order to build a truly better society, to acquire a deeper understanding of human nature. The following passages express these concepts clearly,

"The communists believe that they have found the path to deliverance from our evils. According to them, man is wholly good and is well-disposed to his neighbour; but the institution of private property has corrupted his nature....If private property were abolished, all wealth held in common, and everyone allowed to share in the enjoyment of it, ill-will and hostility would disappear among men....I have no concern with any economic criticisms of the communist system; I cannot inquire into whether the abolition of private property is expedient or advantageous [Here, there is a footnote in which Freud stresses his solidarity, also in relation to his own experience, with the situations of economic deprivation]. But I am able to recognize that the psychological premises on which the system is based are an untenable illusion. In abolishing private property we deprive the human love of aggression of one of its instruments, certainly a strong one, though certainly not the strongest; but we have in no way altered the differences in power and influence which are misused by aggressiveness, nor have we altered anything in its nature. Aggressiveness was not created by property. It reigned almost without limit in primitive times, when property was still very scanty.", (S.Freud, *Civilization and Its Discontents*, The Standard Edition, New York, Norton, 1961: 70-71).

Notwithstanding these cautious remarks, later in the paper, when discussing the difficulty of mastering human aggressiveness, he observes that,

"I too think it quite certain that a real change in the relations of human beings to possessions would be of more help in this direction than any ethical commands; but the recognition of this fact among socialists has been obscured and made useless for practical purposes by a fresh idealistic misconception of human

nature." (S.Freud, *Civilization and Its Discontents*, The Standard Edition, New York, Norton, 1961: 109).

These remarks pinpoint the importance of considering the psychological side of every project of social reform, by centring attention on the characteristics of neurotic conflicts and on the role of psychoanalysis in their understanding. In this sense, collaboration among psychoanalysis, Marxism and other theories of social change would be of particular interest, also for devising more effective policies for attaining the objectives of social reforms.

On that account, Freud thinks that psychoanalysis, in collaboration with other social sciences, can find interesting applications in a host of social issues. As he points out, in a sparkly discussion with an imaginary interlocutor,

"[Psychoanalysis]...as a 'depth-psychology', a theory of the mental unconscious, it can become indispensable to all the sciences which are concerned with the evolution of human civilization and its major institutions such as art, religion and the social order....But these are only small contributions compared with what might be achieved if historians of civilization, psychologists of religion, philologists, and so on would agree themselves to handle the new instrument of research which is at their service. The use of analysis for the treatment of neuroses is only one of its applications; the future will perhaps show that it is not the most important one....[in this respect]....Our civilization imposes an almost intolerable pressure on us and it calls for a corrective. Is it too fantastic to expect that psycho-analysis in spite of its difficulties may be destined to the task of preparing mankind for such a corrective?", (S.Freud, *The Question of Lay Analysis*, 1990: 83, 84, 85; original edition, 1926).

In this regard, it is important to observe that Freud has always considered the collective dimension of life central for the study of individual psychology and has provided many contributions to these issues. And he went so far on these grounds as to regard (for instance, in his *Group Psychology and the Analysis of the Ego*), collective psychology as the unit of analysis from which to understand individual psychology. We can also note that psychoanalysis, especially in its recent developments, draws attention to the biological component of human

psychology not as a way for disregarding the emotional dimension of personal life but, conversely, for addressing all the complex interactions between the psychological and biological components of personality.

### **Psychoanalysis and Social Change**

These insights have been developed by subsequent psychoanalysts who stress that, very importantly for social analysis, a group can also become a way for expressing predatory instances largely resting on neurotic conflicts. This happens not only in overtly aggressive and intolerant groups but also in more "ordinary" groups. In the latter instances, it is likely that positive and negative aspects are merged in a very tangled way.

These contributions stress the role of groups and organizations for expressing the needs and conflicts of the person. For instance, to the person, the group may represent an idealized *ego*; and, in this connection, its "morals" and "code of conduct" symbolize parental figures that, through a process of "internalization", play the role of *superego*.

In this regard, it is important to note that the instance of *superego* certainly stems also from a normal human tendency to establish sound interpersonal relations, and, accordingly, to behave with kindness and solicitude towards each other.

However, whereas in non-neurotic situations the "code of conduct" emerging from such tendencies asserts itself as a genuine behaviour, in neurotic situations leading to the formation of *superego* things run in a completely different way. Here, the tendency of improving personality tends to be, under an appearance of goodness and morality, largely subordinated to the expression of neurotic contents at cross-purposes with such tendency. These tendencies take most often the form — especially when the paranoid aspects of personality are overwhelming — of marginalization and persecution of persons and groups where the aggressiveness (and more in general, the bad aspects of personality) has been projected (and history is full of such tendencies).

## **Conclusions: Implications for Policy Action**

At this stage, we can ask about the usefulness of employing different perspectives to the analysis and solution of contemporary problems. The reason lies in the circumstance that these theories — in particular, Dewey's theory of social grounded individualism and the heterodox economics' contributions addressed in the work — are different but wonderfully synergic for many aspects. For instance, the importance, underlined by Dewey, of considering individual intelligence not only as a private resource but also as a social asset; his appraisal of modern corporation as a locus for collective action and his stress on the relevance of processes of social valuation blend perfectly with many original institutional economics' contributions: for instance, the evolution of capitalism from the individual stage to the mixed or concerted forms of our time, the institutional analysis of the market, the role of social valuing, the interdisciplinary orientation. In this respect, we have also tried to show the usefulness of collaboration of these theories with psychoanalysis for casting a better light on many individual and collective phenomena. And, as we are about to see, this theoretical background can help realise, by improving the process of social valuation, a better democratic planning.

### **The role of democratic planning in realising an equitable and sustainable economy**

As many of us would agree, the idea of a perfect and optimising market is far detached from reality. For these reasons, a kind of economic planning is always necessary for attaining the objectives of policy action. We shift then to the issue, namely, as to what kind of economic planning is preferable. On that account, Original Institutional Economics (OIE) provides an interesting analysis. It identifies three kinds of economic planning:

**(I)** The first is corporate planning, which is the reality of modern capitalism. In this system, the operation of “free market forces” is heavily conditioned by the interests of big corporations. They possess a wide array of instruments to influence the structure of all relevant markets in which are engaged. In William Dugger's words,



“The corporation is privately efficient [in the pursuit of its goals], but it is not socially efficient because its low-cost, high-productivity performance benefits those who control it, generally at the expense of those who depend upon it but frequently also at the expense of the society at large.”, (Dugger, 1988: 239).

Corporate planning is highly hierarchical, since the key decisions are made by the top managers with little involvement of workers and citizens at large.

**(II)** Then comes totalitarian planning, which is a system characterised by a public purpose which is pursued through a highly hierarchical structure. Such organizations – although have sometimes achieved important results in building infrastructures and poverty alleviation – are flawed by a fundamental lack of accountability and democratic representation. This system, then, by acquiring a marked self-referential character, makes it impossible any objective and pluralistic assessment of the policies adopted and the results achieved.

**(III)** We move then to the third alternative, democratic planning. This system, although it does not always work miracles, is definitely more promising. By allowing a more complete expression of the ideas, experiences, competences, motivations and conflicts of the involved subjects, such system can improve the process of social valuation, and then the capacity of policy action to respond to the profound needs of society.

As noted before, we can note that the effectiveness of policy action can be strengthened by a joint use of the theories addressed in the work. In fact, these contributions, however different in many respects, present notable complementarities, in the sense that the aspects more disregarded by some are more completely considered by the others. In particular, an interdisciplinary approach casting light on the links between the “material”, cultural and psychological aspects of economic action can help attain a more complete social valuation which, as noted before, lies at the heart of the effectiveness of policy action.

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