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John Dewey's theory of democracy and its links with the heterodox approach to economics

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RESUMEN

John Dewey es una de las figuras más representativas de la filosofía pragmatista, enfoque este que aplicó sistemáticamente al estudio de la estructura social y cultural. En este artículo el foco de análisis se concentrará en los aspectos principales del enfoque de Dewey al estudio de los aspectos que constituyen la "naturaleza humana" y en cómo ellos interactúan con las características del contexto cultural. Se ilustrará cómo los conceptos elaborados por Dewey pueden contribuir al análisis heterodoxo de una serie de asuntos económicos y sociales. Dewey subraya el papel crucial de las políticas públicas para facilitar el desarrollo de asociaciones voluntarias en todas las áreas de la estructura social. En el análisis de estos aspectos la contribución central de Dewey radica en cambiar los conceptos de democracia y participación del limbo de la abstracción en la que tienden a ser confinados por los enfoques anteriores, y en conectarlos con la evolución de las formas sociales económicas y sociales.

PALABRAS CLAVE
Dewey, pragmatismo, economía, sociedad, cultura, análisis heterodoxo.

ABSTRACT

John Dewey is one of the most significant figures in pragmatist philosophy, an approach which he systematically applied to the study of economic, social and cultural structure. In our work, we will focus on the main aspects of Dewey's approach to the study of aspects that make up "human nature" and how do they interact with the characteristics of the cultural context. We will illustrate how the concepts elaborated by Dewey can contribute to the heterodox analysis of a host of economic and social issues. Dewey highlights the crucial role of public policies for facilitating the development of volunteer associations in all areas of the social structure. In the analysis of these aspects, Dewey's key contribution lies in removing the concepts of democracy and participation from the limbo of abstraction in which they tended to be confined by previous approaches and connecting them to the evolution of economic and social forms.

KEYWORDS
Dewey, pragmatism, economy, society, culture, heterodox analysis.

Dewey and the pragmatist approach

Introduction

John Dewey (1859-1952) is recognized as one of the most important American philosophers, whose significant influence extended also to the fields of economics and social sciences.

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.* Moreover, he was significantly involved in the fields of education and culture where he promoted important reform projects aimed at the development of pluralism and critical thought.

Dewey was a key figure in Pragmatist[1] thought, an approach which considers the human experience in its entirety: for this reason, the thought process cannot be deemed as an isolated entity since it interacts in a complex way with the feelings, values and actions of the person.

The Main Versions of Pragmatism

It can be noted that there exist two versions of 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:

[1] For a good introduction to the main versions of Pragmatism refer to Menand (1997).

> (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 (James as quoted in Menand, 1997, pp. 98, 99, 104).

Dewey's Perspective on Social Action

Dewey systematically applied this approach to the study of economic and social structure; it is within this structure, indeed, that the thought process and resulting actions and judgments occur and interact. Such an application represents a significant innovation in philosophical enquiry: no longer mere speculation far removed from reality, it becomes instead an investigation of the experiences of individual and collective aspects of life, with their goals, values and problems.

This type of approach is based on a pluralistic-oriented scientific method and is by its very nature interdisciplinary in that many branches of knowledge are required in order to understand the reality of the person in the complexity of his/her collective life: in particular, biology, psychology and psychoanalysis, anthropology, history, economics, sociology, politics. It is for this

reason, as we will see, that pragmatist philosophy and psychology have important ties with the birth and subsequent development of institutional economics.

The study of the individual in his or her entirety –thoughts, actions, feelings, values, in short, experiences– leads to a series of important questions: What are a person's true needs, how do they evolve, how can they be fulfilled? As already noted, these questions are related to the following issue, which has been the crux of thousands of years of philosophical and social thought: what aspects make up human nature and how do they interact with the characteristics of the cultural context?

Such issues are particularly relevant to the debate on freedom, democracy and participation: if, for instance, we consider a regime in which these aspects are absent or insufficient, what can we deduce? That human nature, after all, is not so predisposed to freedom and democratic values? Or the opposite, that cultural conditions have overwhelmed the true needs of the individual? Or else, that human nature undergoes a complex evolution along with the characteristics of the system? In any case, even if we assume this last hypothesis to be true, it remains to be explained why such interactions have produced that type of regime and not, for instance, a more participatory and democratic system.

The issues of democracy and participation and how they relate to cultural development and human nature are analyzed with particular insight in *Freedom and Culture* (1939), a text which conveys the deep-seated tensions that preceded the outbreak of the Second World War.

In the following chapters, we will try to illustrate how the concepts he elaborated can contribute to the analysis of the economic and social foundations of democracy and participation.

Freedom, culture and aspects of human nature

The Relevant Issues

In Chapter 1 of *Freedom and Culture*, Dewey examines the concept of freedom. He observes that only recently –in the late 18th century, with the French and American revolutions and the idea of man's inalienable rights– have the concepts of freedom and democracy become the basic and distinctive goals of modern societies. But how can these concepts be applied in the reality of concrete situations in which these principles might be interpreted very differently by the various subjects involved? With regard to this point, he asks:

> What is freedom and why is it prized? Is desire for freedom inherent in human nature or is it a product of special circumstances? Is it wanted as an end or as a means for getting other things? […] Is love of liberty ever anything more than a desire to be liberated from some special restriction? And when it is got rid of does the desire for liberty die down until something else feels intolerable? Again, how does the desire for freedom compare in intensity with the desire to feel equal with others, especially with those who have previously been called superiors? How do the fruits of liberty compare with the enjoyments that spring from a feeling of union, of solidarity, with others? Will men surrenders their liberties if they believe that by doing so they will obtain the satisfaction that comes from a sense of fusion with others and that respect by others which is the product of the strength furnished by solidarity? (Dewey, 1939, p. 11).

From this passage, it is clear that the concept of freedom is not an abstract notion of "being able" to act but, rather, is made up of the entire set of real possibilities which, in order to be clearly identified, require an analysis of the connections between the characteristics of human nature and culture –where "culture" is intended as the body of material and spiritual conditions that define the unique nature of a given social system.

Identification of these connections, however, is exceedingly difficult, mainly due to the problem of defining human nature –namely, the aspects that make up our being.

It is also for this reason that opinions regarding human nature tend to differ so widely and, in many cases, are expressed indirectly and implicitly.

Interactions between Human Nature and Culture

In this context, the central problem for social sciences becomes, on the one hand, (i) recognizing and analyzing the complexity of human orientations; and, on the other, (ii) studying how these inclinations interact with cultural factors. Indeed,

> The problem of freedom and of democratic institutions is tied up with the question of what kind of culture exists; with the necessity of free culture for free political institutions [...]. The question of human psychology, of the make-up of human nature in its original state, is involved […]. For every social and political philosophy currently professed will be found upon examination to involve a certain view about the constitution of human nature: in itself and in its relation to physical nature (Dewey, 1939, p. 18).

But what are these relations and how do they evolve? In particular, what are the factors that shape the interaction between human nature and culture?

Accepting as given the existence of different inclinations and a certain "adaptability" of human nature –that is, its ability to develop certain features in response to external/cultural forces– Dewey focuses on analyzing the role of cultural factors, intended in an extensive meaning, in fostering such development.

Further on we will discuss the role that an interdisciplinary approach can play in clarifying certain aspects of human nature.

Here we can note how the characteristics of the cultural context deeply influence not only our living conditions but, more

importantly, our "patterns of thought and action"; consequently, many concepts that might appear natural and to be taken for granted are actually the product of our cultural evolution. In this regard, Dewey emphasizes the risk that certain inclinations, more highly developed in certain cultural contexts, be considered (perhaps unconsciously) as the prevailing aspects of human nature. As he notes,

> It is significant that human nature was taken to be strongly moved by an inherent love of freedom at the time when there was a struggle for representative government; that the motive of self-interest appeared when conditions in England enlarged the role of money, because of the new methods of industrial production; that the growth of organized philanthropic activities brought sympathy into the psychological picture, and that events today are readily converted into love of power as the mainspring of human action (Dewey, 1939, p. 21).

Increasing Complexity of Cultural Forms

These considerations, however, do not imply that human nature, due to its "adaptability", plays a secondary role in comparison to cultural factors; indeed, Dewey pinpoints the increasing complexity of human nature and its relations to the development of cultural forms. In this sense, human nature and culture are not separate entities but, rather, interrelated aspects of human existence: in which, human nature houses each individual's inclinations, potential but dormant, while culture constitutes the economic, social and institutional setting where these inclinations find their concrete expression. In this regard,

> All that we can safely say is that human nature, like other forms of life, tends to differentiation, and this moves in the direction of distinctively individual, and that it also tends toward combination, association [...]. With human beings, cultural conditions replace strictly physical ones. In the earlier periods of human history they acted almost like physiological conditions as far as deliberate intention was concerned.

> They were taken to be "natural" and change in them to be unnatural. At a later period the cultural conditions were seen to be subject in some degree to deliberate formation (Dewey, 1939, pp. 23-24).

Indeed, cultural forms include numerous elements which, though highly intertwined, have an increasing tendency "to specialize" and follow their "own logic": for instance, the spheres of politics, economy, science and technology, arts and culture (in the conventional sense of the term). A study of these interactions requires an analysis of the role of the various components of the culture in relation to economic and social development and, consequently, in relation to certain propensions of the individual. In this regard, Dewey observes that,

> Whether complete identification of human nature with individuality would be desirable or undesirable if it existed is an idle academic question. For it does not exist. Some cultural conditions develop the psychological constituents that lead toward differentiation; others stimulate those which lead in the direction of the solidarity of the beehive or the anthill. The human problem is that of securing the development of each constituent so that it serves to release and mature the other [...]. The problem of freedom of cooperative individualities is then a problem to be viewed in the context of culture. The state of culture is a state of interaction of many factors, the chief of which are law and politics, industry and commerce, science and technology, the arts of expression and communication, and of morals, or the values men prize and the ways in which they evaluate them; and finally, though indirectly, the system of general ideas used by men to justify and to criticize the fundamental conditions under which they live, their social philosophy [...]. The fundamental postulate of the discussion is that isolation of any one factor, no matter how strong its workings at a given time, is fatal to understanding and to intelligent action. Isolations have abounded, both on the side of taking some one thing in human nature to be a supreme "motive" and in taking some one form of social activity to be supreme (Dewey, 1939, pp. 24, 25).

One noteworthy consequence of the increasing complexity of cultural forms is that the concepts of freedom, democracy and participation acquire a similarly complex meaning since they are amenable, and depend on, to numerous spheres of collective action.

In this ambit, Dewey points out that economic transformations cannot be considered as the sole "locomotive" of social and cultural change. Indeed, while it is true that the distinction between economic aspects and social aspects of human action becomes increasingly pronounced, it is also true that the interrelations between the various spheres becomes increasingly complex and significant. In this regard, we can note that if, on the one hand, economic aspects, in particular the evaluation of monetary costs and benefits of different alternatives, permeates other areas of social relations, on the other hand, also the opposite phenomenon holds true: namely, that social and cultural aspects influence and seek adequate expression in the economic sphere. In this regard, historical analysis sheds a vivid light on the multifariousness of these processes: for example, the various experiences of capitalism and socialism, while sharing important common traits and, in turn, influencing preexisting cultural structures, have also assumed their own specificity.

This growing complexity of the relevant spheres of collective life can be interpreted as the natural result of an increasing articulation of human needs and, hence, of the system's cultural growth; but, at the same time, it leads to the creation of new problems, expectations, conflicts and challenges. In this type of evolutionary process, in which the establishment of appropriate goals and policies proves increasingly difficult, a thorough comprehension and social evaluation of the problems become paramount in order to avert the temptation to adopt authoritarian "solutions". In this sense,

> The serious threat to our democracy is not the existence of foreign totalitarian states. It is the existence within our own personal attitudes and within our own institutions of conditions similar to those which have given a victory to external authority, discipline, uniformity and dependence upon the Leader in foreign countries. The battlefield is

> accordingly here –within ourselves and our institutions [...]. It [this battle] can be won only by extending the application of democratic methods, methods of consultation, persuasion, negotiation, communication, cooperative intelligence, in the task of making our own politics, industry, education, our culture generally, a servant and an evolving manifestation of democratic ideas (Dewey, 1939, pp. 44, 133).

According to these concepts, democracy relates not only to politics in a limited sense of the term but extends to the other significant spheres of interpersonal relations: in particular, family, work, and other social relations, in the broadest sense of the term. This extension of the concept of democracy consequently implies a corresponding extension of its ethical and participatory content to all realms of collective life, an important result being (cf. in particular, Dewey, 1888) the end of the distinction –coming from a previous cultural tradition– between spiritual or "final" activities and "instrumental" activities related to production process. Indeed,

> We admit, nay, at times we claim, that ethical rules are to be *applied* to the industrial sphere, but we think of it as an external application. That the economic and industrial life is *in itself* ethical, that it is to be made contributory to the realization of personality through the formation of a higher and more complete unity among men, this is what we do not recognize; but such is the meaning of the statement that democracy must become industrial (Dewey as quoted in Menand, 1997, p. 204).

How to build democracy and participation?

Once the complexity of cultural factors has been acknowledged, there remains the task of identifying the influence exerted by the various components (economy, politics, society, science and technology, and the arts) on the system. In particular, how do these factors influence one another and what are the consequences

in terms of realization of the goals of democracy, participation and economic and social development?

Science, Culture and Participation

Further along in *Freedom and Culture,* Dewey explores the development of science and technology in their connections to culture and economic and social development.

In this regard, he highlights the following aspects, relevant also to the present day, of modern industrial societies: (i) science and technology have a profound influence on the means of production and, consequently, on the economic and social relations; (ii) in part as a result of this process, such relations tend to become increasingly complex, distinct, and marked by the growing importance of involvement on the part of the state, institutions and organizations; (iii) at the same time, however, science and technology have had a relatively limited impact on the cultural aspects of society and on the related processes of social valuing, domains which are instead influenced mainly by ways of thinking handed down from the past.

Indeed, scientific progress tends to be applied towards increasing the technical efficiency of the systems of production, whereas its applications to social problems –that is, to the study of the organization of economic, social, and work life– remain far more uncertain and fragmentary. And yet, a systematic use of available knowledge should be all the more important for understanding the problems to be faced in a situation marked by an increasing articulation of the system.

This is especially true for the ordinary citizen whose opinions tend to be formed more through the influence of patterns of thinking rooted in his or her cultural heritage –and which can also be considerably influenced by the mass media– rather than by a conscious use of scientific method and knowledge. A scientific approach based on pluralism which, as resting also on the concepts and methodology of the social sciences, is focused on the issue of value judgments. In fact, the influence of science

and technology on collective life does not unfold in an "objective and neutral" way but, rather, through its "assimilation" in the complexity of the cultural system. In this sense, a situation such as the one described is particularly negative for a social development based on pluralism and participation. Indeed,

> Science through its physical technological consequences is now determining the relations which human being, severally and in groups, sustain to one another. If it is incapable of developing moral techniques which will also determine these relations, the split in modern culture goes so deep that not only democracy but all civilized values are doomed [...]. A culture which permits science to destroy traditional values but which distrusts its power to create new ones is a culture which is destroying itself. War is a symptom as well as a cause of the inner division (Dewey, 1939, p. 118).

The Importance of an Interdisciplinary Perspective

The previous discussion, by focusing on the values of democracy and participation, brings to the fore a well known problem of social sciences, which can be defined as "excess of cultural relativism". By this expression we mean a type of analysis which, in the valuable attempt to be "neutral" and to avoid the dangers of "simplification" and "reductionism", tends to consider the distinctive features of a given context as the typical expressions of cultural pluralism and, as such, not accessible to further scientific investigation. In this way, however, it can become difficult for the observer to form a sufficiently articulated idea of the adequacy of such institutions to attain for its members a good standing of economic and social development; moreover, given that the orientations and values of social scientists can vary widely, it is evident that in the social sciences there seems to exist an "intrinsic impossibility" to identify some "objective" criteria for the analysis of social structures.

How can these well known problems of social sciences –reductionism on the one hand, excess of "cultural relativism" on the other– be sorted out? There are undoubtedly no simple,

all-encompassing solutions; nonetheless, we believe that an interdisciplinary approach can help to pinpoint the features of the economic-social structures, their problems and conflicts, and their similarities and differences.

In this context, the central question becomes how to identify the ethical foundations of social value and policy action. On this matter, as also shown in another work, the ethical foundations of social values and policies can be found not so much in some abstract universal principles of kindness and solidarity but, rather, in linking these principles to the actual needs of the person.

As we will see presently, if we assume, following many insights coming from John Dewey, institutional economics, psychology and psychoanalysis, that the propensions of workmanship and parental bent lie at the heart of the true expression of the needs of the person, the ethical principles of solidarity and participation becomes endowed with a more precise scientific content since they become based on a systematic analysis of the ontological foundations of human needs in their social and cultural expressions.

The links with institutional economics

As an example of an interdisciplinary approach to the issues addressed by Dewey, institutional economics[2] seems especially appropriate.

[2] As is known, institutional economics originated in the United States in the first decades of the 20th century. 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, whose principles were utilized by a scholar, Richard T. Ely, who had a considerable influence on the formation of the first generation of institutionalists.

The principal exponents of institutional economics are Thorstein Veblen, John Rogers Commons, Wesley Clair Mitchell and Clarence Ayres. Relevant contributions were also provided by J. Fagg Foster, David Hamilton, Walton Hale Hamilton and Gardiner C. Means.

Significant contributions with important connections to institutional economics were provided by, among others, John Kenneth Galbraith, Fred Hirsch, Albert Hirschman, Gunnar Myrdal, Karl Polanyi and Michael Polanyi.

Within institutional economics two main strands can be identified: (i) the *old institutional economics* (OIE), constituted by the first institutionalists and by subsequent

This strand of thought, whose main founders were Thorstein Veblen and John Rogers Commons, proposes to analyze economic phenomena within their historical, social, psychological and cultural contexts, thus sharing many aspects with the psychology

scholars who shared its main concepts; (ii) and the *new institutional economics* (NIE), composed of later scholars adopting principles that have important references in the Neoclassical and Austrian traditions.

In our work, we focus chiefly on the OIE, and, in particular, on contributions made by Veblen and Commons, but we are aware that many other contributions would deserve more attention.

In this regard, it is interesting to observe the significant links between the OIE and, among others, the following theories: (i) philosophical Realism; (ii) the socio-economic theory of Amitai Etzioni; (iii) a number of theories of technological innovation –often labeled as neo-Schumpeterian– which share many important concepts with the OIE: for instance, the importance of path-dependency processes and of the related historical and cultural heritage in explaining the characteristics of technology and innovation in any given context.

The pivotal concepts characterizing the OIE can be summarized as follows: ceremonial/instrumental behaviour dichotomy, instincts, culture, evolution, habits, path-dependency, tacit knowledge, technology, collective action, working rules and social valuing. As evidenced by numerous authors, OIE does not present a completely unitary framework; within this ambit, two main strands can be identified:

i) An approach relating to Veblen, stressing the dichotomy between ceremonial and instrumental institutions, the role of habits of thought and action, the cumulative character of technology in its relations with the workmanship and parental bent propensions. ii) An approach referring to Commons, which focuses on the evolutionary relations between economy, law and institutions; the nature of transactions and institutions; the role of conflicts of interest and of the social valuing associated with them; the nature and evolution of ownership, from a material notion to one of relations, duties and opportunities; the role of negotiational psychology for understanding economic and social phenomena.

Notwithstanding some differences between these approaches (cf. in particular, Hodgson, 2004), the elements of convergence are remarkable, for instance between the concept of ceremonial and instrumental institution, on one side, and the process of social valuing, on the other. In this sense, the observed differences tend to concern more the issues addressed than the basic aspects of the OIE.

Within this conceptual framework, institutional economics stresses that the presence of a collective context –with its values, norms, organizations, routines, customs and habits– constitutes a necessary factor for the performance of human activity in the socio-economic setting. In fact, every economic action possesses, at the same time, also a social, institutional, historical and psychological dimension; in this sense, a more complete understanding of the dynamics of economic action requires a joint analysis of all these dimensions which, for this reason, necessitates the adoption of an interdisciplinary approach.

and philosophy of Pragmatism. For instance, on numerous occasions Commons analyzes Dewey's theories and those of other pragmatist philosophers while, in turn, Dewey was influenced significantly by Commons's analysis of the increasing importance of organizations and institutions in modern life. The following passage from Commons clearly expresses the links between institutional economics and the different meanings of Pragmatism:

> [In the discussion on Pragmatism] we are compelled, therefore, to distinguish and use two meanings of pragmatism: Peirce's meaning of purely a method of scientific investigation, derived by him from the physical sciences but applicable also to economic transactions and concerns; and the meaning of the various social-philosophies assumed by the parties themselves who participate in these transactions. We therefore, under the latter meaning, follow most closely the social pragmatism of Dewey; while in our method of investigation we follow the pragmatism of Peirce. One is scientific pragmatism –a method of investigation– the other is the pragmatism of human beings –the subject-matter of the science of economics [...]. Not until we reach John Dewey do we find Peirce expanded to ethics, and not until we reach institutional economics do we find it expanded to transactions, going concerns, and Reasonable Value (Commons, 1990, pp. 150-151, 155).

In this way, many Veblen's and Commons's concepts could be applied jointly in the analysis of the issues addressed by Dewey since, as we have noted, these issues are at the heart of institutional analysis as well: for instance, Commons's concepts of institution, transaction, collective action, working rules, going concerns, reasonable value, ownership and negotiational psychology, can highlight the conflicting and interdependent nature of collective action: in particular, in Veblen's analysis of the dichotomy between the pecuniary and serviceability motives of economic action having their roots in different propensions of the person, which, in turn, can be weakened or reinforced by the

habits of thought and action which define the characteristics of the social structure.

On the other hand, the concepts addressed by Veblen can help to shed light on the dynamics of human action –in particular, the approach to work and solidarity, and the role played by habits and by the cultural heritage embedded therein– and how they impinge on the structure of collective action as analyzed by Commons.

The Role of Psychological Sciences

As we have tried to show, Dewey, Veblen and Commons, notwithstanding a number of differences between their theories, stress the importance of an interdisciplinary approach for the study of economic, social and cultural phenomena. In this context, the contribution of psychological sciences seems to be of particular relevance. As already noted, Dewey highlights the importance of understanding the motivational aspects of human action in their connection with the social and cultural structure. Within this process, he has always stressed the paramount role of education for bringing out the creative and sensible aspects of personality and, on this ground, was also deeply involved in many reform projects of the American schooling system.

Within institutional economics, Veblen and Commons have developed important psychological-oriented concepts, which can be employed in the definition and investigation of the processes of social and cultural change. Now we try to summarize a number of them.

I. Veblen's Theory of Instincts

In the case of Veblen, his book, *The Instinct of Workmanship and the State of the Industrial Arts* (1914), examines the role of two fundamental instincts (or propensions), "workmanship" and "parental bent", in economic and social development and,

consequently, in the characteristics of production and consumption. Both propensions are intended in a broad sense, "workmanship" meaning not only technical abilities but the whole of manual and intellectual activities applied toward reaching a certain end, and "parental bent" meaning an inclination to look after the common good that extends beyond the sphere of the family alone.

In Veblen's analysis, these propensions tend, under ideal circumstances, to strengthen one another; this constitutes an important insight confirmed by studies in psychology and psychoanalysis, which stress the need for the person to enhance his or her intellectual, social, and emotional potential through the construction of adequate interpersonal relations.

Related to these aspects, Veblen's analysis presents other important observations regarding the relationship of "personification" established by the worker with his or her tools when he or she ascribes to them anthropomorphic qualities.

Such insights, as also noted in another work, open new horizons for research on worker motivation and participation: in this regard, it can be noted that the "personification" of the relationship with one's work-tools, while shifting in meaning continuously over time, tends to represent a distinctive feature of the psychology of the worker. Indeed, one reason why the worker tends to consider his or her tools as "coworkers" in a symbolic sense, might derive from the fact that the worker's relationship with technology is more than a simple "objective" and technical relationship but involves as well an emotional/relational involvement –in other words, a social relationship– which deeply influences his or her role and motivations in the workplace and in the social context. As a consequence, the "personification" of the relationship with technology or with other aspects of collective life, far from being an expression of irrationality, can be considered as a necessary ingredient of social life.

Naturally, the content of this symbolic relation with technology is partly driven by the characteristics of the social context and, for this reason, can also be determined by an inadequate expression of conflicts or distress on the part of the worker; but this holds

true only for the "content" and, therefore, does not regard the process of "personification" in itself.

II. Commons's Theory of Reasonable Value and Negotiational Psychology

Also Commons has provided significant contributions to the analysis of interrelations between economic and psychological factors in collective life. Firstly, he has brought new light to the theory of social value[3] by introducing the concept of reasonable value, which pinpoints the conflicting and context-specific nature of the process of social valuing; these concepts are effectively set forth in the following passages,

> The preceding sections of this book brought us to the problems of Public Policy and Social Utility. These are the same as the problems of Reasonable Value and Due Process of Law. The problem arises out of the three principles underlying all transactions: conflict, dependence and order. Each economic transaction is a process of joint valuation by participants, wherein each is moved by diversity of interests, by dependence upon the others, and by the working rules which, for the time being, require conformity of transactions to collective action. Hence, reasonable values are reasonable transactions, reasonable practices, and social utility, equivalent to public purpose […]. Reasonable Value is the evolutionary collective

[3] As is known, the theory of social value has a long tradition in social sciences. In this regard, this theme has been at the centre also of Dewey's work, in particular in his *Theory of Valuation* (1939), which is closely related to *Freedom and Culture*. The following passages effectively express the meaning of the concept of social value for institutional economics, "To conceive of a problem requires the perception of a difference between 'what is going on' and 'what ought to go on'. Social value theory is logically and inescapably required to distinguish what ought to be from what is […]. In the real world, the provisioning process in all societies is organized through prescriptive and proscriptive institutional arrangements that correlate behaviour in the many facets and dimensions of the economic process. Fashioning, choosing among and assessing such institutional structure is the 'stuff and substance' of continuing discussions in deliberative bodies and in the community generally. The role of social value theory is to provide analyses of criteria in terms of which such choices are made.", (Tool, in Hodgson, Samuels & Tool, 1994, pp. 406-407).

> determination of what is reasonable in view of all changing political, moral, and economic circumstances and the personalities that arise therefrom to the Suprem bench (Commons 1990, pp. 681, 683-684).

Reasonable value is by definition an imperfect process whose characteristics can be interpreted as the synthesis of the conflicting and evolutionary components of collective action. As also evidenced in another work, the imperfection of social valuing is also caused by its partly unconscious and conflicting character, often embodied in habits of thought and life. In this sense, social value process goes at the heart of the nature of political economy, which is considered not an activity stemming from the application of abstract laws but as a collective and evolutionary decision-making process involving many institutions. In this sense, political economy has a close relation with law and ethics,

> If the subject-matter of political economy is not individuals and nature's forces, but is human beings getting their living out of each other by mutual transfers of property rights, then it is to law and ethics that we look for the critical turning points of this human activity (Commons, 1990, p. 57).

In this regard, in *Institutional Economics, Its Place in Political Economy* (1990 [1934]), he has elaborated the concept of negotiational psychology, aimed at interpreting the conflicts and dynamics of collective action as expressed through the complex web of transactions and institutions. Indeed, negotiational psychology involves the idea of conflict between different feelings and values, which find their manifold expression in the dynamics of individual and collective action. Within this process, the importance attributed to social psychology appears in the following passages,

> If it be considered that, after all, it is the individual who is important, then the individual with whom we are dealing is the Institutionalized Mind. Individuals begin as babies […]. They meet each other, not as

> physiological bodies moved by glands, nor as "globules of desire" moved by pain and pleasure, similar to the forces of biological and animal nature, but as prepared more or less by habit, induced by the pressure of custom, to engage in those highly artificial transactions created by the collective human will [...]. Every choice, on analysis, turns out to be a three-dimensional act, which –as may be observed in the issues brought out in disputes– is at one and the same time, a performance, an avoidance, and a forbearance [...]. The psychology of transactions is the social psychology of negotiations and the transfers of ownership [...]. Thus each endeavors to change the dimensions of the economic values to be transferred [...]. This negotiational psychology takes three forms according to the three kinds of transactions: the psychology of persuasion, coercion, or duress in bargaining transactions; the psychology of command and obedience in managerial transactions; and the psychology of pleading and argument in rationing transactions… Negotiational psychology is strictly a psychology of ideas, meanings, and customary units of measurement (Commons, 1990, pp. 73-74, 88, 91, 106).

Hence, the individual and collective element constitute two necessary aspects of collective action; this entails a shift of the analysis from a "person-to-nature" to a "person-to-person" relation[4], with the related importance of an interdisciplinary approach for its understanding.

[4] It can be interesting to note that these concepts allow Commons to develop important implications on the similarities and differences between institutional economics and Darwin's theory which, as is known, has had multifarious influences on social sciences; in this regard, Commons observes that, "Natural selection, which is natural survival of the "fit," produces wolves, snakes, poisons, destructive microbes; but artificial selection converts wolves into dogs, nature's poisons into medicines, eliminates the wicked microbes, and multiplies the good microbes […]. And these transactions, since the principle of scarcity runs through them, have curious analogies to the factors which Darwin discovered in organisms. Custom, the repetition of transactions, is analogous to heredity; the duplication and multiplication of transactions arise from pressure of population; their variability is evident, and out of the variabilities come changes in customs and survival. But here the survival is the "artificial selection" of good customs and punishment of bad customs, and it is this artificiality, which is merely the human will in action, that converts mechanisms into machines, living organisms into institutionalized minds, and unorganized custom or habit into orderly transactions and going concerns.", (Commons, 1990, pp. 636, 638).

In this perspective, psychological sciences can contribute to a better understanding of the ontological foundations of reasonable value in any given context, in particular as regards its most problematic aspects, which tend to be grounded, in a partly implicitly and unconscious way, in deep-seated patterns of thought and action.

A joint application of the concepts elaborated by Dewey, Veblen and Commons can make headway towards a systematic collaboration between institutional theories, psychology and psychoanalysis, especially in light of the increasing areas of convergence between psychological and social sciences[5].

Conclusions: what implications for policy action?

What are the implications of the above discussion with regard to the issues of democracy and participation and their links with policy action? We can observe that the goal of creating increasingly complete forms of democracy and participation is based undoubtedly on a precise "value judgment", which, however, is also rooted in a scientific –in the aforementioned pluralistic meaning– approach to the issues at hand.

Indeed, as we have noted, numerous contributions from psychological and social sciences stress the need for the person to fully develop[6] his or her intellectual, social, and emotional

[5] For an analysis of some important contributions aimed at applying a psychological and psychoanalytic perspective to the study of social sciences refer to Ammon, 1971; Bastide, 1950; Desjarlais *et al.*, 1995; Erikson, 1968; Fine, 1979; Gay, 1985; Horney, 1939; James, 1890; Kahneman & Tversky, 2000; May, 1972; Nisbett & Ross, 1980; Pervin & John, 1997; Sullivan, 1964.

[6] In this way, it would be possible to sort out the problem, outlined before, of "the excess cultural relativism": in fact, it could seem that, if what matters is the adequate expression of social value, then any kind of value (and of corresponding policies) – for instance, even social valuations based, in Veblen's terminology, on predatory and acquisitive attitudes– so expressed should receive, on the grounds of ensuring equal consideration to each context considered, equal legitimacy no matter how ethical we deem these values to be. Thus, the central question becomes how to identify the

propensions, mainly through the construction of sound interpersonal relations.

In this light, democracy and participation constitute not only ethical goals, but also elements necessary for reaching an adequate awareness of the problems and conflicts that define, in the analysis of economic and social problems, the structure of "reasonable value". And, relatedly, the formulation of policies which concerns, in a complex system of interrelations, not only governmental action but the whole of collective domain and hence, in order to be effective, requires an adequate process of coordination of the various institutional (and hence, social and cultural) levels at which they are defined and put into practice.

In this regard, Dewey pinpoints –with considerable insight into the subsequent developments of the theories of "human and social capital" and "relational goods"– the crucial role played by public policies[7] in promoting, also through the provision of public goods and services, the development of collective projects and initiatives in every articulation of the social structure. Indeed, these associative experiences constitute the core of democracy and participation and safeguard against the dangers of an excessive concentration of power in public and/or private institutions.

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ethical foundations of social value and policy action. On this matter, as shown in another work, the ethical foundations of social values and policies can be found not so much in some kind of abstract universal principles of kindness and solidarity but, rather, in linking these principles to the actual needs of the person.

In this sense, psychological sciences, in collaboration with institutional economics, can play a paramount role in identifying these needs and the policies most adequate for their attainment.

For instance, if we assume, following Veblen and many contributions from social and psychological sciences, that the propensions of workmanship and parental bent –or, in psychoanalytic terminology, the capacity "to work and love", which implies the need for the person to establish sound interpersonal relations– lie at the heart of the true expression of the needs of the person, the ethical principle of solidarity would be endowed with a more precise content since it becomes based on a continual scientific-oriented observation of the characteristics of human needs in their social and cultural expressions.

[7] Refer in particular to Dewey's essay "I Believe", published in 1939 (edited by C. Fadiman) by Simon e Schuster, also in Menand, 1997.

Related to these aspects, it is interesting to note that an insufficient process of participation –by tending to engender an inadequate expression of the structure of "reasonable value", that is of the motivations and conflicts forming the basis of economic and social life, and, hence, of policy action– can be an important factor in explaining the difficulty of economic policies to meet the needs of collective life and the corresponding phenomena of "anomie", social alienation and insufficient social-economic development.

In the analysis of these issues, Dewey's key contribution lies in removing the concepts of democracy and participation[8] from the limbo of abstraction in which they tended to be confined in previous approaches and in connecting them explicitly to the evolution of cultural forms: in particular, through the integration of a pluralistic scientific method in the cultural foundations of society and in the corresponding dynamics of collective action.

An analytical approach of this kind can help to deal with the problems and tensions brought about by structural changes in the economic and social domains; changes, as previously noted, whose full comprehension requires the study of the corresponding evolution of the cultural system –that is, of the complex network of values, goals, and conflicts of the individual in his or her context of reference.

Foremost among the policy issues that can thus be addressed are poverty, economic and social development, and environmental protection; and, furthermore, other related aspects, which can cause considerable problems (not only economic, but social and psychological as well), include inadequate participation in the workplace and in collective life, economic insecurity, and insufficient integration of science and technology in the economic, social and cultural spheres.

[8] In this light, the issue of participation can be considered equivalent to the problem of creating an institutional system ensuring the growth of increasingly effective democratic structures in the political, economic and social domain (cf. also the previous footnotes).

Indeed, as already noted, the innovative aspect of Dewey's perspective rests on the adoption of a unified approach to the study of the individual in his or her context of reference. Within this framework, it becomes possible to analyze the various spheres –in particular, economic, social, scientific, political, psychological and ethical– in which the network of collective relations is grounded and which together define the characteristics of culture, democracy, participation and policy action in a given context.

By providing an elaborated contribution to the understanding of the complex relations between human nature and culture[9] – that is, between the individual's propensions and the material and spiritual conditions that define any given context– such an approach presents significant points of convergence with important strands of heterodox approach in social sciences: for instance, Institutional and Evolutionary Economics, Marxism, Philosophical Realism. For this reason, it can offer an interesting perspective for an interdisciplinary and pluralistic study of the ontological foundations of economic and social phenomena.

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[9] These remarks do not imply that the issue of the characteristics of "human nature" has been overlooked in economics. Importantly, most economists have provided significant contributions to these aspects. In this regard, important authors like (among many others, listed in alphabetic order) John Rogers Commons, Amitai Etzioni, John Maynard Keynes, Alfred Marshall, Karl Marx, John Stuart Mill, Gunnar Myrdal, Robert Owen, Karl Polanyi, Joan Robinson, Adam Smith, Thorstein Veblen, have stressed in different ways an aspect which constitutes the springboard of our study: the circumstance that human nature is not an immutable and ahistorical entity but presents an evolutionary character and, for this reason, interacts in multifarious ways with the institutional setting. Hence, if human nature can modify (and be modified by) social circumstances, the importance of ensuring a continual improving of the institutional framework appears clearly. It is from this insight that many important contributions have been provided by these thinkers to the concepts of culture, freedom, participation, democracy.

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