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THE ROLE OF RHETORIC IN ECONOMICS AND ECONOMY*

Abstract. In this paper we attempt to show that rhetoric plays an important role in economics as a science and in economy as a social system. Our task is rather demonstrative, but it aims at stripping away the illusion that economics has acquired a status equal to the natural sciences, in which there is no place for subjectivism and ambiguity. Economics belongs, after all, to the realm of the social sciences and as such it is subject to the limitations of human cognition and understanding. We show that economics as a science is not free from employing sophisticated methods of persuasion and rhetoric. Next, we also try to demonstrate that rhetoric can be a useful tool in creating economic reality. It does not have influence on economic processes per se, but it is helpful in constructing an institutional architecture of the economy by influencing public opinion and decision makers.

Keywords: argumentation, truth, economic method, institutional change, economic order

Introduction

At first sight rhetoric has little to do with economics. It is more of an art than a science, even though it has always been of scholarly interest, both as a skill and object of study. According to Encyclopaedia Britannica rhetoric refers to the principles of communication employed in order to persuade or inform (Sloane 2017). It has a very long tradition reaching back to Ancient Greece and Rome and has usually (though not exclusively) been applicable in literature and public speeches. A proficient speaker or writer had to master the means of persuasion, techniques of style and composition as well as the skill of logical argumentation. Together with grammar and logic, rhetoric was one of the three arts of discourse, which was crucial in training statesmen, lawyers, counsellors and others whose profession depended on oral or written abilities.

In contrast, economics has by and large attempted to gain the status of the most scientific of all social sciences. At least since the beginning of the 20th century leading economists have struggled to transplant the model of natural sciences (mostly physics) to the study of transactions and economic welfare. In order to do so they attempted to formalize and mathematize their arguments and research methods, so that the space left for ambiguity or dubiety was minimal. Rhetorical measures by all means belonged to the same category as an antithesis of science and pure knowledge. Rhetoric was supposed to be found on real markets, where one wishes to sell high and buy low and so one uses many persuasion tricks to negotiate successfully, but not with a scientific explanation.

The aim of this paper is to demonstrate that rhetoric and economics, despite programmatic declarations of the latter, do remain in close collaboration. First, we show that the assumption that we can successfully formalize social phenomena is a rhetorical tool itself and has its own relevant limitations when it comes to understanding social reality. The social world has much more to do with storytelling connected with the way people think, act, and understand social phenomena. Second, we trace the role of rhetoric in creating an economic reality embodied in the institutional architecture of the economy. This is a new trend in economic research, which emphasizes the role of discourse and persuasion in constructing the rules and norms which govern economic actions.

How economists explain, or conversation as explanation

The rhetoric of economics is a study of how economists explain. It is not, however, about the methods and techniques they declare they use, but rather about the actual practice of solving economic puzzles and demonstrating the results (Pethö 2005, p. 109). It is the art of persuading others – fellow economists and academics, politicians and decision makers, students and followers – to accept some economic claims and dismiss others. Students of economics may have an impression that the neoclassical (sometimes referred to as mainstream) canon has been the only legitimate and widely-accepted mode of argumentation in this discipline. Seminal works like Milton Friedman's *The Methodology of Positive Economics* (1953) or Mark Blaug's *The Methodology of Economics* (1992) tend to emphasize this inclination. Undoubtedly, this methodology of persuasion in economics seems to enjoy a dominating position, but a more distanced view shows its limitations and place *among*, not *above*, other schools of economic thought.

In 1983 Deirdre McCloskey stirred up a hornet's nest when she published an influential article (two years later expanded into a book) in which she claimed that explanation in economics has much more to do with disciplined conversation than with rigorous research and exploration as we know it from natural sciences. McCloskey hence challenged the methodological background of economic science putting under scrutiny the gap between what was proclaimed by scholars and what was indeed performed. Until then economists were rather in agreement that they were working in the tradition of logical positivism which had hardly anything to do with discourse and persuasion. Economic research was after all based on facts and logic backed with mathematical and statistical apparatus.

McCloskey scoffed at the official methodology by dubbing it "the Received View", under which she understood an amalgam of "positivism, behaviorism, operationalism, and the hypothetico-deductive model of science" (1983, p. 484). This set of rules meant that our source of knowledge referred to objective facts and observations, reproducible experiments, rigorous measurement and high prediction capacity. This model of search for truth in economics was supposed to provide us with "knowledge free from doubt, metaphysics, morals, and personal convictions" (p. 488). If applied properly it had, however, a very serious drawback of delimiting the scope of interest and possible research. One could easily imagine that literal basing on these principles would preclude advances in such areas of research as industrial organization, business ethics, economics and law, or economic history. This could be avoided if this positivistic amalgam would be accepted as *one* of many methods used for research in economics, but the problem was that it claimed hegemonic status. Economic research conducted with other methods was believed to be faulty and unscientific and as such had to be rejected. They were not a source of true knowledge.

Economics is social science and by its very nature it eludes objectivity and precise quantification. Yet for some reason, in search of "pure economics" as an opposition to political economy, its method has been based on 19th century physics being then a model science. A careful reader can easily find links to mechanics in basic textbooks for micro- and macroeconomics. However, during its later development economists somehow missed the progress that took place in the philosophy of science including the decline of logical positivism as well as criticism of falsificationism and prediction (not to mention change of paradigms in physics). With firm adherence to the chosen methodology, tensions began to appear between scholars working in mainstream tradition and representatives of other schools of thought who preferred to view economic phenomena through different lenses. For-

malization of economics, i.e. using a mass of equations and building on a set of axioms and assumptions, was put in opposition to softer methods of cognition and explanation. This also allowed scholars to look at economics from a distance and to find that the “Received View” was only a tool of persuasion, though a very powerful one.

Doing economics is about constructing arguments – good economists can construct solid, convincing arguments using various tools at their disposal. However, it is not only about facts, objective data, and logical reasoning. Scientific writing and speaking require proper skills concerning arrangement, invention, and style, like how to begin and conclude a paper, which model and what kind of data to employ, which literature to cite etc. (Klamer 2007, p. 97–98). It is about knowing standards and conventions of the discipline in order to know how to communicate and be persuasive. In fact it requires a proper rhetorical choice to enter a particular conversation and not be rejected on the grounds of how things are done here. Different economic schools have worked out different ways of arguing and leading a conversation that refer to different underlying narratives and styles of proof and argumentation. Moreover, various schools tend to rely on different stories and languages. Neoclassicals speak of individuals maximizing their utility in voluntary exchange; Austrians concentrate on individual entrepreneurs making decisions under uncertainty and the impossibility of constructing efficient complex systems; radicals speak of power relations, conflicts, and class struggle; whereas institutionalists perceive social world as full of humanly-devised rules and norms working as constraints, but also enabling certain activities. Thus, before one addresses scholars of a certain provenance, it is important to be familiar with the story beneath. Otherwise one faces the risk of being ignored or discarded.

In this perspective it is easy to notice that even the positivist method was in fact a rhetorical tool aimed at convincing others with potent argumentation. One of its basic features was an attempt to demarcate the scientific from non-scientific (McCloskey 1983, p. 510). In order to do so, one had to draw a clear line between facts and opinions, cognition and intuition, precision and vagueness, or indeed hard science and soft humanism. No need to mention that positivism was all in the first basket. This approach was, however, a double-edged sword. On the one hand, it attracted young, impatient scientists as now they could learn ‘scientific’ method in a short period of time and apply it to available data (McCloskey 1994, p. 9). The reduction of a complex cognition process to an observation-hypothesis-testing triad was very economical, because it allowed leaving all the context and tacit knowledge behind. On the other hand then, the formalization and mathematiza-

tion of economics turned into the simplification of studied phenomena and encouraged scholars to modify assumptions in order to prove a claim true. Additionally, economists working in this tradition employed other rhetorical and literary devices to support the persuasion. Those measures included overuse of complex mathematics (even for trivial problems), referring to (subjectively chosen) models and conclusions from other research, appealing to arguments of other (usually respected) economists, employing evidence not brought into discussion, using hypothetical economic systems as examples, and finally exploiting catchy analogies (McCloskey 1983, p. 500–501).

Yet the most important rhetorical device in economics (all schools of thought included) seems to be the use of metaphors. The language of economists is filled with them, even if they go unnoticed (see Klammer and Leonard 1994 for extended discussion). Think of notions like human capital, market for lemons, credit crunch, animal instincts, Robinson Crusoe economics, or the economics of a spaceship earth to realize that these examples are all metaphors. Models are also metaphors – consider the demand/supply model of market, circular flow, or the prisoner’s dilemma diagram. Metaphors are very useful tools linking two different realms of meaning (like human and capital) which allows for mutual borrowing of their contexts and features. This exchange is of course reciprocal and facilitates looking at both words from new, surprising (and revealing) angles. Yet this method of inquiry and persuasion could hardly be viewed as positivistic. There is more to it. As Lakoff and Johnson (2003, p. 3) write, if we learn reality with the help of metaphors, then we act on the basis of those very metaphors; “we draw inferences, set goals, make commitments, and execute plans, all on the basis of how we in part structure our experience, consciously and unconsciously, by means of metaphor”. This is particularly visible in economics. When scholars trained in economics call something a market, then they start thinking of it in terms of demand, supply, price setting, and equilibrium mechanisms (Klammer 2007, p. 110). Invoking a “market for political ideas” or “education vouchers” tends to change our perspective on political games and schooling. One should also note here the contributions of Gary Becker, who approached everyday life issues with marginal utility and market mechanisms (marriage as contract or children as durable goods) irrevocably changing the perspective for many of his followers (see Becker and Becker 1997 as broad summary of his work).

Even theories used by economists are not free from rhetoric. All theories draw on models, which are simplified representations of reality aimed at highlighting certain aspects of it. This means that choosing a model in order to construct some theoretical perspective eventually specifies which

issues will be tackled and which will be largely ignored or downplayed. It also affects the framing of a given problem, i.e. its context and angle of observation. The very same phenomenon may thus be interpreted positively or negatively depending on the choice of model or theory; for example, depending on context an unemployment rate of 10% will be viewed differently by monetarist and post-Keynesian approaches. In other cases scholars and students have to decide whether to accept a theory or not. Some acknowledge them as a matter of faith, others stick to it as long as it gives *some* explanation of studied phenomena. Economists, for that matter, tend to follow a theory until a superior alternative is presented to them (Birks 2012a, p. 9). This may cause some major misunderstandings when young scholars or researchers from other disciplines draw on such imperfect works. This is, however, a methodological convention accepted by the economic community, even though it allows for accepting flawed models as a source of understanding the real world. Its consequences for rhetorical overuse of such underdeveloped theories are by all means far-reaching. Nowadays, a powerful argument has been given by Dani Rodrik (2015) that the current state of knowledge in economics is in fact a large library of models ready to use. Skilled economists must then be able to choose correctly from the library and select those models that match best the phenomenon in question and be able to adjust their parameters to the specific context. One can imagine then that a new variation of rhetoric in mainstream economics will consist of convincing others about the accuracy of the selection, finesse of amalgamating various models as well as the quality of their fit to the situation at hand. The ability to search the library and dig out non-standard models will be highly valued too. It is, however, hard to guess if the quality of economic explanations will improve when we realize that this library is still dominated by the positivist paradigm research. The library is, though, a creative and well-crafted rhetorical device itself.

Rhetoric and economic order

So far we have considered the relation between rhetoric and explanation of economic phenomena. But is there possibly a link between rhetoric and economic performance? Rhetorical devices are very useful for persuading others to accept our ideas, but do they have any influence on the real parameters of economy? In this part of the paper we aim to argue that there is an indirect link between these two and economics has only recently started to embrace this issue.

Rhetoric does not have impact on economic processes per se, like production, sales, employment, inflation etc., but it may be one of the factors that influence the construction of the institutional architecture of the economy, within which these processes take place. By institutional architecture of the economy we understand a set of formal and informal rules and norms that constrain human action as well as enable certain activities. Examples of formal institutions are a constitution and all the legal rules within the economy (like banking laws, corporate legislation, consumer rights, etc.), whereas informal norms and conventions are derived from culture, beliefs, tradition and other social guidelines of thought and behavior. Institutions are thus responsible for providing boundaries of economic actions, but also encourage and permit other behavior by reducing uncertainty and risk (think of a civil code for instance). This architecture, however, is not implemented in top-down fashion by some external authority nor created spontaneously by a mass of acting individuals (though *some* institutions may appear in that manner). It is *constructed* in a process of colliding and balancing group interests, in which actors try to make the rules favorable to themselves. Business associations and corporations may constitute some of these groups, but also labor unions, political parties, or consumer organizations form influential groups of their own. The construction of institutions may thus be a question of power that allows some groups to force favorable legislation through, but in most cases, in advanced democracies at least, it is a question of persuasion and gaining support for one's ideas. This very point of contact between economics and political science is where rhetoric enters the scene. Such an interdisciplinary approach is unavoidable here as those issues lie beyond the scope of interest of mainstream economics.

Nevertheless, economic theories and models could prove very useful here. As Birks (2012, p. 4) tries to argue, economics "should be seen as providing a tool kit, a collection of concepts, structures, theoretical and empirical findings" which can help us to understand real world processes and *the way of influencing them*. In other words, economics comes handy for spokesmen of interest groups when they require sound scientific evidence that the offered institutional solution is superior and provides results desirable for the state or general welfare (the growing library of models will soon become very convenient for this purpose!). In political struggles it is also more about proper framing and agenda-setting than scrutinized and objective inquiry into a given problem (Weaver 2007, p. 145–146). The former are responsible for *how* certain issues are portrayed and tackled rather than *which* problems are dealt with. What matters is not only the selection of a problem (which is usually predetermined by an interest in mind), but

its perception, moral evaluation, causal interpretation, and proposed ways of solving it. Thus it is concerned more with the way of thinking about the object of inquiry than with the nature of the object itself.

James Montanye leaves no doubt that rhetoric and sophistry are used on a regular basis in such political struggles. “Rhetoric as a practical matter is a civil means by which self-interested individuals attempt to affect favorably others’ opinions and ultimately their behavior” (Montanye 2005, p. 327). It stands in contrast to deceit and force which imply assault, yet its goals are largely similar. The difference between scientific economics and economic policy is that, in the former, sophistry and deceit can be relatively easily uncovered and downplayed, yet in the latter they can last for decades as they anchor in human emotions, beliefs, convictions and possibly particular interests. “Policy conversations are arranged to converge on predetermined political outcomes and compromises rather than on economic truth” (Montanye 2005, p. 332). Truths and arguments are used instrumentally as means to ends; half-truths or misunderstandings can be employed deliberately in order to justify particular claims. Political economy might well be based on “interested error” instead of a search for welfare or justice. The latter cannot happen in the political realm, where sophistry is a tool and confusion facilitates lucrative rent seeking. Also, whereas in science cheating and dishonesty is unexpected and, if uncloaked, condemned, it is anticipated and permitted as part of the game in economic policy conversations. In this instrumental logic there is hardly any discipline or boundaries of the game – it is the goal at the end that matters.

Rhetorical devices are by all means crucial for changing the institutions of economy. This strand of research has been recently explored by Vivien Schmidt, who pursued research on discursive institutionalism (Schmidt 2010). She argues that this institutionalism complements three other institutionalisms: rational choice (or indeed economic), sociological, and historical. Its distinguishing feature is that, unlike the other three focusing on continuity, it aims at explaining institutional change in a more satisfying manner than has been done so far. In discursive institutionalism the change is treated as endogenous, i.e. is driven by factors functioning within the system, not affecting it from outside (like technological or geopolitical shocks). It is individual and group actors with their economic and political interests that are trying to change the institutional architecture of the economy in their favor. In order to understand these phenomena we need to concentrate more on cognition and institutional structures than on pure economic theory. Schmidt (2008, p. 2–3) emphasizes that what is important here is how actors conceptualize the leading discourse and how they

place their goals within it. Only then can they generate ideas of how the existing structures should be changed and finally turn to a specific logic of communication that would be effective in this process. Proper choice of convincing arguments and narrative as well as having access to influential channels of communication is crucial for change. It is especially important that there are always competing discourses aimed at conflicting ends, so superior persuasion may be a decisive instrument. There are many factors on which the final success depends and many of them belong to the art of rhetoric. It is then not only the content of ideas that counts, but also which people and organizations promote specific objectives, the language they use, with whom and how they communicate, how they formulate their claims, how they argue, bargain, and compromise, how they reach agreement. In short, the choice of tactics and tools is a question of appropriate rhetoric and depends on successful research of a target group, employing a legitimate perspective and persuading public opinion or policy makers. It should be recognized then that the way that structures change is not incidental and uncoordinated, they usually change on purpose and deliberately (even if the final result differs from original expectations). Not surprisingly, economic sciences are now starting to embrace the question of ideas, cognition, and communication, all in a specific institutional context, which was already postulated some time ago by leading historian and institutionalist Douglass North (2005) as an indispensable extension in explaining economic change.

We can briefly illustrate our point on two examples in which discourse proved indispensable for constructing a new institutional architecture. Its impact is especially pronounced during the times of deep and thorough changes, like systemic transformation. Poland and Sweden constitute two cases of such a shift, both happening at the turn of the 1980s and 1990s. Schematically, at the beginning comes recognition of the shortcomings of the current institutional order and the idea that a change is necessary. Yet ideas do not translate into real-world reforms with no effort. They must be communicated to other actors in order to gain sufficient support so that a change may finally take place. It is important then to watch the language and discourse to behold what kind of rhetorical and persuasion tools are used and how the change of structures is implemented.

Poland experienced a successful systemic transition from communism to democracy and a market economy in the early 1990s. However, this process began much earlier with a thorough critique of the former system and formation of ideas of a new, better social order modeled on Western political rules. The support for the change was widespread among the society, but there

was no consensus on its depth and pace. Leaders of Solidarity, the heavily influential labor (or in fact social) movement being the front line opposition to the communist government, largely aimed at building cooperative order in a gradual manner (see Kowalik 2012, part one). However, the transition quickly turned out to be a shock therapy pushed by liberal-wing leaders, but with little social support. It was necessary to build the legitimacy for such abrupt change so that the benefits from such a transition would be considered sufficient to overwhelm its social costs. Kochanowicz (2014) shows that the pro-market rhetoric of Poland's leading newspaper (*Gazeta Wyborcza*) contributed deeply to the aggressive transition scenario on the grounds of fear that the systemic shift might be reversed. Its social costs, i.e. social exclusion and economic downturn, were justified as hard, but indispensable. Opposing views were played down with ironic treatment or excoriated with "there is no alternative" argumentation. It would be too big of a claim to say that *Gazeta* was of utmost importance for the systemic shift, but it certainly contributed to the construction of a liberal order in Poland after the 1990s. Leaving the discussion of pros and cons of Polish institutional order, it is rather certain that without *Gazeta's* rhetoric and devotion, that order would be of a different kind today.

The Swedish case is quite similar to the Polish one. The hegemony of socialdemocratic political power and ideas between 1932 and 1976 created a specific institutional architecture of economy based on Keynesian-like economic policy, a universal welfare state, and high fiscalism. This order was so deeply rooted that first attempts to change it – by the center-right government of 1976–1982 and powerful business associations – failed almost entirely. It was only until a huge ideological offensive was started by the employer's organization which aimed at remodeling public opinion (and socialdemocratic leaders) in favor of liberalization, deregulation, and privatization measures in economy. Public media and new liberal think-tanks were main carriers of the new ideas. Boréus (1997) analysed Swedish public debate since 1969 and found that notions of solidarity, equality and democracy were replaced in the 1980s with concepts of freedom and fairness. Capitalism and transnational corporations were no longer perceived as a threat to democracy and social justice, but as mechanisms providing the growth of welfare and extending individual possibilities. Welfare state and public sector were, on the contrary, impediments in achieving a better standard of living. This gradual change in rhetoric and discourse proved very fortunate for the systemic shift that took place in the late 1980s and early 1990s, when Sweden adopted a very liberal economic architecture breaking sharply with past policies (see Blyth 2001 for discussion).

Concluding comments

In this paper we have tried to show that economics is not free from rhetoric and various means of persuasion, such as the use of metaphors. As a matter of fact a crucial part of being an economist scholar is to convince others that one's argument is valid and should be accepted by the economic community. In order to do so one needs to employ methods of research and argumentation that will be acknowledged by the audience as legitimate. In this perspective even the neoclassical model of reasoning is but a device in an economist's toolbox. Formalization and mathematization of argument are considered by this school of thought as an assertion of the high quality of research and a premise for true knowledge. This claim might obviously be valid, but it does not prejudge that other approaches are employing unreliable methods of research. It should be rather said that they are using other rhetorical devices to persuade other scholars.

We have also followed traces of rhetoric in the economy itself by considering the influence of rhetoric at the construction of an institutional architecture of economy. Persuasion is often used by various interest groups trying to modify the operative legal rules and norms in their favor. In order to have influence on decision makers and the general public one needs to apply many rhetorical tools compatible with the specific context and situation. Persuasion is then applied on purpose and has little to do with scientific discussion; it is rather anticipated as a standard political move that needs to be counterbalanced by opposite ideas and narratives. Yet whatever its character or content, rhetoric does have indirect influence on economic processes and phenomena. It is very promising that economists have started to recognize this issue.

N O T E

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