

ONE

**Introduction**

During the fall and winter of 2000 to 2001, I lived for several months in a rural township in far south-western China. I soon learned that this rather beautiful place, which I call Protected Mountain, had an interesting economic history.¹ In the late Qing and early Republican eras, a number of people from that area moved across the nearby border to Burma (Myanmar), where some of them became successful traders. At the time, this was explicitly seen a *moral* achievement – a way of bringing glory to the ancestors – and the typical pattern was that ‘Chinese sojourners’ (*huaqiao*) of this kind would eventually return, at least in death, to Protected Mountain, where they and their families had built the large courtyard houses and ancestral temples that dot the landscape to the present day.

Life since then has not always been good, however. Mao’s revolution upended China’s social and moral certainties. It was notably hard on businesspeople, on families with international connections and on those who revered Confucian ideals – all three being common in the particular case of Protected Mountain. Fortunes were lost, and during the years of high Maoism most tokens of wealth and culture, including

¹ In order to protect the privacy of the people I have met during fieldwork, all place and personal names in this book have been changed. I have also sometimes changed identifying personal details (such as family size or occupation), but only where the details do not matter in a substantive way for the particular points I am making.

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decorative flourishes on homes and temples, were either destroyed or hidden away (sometimes literally covered up with mud). Later on, once the post-Mao era of socioeconomic reforms had taken hold, attempts were made to revive the local economy, in part on the back of dormant cultural practices. Houses and temples were rebuilt, and, as elsewhere in China, the standard of living gradually improved. And yet when I stayed there, the township primarily evoked, at least for me, a kind of faded grandeur: a sense that *very* good economic news was mostly a thing of the past.

Rather than focus on this long narrative of economic rise and fall, however, I want to draw your attention to a quickly passing moment, a single economic transaction. This took place in front of Protected Mountain's most visible public temple, the Temple of Learning (*wen-miao*), which is approached by a stone walkway rising out of the surrounding fields. At the bottom of this, in the mornings and afternoons, it is common to find at least one person trying to sell something.

One weekday, a Chinese friend and I came upon a young girl and boy, about eight and ten years old respectively, standing there selling bunches of small, green bananas from a trolley. The price, they said, was 7 mao per jin. In truth, we were more concerned with the large size of the bunches than with the negligible price (roughly 20 US cents per kilogram at the time). We wanted a few bananas. Couldn't they cut a bunch in half for us? No, the boy replied, claiming not to have a knife. Unimpressed by this level of customer service, my friend made a mildly sarcastic remark, and we left.

Later, however – having walked past someone selling bananas for twice as much – we did go back and buy some from the children. These were weighed on a scale and came to a little more than 3 jin. Now was the moment for the boy, who seemed to be in charge, to tell us the price, presumably reckoned at 3-and-a-bit jin times 7 mao. But he went blank and turned to the younger girl beside him to anxiously whisper, *duoshou?* – 'How much?' The girl stared at the ground.

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At this point, my friend's attitude changed. He became noticeably warmer towards the children, told them what to charge us and even gave them a suggestion or two about dealing with customers. Then we left with our bananas and walked up the steep path towards the Temple of Learning.

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What can this story, this anecdote, tell us? If nothing else, it reminds us that economic life is *psychological*. In buying and selling things, we rely on cognitive skills. Sellers of bananas ought to know a little bit about calculation (even if they sometimes do not). We also rely on the possession of information of various kinds. It helps to know, for instance, that one vendor is selling something we want for half the price of another (although, of course, this is exactly the kind of thing we often do not know). Putting our (imperfect) knowledge and skills together, we should be in a position to at least *try* to act logically² in the pursuit of our interests.

As the story also reminds us, however, economic life is emotional. We may buy something because we end up feeling sorry for the children who are selling it. (In the incident just described, the fact that they were not in school on a weekday indicates that they were almost certainly from a poor background.) Or we may refuse to buy from them, even to our own detriment, if they manage to offend us, however slightly, in the course of a transaction – e.g. by not cutting a bunch of bananas in half. Nor is it always easy to distinguish the logical and the emotional dimensions of economic life, much of which takes place, after all, in the company of people we *care* about in some way – e.g. our parents, siblings or friends. Indeed, total strangers in a marketplace may cause us to blush with anger, embarrassment or confusion. We care about them too,

² As will be explained in Chapter 2, I use the word 'logical' (and variations on it) in this book in preference to the word 'rational' (and variations on it) when referring to the everyday economic activity of my research interlocutors.

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it seems, and are quick to pass (moral and ethical) judgement if we feel their behaviour is out of line.

But if economic life is ‘psychological’ in these different senses – that is, because it entails such things as knowing, feeling, calculating and judging – a crucial point follows on from this. In order for us to *have* psychological attributes, dispositions and skills of the kinds we deploy in the flow of economic life, we must have *acquired* them in some way. Of course, they might at least in part be evolutionary gifts: things that we naturally possess. This has been suggested, for example, of the basic cognitive skills that underpin human numeracy (and thus our ability to reckon prices during sales transactions) and of the basic moral dispositions that we bring to exchange (e.g. an evolved preference for ‘fairness’).³ But perhaps a more intuitive answer, for most of us, is that these things come to us from experience. We gain the skills we need for the jobs we happen to be doing. We learn what counts as a ‘fair trade’ in the places where we happen to live. We figure out how much we personally value certain objects and experiences in the world around us. Then again, exactly how *do* we become skilled? What *is* it that makes us care about fairness? Why *do* we end up valuing some objects and experiences more than others? The developmental processes that, over time, produce these real-world outcomes are surely incredibly complicated – not only psychologically but also socially and culturally.

One complication, and the starting point for this book, is that the cognitive environments in which we as humans live are always historical – without exception. A girl in Protected Mountain may be good at calculation, and thus at reckoning prices, because her parents (so it happened) could afford to send her to school, and moreover at an historical moment when the basic level of schooling provision was adequate. (During the Cultural Revolution, schooling of any kind

³ For an evolutionary account of human numeracy, see Dehaene (1997). For an evolutionary account of human morality, with a particular focus on ‘fairness morality’, see Baumard et al. (2013).

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might not have been available to her.) If they could *not* afford to do this, however, she might instead learn ‘street maths’ while selling things on weekdays. In either case, as part of growing up she will encounter many specifically *Chinese* ideas, values and practices related to economic life – e.g. the idea that an agreed price, in addition to being agreeable, ought to ‘sound good’ (*haoting*, roughly meaning that it should be auspicious). And then all of the factors that have impinged, in some way, on her development as an economic agent – including her family’s socioeconomic standing; the way maths is taught in Chinese schools (or on the streets); and the culturally specific ideas, values and practices to be found in her cognitive environment – are bound to change, some of them radically, over time.

It is certainly true, in the case of Protected Mountain, that both ‘learning’ and ‘economy’ – as well as the many connections between them – have to be understood as *historical* phenomena: saturated with meanings from a long trajectory of effort, conflict and change. Thus it is that my story about a passing sales transaction involving two children in front of the Temple of Learning is directly linked to the much longer story with which I began: the one about the rise and fall of families and communities along the Burma frontier.

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As my willingness to dwell on such stories suggests, my interest as an anthropologist is in the study of economic life among ‘ordinary people’ in the ‘real world’. You might ask: why bother trying to study it anywhere else? And yet the discipline of economics has come to be based – to what many observers consider a remarkable extent – on the study of *unreality*, i.e. on developing and studying models that do *not* simply reflect ‘how things are’. Of course, this has left the field open to some stinging criticism, not least after the 2007–2008 financial crisis, which led even economics students in the middle of their degree programmes to turn on their own teachers for (among other things)

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the perceived lack of realism in their work.⁴ None other than the chief economist of the World Bank has subsequently attacked his fellow economists for their blind allegiance to what he calls ‘post real’ models and assumptions.⁵

But whether these (by now widely voiced) criticisms truly hit the mark remains a matter of debate. A helpful intervention, at least from an outsider’s perspective, has recently been made by Ricardo Reis, a macroeconomist (Reis 2018). He considers the state of his own subfield in relation to four very different kinds of activity: research, policy, forecasting and teaching. In doing so, he also looks at work that is being done by a sample of young macroeconomists and at articles that are being published in one of the leading (mainstream) journals – all of which he finds useful means of clarifying what the presumed crisis in economics is about. I should mention that Reis himself is critical of certain trends in his discipline. Indeed, he makes the broader point that *everything* is wrong with macroeconomics and that the task at hand is precisely to try to sort out ‘flaws in our current knowledge’. But he nevertheless concludes that the public attacks have been off target, on the whole. In particular, the idea that economics has become detached from reality is one that he summarily rejects.

In support of this, he cites (among others) Arlene Wong, a 2016 PhD whose work focuses on monetary policy and consumption.⁶ In Reis’s summary,

Wong uses micro data to show that it is mostly young people who adjust their consumption when monetary policy changes interest rates. Younger people are more likely to obtain a new mortgage once [the] interest rate changes, either to buy a new home or to refinance an old one, and to spend the new available funds. *Her research has painstaking empirical work* that focuses on

⁴ See Post-Crash Economics Society (2014); see also Earle, Moran and Ward-Perkins (2016).

⁵ Romer (2016).

⁶ At the time of writing, Wong is an assistant professor at Princeton: www.arlene-wong.com/.

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the role of mortgages and their refinancing features and a model with much heterogeneity across households. (Reis 2018: 135, emphasis added)

He also cites Gregor Jarosch, a 2015 PhD whose works focus on labour market issues.⁷ In Reis's summary,

Jarosch wrote a model to explain why losing your job leads to a very long-lasting decline in your lifetime wages. His hypothesis was that this is due to people climbing a ladder of jobs that are increasingly secure, so that when one has the misfortune of losing a job, this leads to a fall down the ladder and a higher likelihood of having further spells of unemployment in the future. *He used administrative social security data to find some evidence for this hypothesis.* (Reis 2018: 135, emphasis added)

Economics is a big discipline, and also a diverse one. It encompasses both academic and applied (i.e. 'real-world') branches, along with work that is more theoretically and more empirically oriented. There is microeconomics and macroeconomics, of course, but also behavioural economics (which engages directly with psychology), institutional economics (which is closer to the kinds of approach that anthropologists have an affinity for) and many other types. In any case, and further to Reis's examples, many economists – whatever their subfield or approach – *do* crunch data in an attempt to address consequential, real-world issues. Indeed, an economist might argue that they are *more* in touch with reality than your average human scientist – e.g. on the grounds that they have techniques for actually 'identifying' (in a technical sense) what has caused a given phenomenon to occur. What could be more real than that?⁸

⁷ At the time of writing, Jarosch is an assistant professor at Princeton: <https://sites.google.com/site/gregorjarosch/home>.

⁸ For a thought-provoking introduction to empirical economics, see Angrist and Pischke (2009). For a critical, but in most respects broadly sympathetic, discussion of the 'unreal' assumptions that rationalist/theoretical economists make, and the real-world problems this can lead to, see Schlefer (2012).

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Still, economics can be described as being a *rationalist* discipline, in the end. That is, the ultimate point of the exercise – one that is in line with a long and distinguished scholarly tradition – is to figure things out *not* by simply gathering more and more facts about the world but rather through an operation of the intellect, typically in the form of mathematical modelling. To put this differently, economists (including empirical economists, who are never just ‘fact collectors’ per se) can be said to have intentionally, rather than inadvertently, stepped back from reality. But why? With reference to theoretically oriented (i.e. model-building) economists, Robert Solow suggests that these are people ‘whose attention is riveted on a *make-believe world*, whose goal is to understand everything about that world’ (Solow 1997: 69, emphasis added). He then goes on to add:

Most [of them] hope that their particular make-believe world can tell us something, although obviously not everything, about the world we actually live in. The made-up world has a disadvantage. It may be an untrustworthy guide to the real world, the way a large-scale map may not tell you that the forest it shows is infested with poison ivy. But the made-up world has an advantage, too. It is possible to understand it completely. The real world is much too complicated for that. (Solow 1997: 69)

Anthropology, by contrast, can be described as an unapologetically *empiricist* discipline. In fact, anthropologists are arguably more radically empiricist than any other group of human scientists. Even light-touch exercises in rationalism, such as the sparing use of ideal types purely for the sake of discussion, make most anthropologists very nervous, in my experience. Their aim, to borrow Solow’s phrase, is to study ‘the world we actually live in’ – and moreover to do so in exhaustive detail, with particular attention to what it really feels like to be a person in a given setting. Far from wanting to simplify things and reduce the variables under consideration, as an economist might for the sake of modelling, they set out to capture as much real-world complexity as they possibly can.

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From their starting point in this strong brand of empiricism, anthropologists have come to hold not only scientific objections to economics but also what might be called normative, moral and/or political ones. As I noted in the Preface, anthropology is today an intrinsically radical discipline. Not unrelatedly, the bulk of anthropological fieldwork over the years (almost irrespective of geographical location) has been carried out alongside ordinary people who are relatively disadvantaged in global terms, sometimes dramatically so. As you might expect, anthropologists tend to align themselves with these people, with whom their own life trajectories become entangled. Along the way, many of them have grown to suspect that economists – with their ‘unreal’ models and their outsized political influence – play at least some role, and possibly a major role, in creating and sustaining unfair outcomes for the kinds of people they study. To put this differently, the normative/moral/political objection of anthropologists is not so much to do with the famous disconnect between economics and reality but rather with the fact that economists sometimes help *create* bad realities. Note that this charge may be levelled at seemingly well-meaning economists such as those working for development NGOs, whose initiatives many anthropologists are highly critical of.⁹

To insert a placeholder, readers might want to think about how this normative critique of economics would look from the vantage point of an anthropologist who happened to have carried out his fieldwork in Taiwan and China – both of which have had very particular trajectories vis-à-vis the experience of global capitalism and of economic growth over the past century. In the case of China, hundreds of millions of people have been lifted out of absolute poverty since Mao’s death in 1976. A good deal of suffering and exploitation accompanied this, but then again a good deal of suffering and exploitation preceded it too.

⁹ For discussions of how economic models *create* social realities, see Mitchell (2005), MacKenzie (2006) and Weszkalnys (2011). See also Wren-Lewis (2015, 2016) for interesting thoughts on recent austerity policies in the United Kingdom and the role of economics as a discipline in relation to them.

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And it is a stunning achievement. Who, or what, should be given the credit? In any event, China is not the average ethnographic case study.

Meanwhile, the anthropologists' *scientific* objection to economics rests on two interconnected points. First, they hold that economists' work ignores a crucial real-world fact: that economy is always 'embedded' in wider social, cultural and historical orders – and is therefore shaped by values, practices and institutions that vary significantly across space and time. In short, the economists' approach is flawed as a natural consequence of its ahistorical and universalistic starting point.¹⁰ Second, economists' grasp of human agency is also flawed, according to anthropologists, ignoring as it does the social/cultural/historical environments in which (real) humans live. In particular, the notion of the 'rational utility-maximising individual' is a caricature both of what it is to be human and of how humans think.

Whatever one makes of the first critique (concerning cultural-historical variation in economic life), strong – one might say overwhelming – support for the second critique (concerning economic agency and the notion of rational choice) has come in recent years from the field of economic psychology, broadly defined to include behavioural economics and a range of other approaches.¹¹ A towering figure in this field, Daniel Kahneman, tells us that he first learned of the psychological assumptions of standard economics from

¹⁰ Note that this complaint is subject to two readings. One can argue that economists' account of modern capitalism is – or at least might be – broadly correct but that it should not be transplanted to non-Western or 'traditional' societies. Or one can argue that the 'dis-embedded' approach of economists is simply wrong, including in relation to modern/Western capitalism. In other words, economic life in *all* societies (not just traditional non-capitalist ones) is embedded in wider sociocultural-historical orders, a crucial fact that is left out of mainstream economic theory. For an influential study of embeddedness in the modern West, see Granovetter (1974/1995, 1985).

¹¹ For the sake of simplicity, I take 'economic psychology' to include behavioural economics, experimental economics, game theory and related fields, but it should be noted that the assumptions and approaches of people working in these fields is sometimes radically different.