

Economics and “structural adjustment” within the Eurozone: the case of Portugal

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This paper is part of a research on the relation between economics and the “real world” economy with a focus on the impact of economic crises on economic theory. The apparent immunity of economics to “real-world” events motivates this research. The question is relevant especially if making economics more sensitive to the consequences of economic policies, that is, “opening up economics to the “real world””, is perceived as a goal worth pursuing.

In fact, previous periods of economic disruption have given rise to crises and “paradigm shifts” within the discipline of economics. This was the case with the “Keynesian revolution”, during the Great Depression, or the neoliberal turn, during the 1970s and 1980s, following the so called “oil crises”. The financial crisis initiated in 2007 has indeed triggered a public debate on the state of “economic science” and its possible contribution in the setting up of the conditions that triggered the crisis.

However, seven years have gone by and seemingly there are no signs of a “scientific revolution” or “paradigm shift” within economics. Arguably, the immunity of economics to “anomalies” or instances of “falsification” is evidence of a more complex relation between “economic science” and its object than the one captured by the philosophy of science of Kuhn, Lakatos and Popper.

Research in the field of science and technology studies has highlighted, under the concept of performativity, the complex relations standing between the sciences and their object (Callon 2007; Fourcade 2007; Mitchell 2002, 2005). Economics, through the public policies and the institutional reconfigurations induced by those policies, permanently performs a transformation of the economy.

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Contrary to other disciplines, economics may even be understood as intentionally performative. It wants to shape and reshape markets, others institutions and, arguably, even agents. Given this intention and effective capacity, an economic theorist may always attribute any observed “anomaly”, not to a failure in theory, but to “imperfections” in reality.

The performativity approach, the sociology of quantification and the economics of conventions emphasizes the creation of objects of knowledge – market, unemployment ... - as a social process meant both “to inform the reality”, that is, to identify identities, which implies a process of selection/isolation of certain features of reality considered as relevant in detriment of others, and to “conform the reality”, that is, to define “conventions guiding the production of knowledge about them” (Centemeri 2012). In those perspectives there is no correspondence of knowledge, theories, to some kind of ‘true reality’.

However, in stressing the “constructive” nature of the relation between “economic science” and its subject matter the performativity approach, arguably, sheds little light on instances in which, to use Myrdal’s expression, “facts kick” (Myrdal 1969, 40), discrediting theories.

Relevant to the exploration of the relations between economics and the “real world” are also contributions within the pragmatist-institutionalist tradition, a stream of inquiry present within economics itself (Dewey 1922, 1929; Putnam and Walsh 2012). Although rejecting a naïve conception of a reality “out-there” to which the scientific predictions should be confronted, the pragmatist tradition stresses the element of “surprise” as a driver of research. Habits of thought (beliefs) embedded in scientific theories are permanently confronted with consequences of action. Surprising consequences of courses of action which were grounded on previous beliefs, necessarily shatter the beliefs, potentially leading to their reconfiguration.

The aim of science is, in Dewey’s perspective, one of intelligent administration of human activity. According to Dewey (1929, 160), “the ultimate objects of science are guided processes of change”. Known objects or objects of science are, in Dewey’s sense, treated as instrumentalities. Their value and validity could only be assessed in terms of their capacity to direct the course of human activity. The capacity of directing human activity is, however, only partial and experimental. This endeavor is by definition incomplete as something spontaneous and unpredictable remains in the incommensurable qualities of experience.

This papers intends to draw on these diverse theoretical contributions in the context of the inquiry on the Portuguese “adjustment” process under the troika. It examines: the articulation between the implicit ends and values of the Portuguese memorandum, its theoretical foundations, its policies and its measures of performance; the memorandum’s policy implementation, identifying its consequences and their putative feed-back effects on

“economic science”; how features of reality perceived has problematic conform (or fail to conform) to stabilized conventions of quantification.

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