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“The laws of economics.” Economic devices, economics, economists, and the making of the economy

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Note from the editor

"The laws of economics." Economic devices, economics, economists, and the making of the economy

Olivier Godechot

Twenty years ago, Michel Callon edited *The Laws of the Markets*, a groundbreaking volume that substantially redefined economic sociology by resetting the relationship between sociology and economics (Callon 1998). Many articles in economic sociology at that time started (and still do today) with sharp criticism of neoclassical economics. The latter was censured for being overly simplistic and complex, overly reductionist and irrelevant. What is more, two centuries of repeated criticisms were largely ignored by the economic mainstream and its course was barely affected. But instead of ritually blaming economics for what it is, Michel Callon invited us to study what it does: "economics, in the broad sense of the term, performs, shapes and formats the economy, rather than observing how it functions" (Callon 1998). Through this radical proposition, Callon fully launched in economic sociology the research program on "performativity" whose roots were to be found in linguistics (Austin 1962) and which had earlier been imported into sociology by Pierre Bourdieu ([1982] 1991) and successfully applied by Marie-France Garcia-Parpet to the study of the creation of an auction market ([1986] 2007). Callon also oriented this research program along the performative dimension of technical devices that are usually thought of as neutral and transparent, such as formulas (MacKenzie and Millo 2003) and algorithms (Muniesa 2000 and 2007). This research climaxed with a study of the impact of the Black/Scholes formula on option pricing in financial markets (MacKenzie 2006).

On this basis, the study of the performativity of economics emerged initially as a sub-branch of Science and Technology Studies applied to mathematical neoclassical economics and its algorithmic devices, such as market-matching algorithms (MacKenzie, Muniesa, and Siu 2007). However, the development of this research program and the controversies surrounding its validity (Miller 2002 and 2005; Callon 2005) led to a widening of its scope, its objects, and its methods. Callon reformulated his concept in order to enable a much more plural notion of economics' performativity (Callon 2007). Both "confined economics" (that is, academic economics) and "economics at large" (actors in the economy) contribute to the "performation" of the economy, which is far from unilateral. "Performation's struggle" happen both within and between those two groups. Thus Callon invites us to go beyond socio-technical agency and to consider also the spheres of economics and of the economy, their resource structure, their instances of legitimation, and their forms of power. This redefined program therefore comes together with research in the sociology of science that analyzes the core structure of the field of the discipline of economics (Lebaron 2001; Fourcade 2009; Godechot 2011; Fourcade, Ollion, and Algan 2015). It also builds a bridge with political economy, an important stream of which is devoted to the role of institutions in the making and regulation of the economy (Woll 2014). More particularly, these national and international institutions, especially the economic ones (central banks, the OECD, the IMF, the European Commission, the World Bank) are increasingly populated with economists, either "confined" or "at large." While the balances of interests and power, between groups of experts, and the social classes and nations they represent do matter considerably, the types of training and knowledge in which are they embedded have a direct impact on how they frame economic problems and try to find solutions to them (Fligstein, Brundage, and Schultz 2017).

This issue of *economic sociology_the european electronic newsletter* is devoted to the role of *economic devices, economics, and economists* in the making of the economy. It bears witness to both common agreement on the fact that economics shapes the world and also the plurality and interdisciplinarity of the ways of approaching this phenomenon.

Liliana Doganova's article "Discounting the future, a political technology" follows the path initiated by the STS approach, applied to economics. She shows the performative impact of a central economic device, the Discounted Cash Flow accounting formula (DCF), which makes it possible to establish the value of an asset based on its future returns. However, she also goes beyond the STS tradition by concentrating on various uses and distortions of the formula in order to encapsulate moral considerations.

The piece by Marcus Wolf, "Ain't misbehaving. Behavioural economics and the making of financial literacy," also shows how economic literature changes reality – or at least tries to do so. Rather than sticking to mainstream rational-actor theory, his article focuses on the opposite academic stream, namely behavioral economics, which rejects the validity of the *homo œconomicus* hypothesis. But while the premises are opposite, the performation of the two streams are far from conflicting: a coalition of actors concerned with ordinary people's irrationality wants to try to turn them into rational investors by promoting financial education.

In "The dual messages of OECD economic surveys – Observations from the OECD Economics Department and the drafting and peer review of Economic Surveys," Maria Duclos Lindstrøm takes us inside the Chateau de La Muette, in the heart of a leading economic institution, the OECD. She observes in great detail the making and negotiation of Economic Surveys. In an interactionist spirit, she shows how the final estimates, the framing, and the wording of OECD surveys are negotiated between the OECD and the country delegates. In a sense, these surveys produce a form of relational performativity. They do not reveal the truth about a particular country, nor do they concentrate on modifications only of its national policy; they are framed in a way intended to favour the adoption of a given economic policy in all other OECD countries.

Sebastian Heidebrecht's paper "Central bank independence: economic common sense and economic device" analyzes the factors that govern central bankers' economic policies. His first results are extremely intriguing. At first sight, there is no clear link between the degree of conservativeness of the European Central Bank governing council and the degree of austerity of its monetary policy. However, one must recall that this unexpected indetermination was measured during an exceptional crisis period, in which some actors, as shown by Lebaron's paper, can escape social determinism and adopt economic positions that are not in line with what their social background.

Finally, Frédéric Lebaron, in "Autobiographical narratives and the social-historical science of economics: a contribution to reflexivity?", proposes to analyze an overlooked but immensely rich source of material for understanding the role of economists in the world: autobiographies. Providing a careful contextualization of their quest for justification, they uncover the details of field struggles, and the structural, social, and personal forces that lead to successes and failures with regard to the capacity to influence the economy.

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