Methodological Approaches in Economics and Anthropology

Pranab Bardhan
Department of Economics, University of California at Berkeley
Email: bardhan@econ.berkeley.edu

Isha Ray
Energy and Resources Group, University of California at Berkeley
Email: isharay@berkeley.edu

Q-Squared Working Paper No. 17
February 2006

Economics and anthropology are often seen as extremes along the social science continuum, and the methodological differences between them have rendered interdisciplinary work especially challenging. Our goal in this essay is not to 'resolve' these methodological divides, but to understand what is important to each discipline, and see the divides in the light of that understanding. There are some foundational dichotomies that broadly divide mainstream economists from mainstream social and cultural anthropologists, and in this essay we explore the role of these dichotomies.

Crossing the boundaries between economics and anthropology

There have always been some economists and anthropologists who have engaged constructively with the work of the other group. Geertz (1978) has shown that the intense bargaining and client cultivation of markets in Morocco were the result of poorly distributed information and noisy communication networks. Sen's work has placed freedom and individual dignity at the core of his welfare economics (Sen 1999). Appadurai has engaged in a series of dialogues between his 'enfranchisement' and Sen's 'entitlements', his 'capacities' and Sen's 'capabilities' (Appadurai 2004). Douglas has introduced the framework of cultural theory into traditionally economic concepts such as risk and consumption (Douglas 1992; Douglas and Isherwood 1996).

The last two decades have seen a revival of workshops, papers and books on crossing the boundaries between economics, anthropology and sociology. *Conversations Between Economists and Anthropologists* (Bardhan 1989) brought together economists and anthropologists to discuss and compare their analytical methods. That first econ-anthro dialogue focused on diverse approaches to the measurement of economic change in rural India, such as data collection through large *n* surveys versus intensive village-level studies, and the inability of quantitative macro surveys (favored in economics) to capture "dynamics, processes and relations" (the domain of anthropology). The book illustrates both 'unsuspected areas of potential agreement' and 'legitimate rock-bottom differences' between the two disciplines, particularly as applied to issues of rural development.

In 1997, a collection of essays on models of the household in developing countries was published (Haddad, Hoddinott, and Alderman 1997), in which economists and anthropologists contributed their understandings of household bargaining and resource allocation. Anthropological work on the separate spheres of decision-making within households is largely responsible for the recent shift in economics from the unitary model where household members have a joint utility function, to the binary model where the utility functions are gender-specific. In 2001, the *Qualitative versus Quantitative* (or '*Q2*') theme was discussed in a workshop convened by Ravi Kanbur[1]. Particular, attention was paid to how (and if) borrowing from 'quant' methods could make 'qual' methods more generalizable and comparable, and to how 'qual' could explicate relationships between variables and so introduce context into 'quant' research. In 2002, the journal *World Development* published several papers on development economics and the 'other' social sciences,[2] in which John Harriss, Cecile Jackson and Howard White critiqued the too-powerful role of economics in

[1] The papers from the conference can be read at (www.arts.cornell.edu/poverty/kanbur/QQZ.pdf).
[2] *World Development* v 30 no. 3, 2002.

development circles, and made the case that sociology, anthropology and politics should be equal players in development policy. The dominant impressions from many of the *Q2* and the *World Development* papers are that (i) cross-disciplinary work on social problems is critical and (ii) the onus is mostly on the economists to change.

Two recent additions to cross-boundary conversations between economists and anthropologists are Rao and Walton (2004) and Henrich et al (2004). In *Culture and Public Action*, Rao and Walton reject the stereotypes of economic development being forward-looking and progressive while culture is backward-looking and static. Several contributors to the volume discuss the role of culture in enabling and even defining the goals of development. In *Foundations of Human Sociality*, Henrich and his co-authors, mostly economists and anthropologists, present new findings about human social behavior from a series of experimental games conducted in 'traditional' cultures around the world. The results showed huge variances among these societies, mostly not in line with the predictions of economic theory.

Over time, economists have modified their behavioral premises, about, say, the probability of collective action to protect common resources, based on the results of anthropological case studies (Bromley and Cernea 1989; Ostrom and Gardner 1993; Sethi and Somanathan 1996). Some anthropologists have gone to their field sites ready to test economists' hypotheses on who cooperates and why, and with what degree of fairness or selfishness (as in Henrich et al 2004). However, many economists and anthropologists remain divided on their views of human agency, on what constitutes data, on how to interpret their respondent's words, and on what constitutes a good, or even adequate, explanation.

The key dichotomies

Explicitly methodological differences between economics and anthropology include quantitative versus qualitative (referring to the nature of data and their analysis), and aggregative versus particular (referring to how the data are used to illuminate social situations). However, as several researchers have concluded, the social sciences are most often split along deeper lines such as: How do economists and anthropologists view human agency and individual choice? What do economists and anthropologists seek to explain? (Some anthropologists would argue that they do not try to explain, but rather to 'translate' or 'interpret'). We address these questions via the dichotomies of autonomy versus embeddedness, outcomes versus processes and parsimony versus complexity.

1. Autonomy versus embeddedness

The debate over whether individuals are best understood as autonomous agents within the constraints of social structures, or as products of the structures that bound their agency, is an old one. "Men make their own history", wrote Marx, "but they do not make it just as they please; they do not make it under circumstances chosen by themselves…" (Marx 1852).[3] Who could disagree? What largely separates economists from anthropologists, then, is the question of what is a meaningful construct of agency given what we want to explain. Three

[3] While Marx was referring to what economists somewhat crudely would call a constrained optimization equilibrium, the historian François Furet would suggest multiple equilibria and unintended consequences when he said, "Men make history but do not know which one". Furet (1978).

particularly contentious constructs that economists use are methodological individualism, optimizing behavior and exogenous preferences.

For (non-Marxist) economists, the individual is the unit of analysis and his or her 'rational' choices under a set of constraints are what must be explained. Societal characteristics reflect the aggregated result of individual choices and decisions – a point of view known as methodological individualism. Methodological individualism as an analytical concept comes in several versions (Bhargava 1993; Basu 2000, p253-4), the most constraining of which have been critiqued from within economics itself (e.g. Arrow 1994). Methodological individualism does not imply that all social characteristics are reducible to individual characteristics – many norms and practices can emerge as the unintended consequences of thousands of uncoordinated decisions (Schelling 1978; Sugden 1989). But economics is fundamentally a social science that explains social phenomena, such as cooperation or trade, in terms of individual choices and motives.

In most economic analyses, individuals are self-regarding – they try to do the best they can for themselves given their economic endowments, their information sets and their tastes and preferences. In recent years economists have recognized that a person could exhibit reciprocal rather than self-regarding behavior, and be selfish to those who were selfish to him but generous to those who were generous to him (Rabin 1993; Charness and Rabin 2002). Nevertheless, the default assumption in much of microeconomics is that people are exclusively self-regarding. Economists are concerned that frequent deviations from this assumption would open the doors to an 'anything goes' mentality.

Finally, tastes and preferences in economic analysis are exogenously given and stable. Why some but not all members of a community have cooperative propensities, or why lay people around the world cared about the Bamiyan Buddhas, are not questions within the domain of mainstream economics. Methodological individualism, utility maximization and exogenous preferences together create what might be called a 'thin' theory of human action (Taylor 1988) but it is this thinness that gives microeconomic models their precision, parsimony and predictive power. Much theoretical and empirical economic analysis consists of being precise about the conditions under which particular outcomes would or would not emerge.

With few exceptions, social and cultural anthropologists find these three characteristics unsatisfactory as an account of human agency. In particular, the notion of exogenous preferences, formed and held at the individual level, has been widely critiqued. Bourdieu famously argued that preferences reflect the inner workings of culture and power in a society, that preferences are formed just as much by the desire for social differentiation as by the inherent properties of the preferred object (Bourdieu 1979). In a similar vein, Appadurai has critiqued survey research methods that treat the household as an autonomous choice-making unit, because reciprocal relationships between households are central to the choices made by their individual members (Appadurai 1989, p254). More recently, Klamer argued that social values and preferences are formed through dialogue, negotiation and learning – far from being stable they are constantly being reassessed (Klamer 2004). For most meaningful interactions, the individual as the locus of 'given' preferences, is not a recognizable object of anthropological inquiry. The critique of exogenous preferences is one aspect of the broader discomfort with the economist's individual agent. Individuals have

agency, certainly, say anthropologists, but they are situated, embedded beings rather than autonomous beings who view life as a series of constrained optimization problems.

The operationalization of 'embeddedness' has a rich tradition in anthropology. Polanyi (1954) argued that individuals are characterized by relationships of reciprocity rather than utility-maximizing motives. Even ostensibly market interactions were embedded in, and inseparable from, larger social and political commitments. Geertz (1963) and Scott (1976) framed peasant societies in South-east Asia as moral economies rather than utilitarian economies. In a moral economy, individuals act not to advance their own well-being, but to make sure that resources and risks are pooled so that everyone has a part in the system. Interactions within local communities are not simply the aggregate effect of individual interests, but the living out of shared understandings of fairness or justice. Moral economy analyses have subsequently been critiqued from within the discipline as being naïve about how power permeates the social fabric. These critics argue that what appears to be a moral economy could be, at least in part, a manifestation of long-standing inequalities or hegemonic control. Embeddedness in reciprocity is in fact embeddedness in unequal relations and multiple and overlapping notions of identity and interest (Hart 1997).

Recent literature on economic sociology on the notion of identity in economic and non-economic activities has shown that the non-economic identities of individuals (such as belonging to a team or Army unit) strongly influence their behavior in economic spheres (Granovetter 1985; Akerlof and Kranton 2005). There are many reasons for this, such as the personal rather than monetary rewards and punishments, and the nuanced nature of the information that social networks can provide. Granovetter (2005) argues that social identities and "the interaction of the economy with non-economic aspects of social life" affect costs, benefits, techniques and market performance. Economists put their predictive power at risk by ignoring the embeddedness of economic life within the larger social dynamic.

Partly in response to the criticisms of Granovetter (1985) and others of the 'undersocialized conception of man', economists have begun to incorporate social or group effects on the preferences, constraints and beliefs of individual agents (and their aggregate outcomes). Following Manski (1993) one can distinguish between two aspects of an agent's interactions with her community or neighborhood: one is 'contextual' and the other 'endogenous'. The contextual factors are group-specific effects on individuals and are based on characteristics of the group to which the individual belongs. For example, the quality of education (or medical attention) that a female child receives may depend on ethnic or religious characteristics of the community or neighborhood. The endogenous effect relates to reflexive interdependence of behavioral choices of group members. For example, through peer group effects the educational effort of one student influences, and is influenced by, the effort of her friends. The same interdependence occurs in peer pressure for loan repayments in Grameen Bank-type experiments. These (and other) effects of group dynamics and social structures on the economy are part of a growing literature in economics.

Of embeddedness in values, commitments, power and norms, the one intrinsically collective concept that has gained real traction in economics is that of norms. By definition, and unlike preferences or habits, norms cannot be held at the individual level. Basu (2000) makes a strong argument that economists should build norms explicitly into their models, lest they embed them unconsciously instead. He divides norms that are useful for economic analysis

into three categories: rationality-limiting, preference-changing and equilibrium-selecting (Basu 2000, p72 – 73). A rationality-preventing norm restricts a person from doing things, such as stealing her neighbor's newspaper, even if such an action would increase her utility. Preference-changing norms are those that become internalized into the utility function – the norms become preferences or cause too much guilt or shame if they are violated (see Elster 1989). Equilibrium-selecting norms help people to choose from amongst multiple equilibria, such as driving on the right side of the street in the USA but on the left side in the UK. Most of the economic literature is on this third type of norm, which may or may not benefit everyone or even anyone, but once such norms take hold no one individual has an incentive to deviate from them.[4]

How norms emerge and why they persist are two different questions. Mainstream economic analysis, true to its methodologically individualist roots, explains the emergence of norms as the aggregate (and frequently unintentional) effect of many individual decisions. For instance, Sugden (1989) shows that cooperative norms in the use of driftwood can emerge, 'spontaneously' and without explicit coordination, among the users' group. Once norms have emerged, however, they often persist because it is at least in some individuals' interest to sustain them, or in no one's interest to diverge from them. Or norms of restraint in resource use could evolve and be stable if there are at least some members in the community who are willing to punish rule-violators, even if sanctioning imposes material costs on the punishers (Sethi and Somanathan 1996). In short, norms, once the domain of anthropology, are now firmly on the economists' agenda.

The remarkable influence of Michel Foucault in contemporary anthropology has led anthropologists to view cooperation- or order-sustaining norms with a critical eye. Foucault argued that governance consisted of certain arts and practices such as measurement, observation and education, through which individuals were 'made' into disciplined and governable 'subjects' (Foucault 1991). The acceptance of these disciplinary forces circulated through society at large in the mutual enforcement of norms and of legitimated political and cultural discourses. Looking at economists' models of repeated games and the enforcement of cooperation through 'shared' norms, anthropologists would certainly ask not only how these norms emerged, but how their emergence revealed the dynamics of power working through everyday practices, and how the norms enforced the *status quo* – in short, how norms ensured the 'normality' of the ostensibly free individual. There is little room for the economist's autonomous agent in this framework.

2. Outcomes versus processes

"Economics is mainly about outcomes; anthropology is mainly about processes." So begins Michael Lipton's review of *Conversations* in the journal *World Development*, 1992. Lipton goes on to acknowledge that models reach their outcomes through processes such as making choices, bargaining etc. But these are modeled processes – economists rarely conduct empirical investigations of processes themselves. Anthropologists, in contrast, while interested in e.g. the outcomes of social relationships, are most concerned with "the

[4] It should be noted that all three norm families are considered constraints in economics – they are exogenous to the individual and they restrict her feasibility set.

structure and function of the relationships themselves" and with the processes of exchange or the exercise of power that they generate. The implication is that empirical research in economics samples outcomes (such as the distribution of farm-gate prices), and does not usually sample, and so may gloss over, processes (such as how relationships between farmer and trader are structured, particularly off the equilibrium path, or how they evolve over time).

Outcomes in economic analysis have two characteristics – they serve as predictions (including predicting backward to understand changes that took place in history), and (when possible) they describe equilibrium points in the economy. Prediction is valuable in thinking about social change, and the sharp predictions of economics make it more influential in policy circles than the 'softer' social sciences. But anthropologists are concerned that economists' assumptions and models are too simple to be socially useful, and that prediction of a phenomenon under a given set of constraints is too readily conflated with justification of an existing institutional set-up. Yet others argue that in situations of rapid social and economic change, only the obvious can be 'predicted'. Whether prediction is or is not an explanation, or whether understanding the process is as important as predicting the outcome, are questions that relate to the nature and purpose of explanation in the social sciences.[5] We concentrate here on causal explanations, which are important both in economics and in anthropology.[6]

Causal explanations draw upon repeated empirical observations of the event and its supposed cause, as well as upon theories of the underlying mechanisms that supposedly produce the explained event. In economic theorizing, the causal arrow from cause C to event E is clearly specified. It is built into the model specification, and the model (in theory) stands or falls or wobbles on the basis of the accuracy of its predictions. Attributing causation in a regression analysis is a more complex matter – real data naturally create real problems. The causal arrows are not specified in statistical models, they have to be inferred from the strength and significance of the correlation between the dependent variable and the relevant independent variables. Of course, correlation on its own, however strong, cannot pass for causation. Because of the complexity of real-world data (and because of most researchers' reliance on secondary data), the most common problems econometricians struggle with are sample selection, endogeneity or reverse causality, and omitted variable bias. Economists' attempts at determining causes through hypothesis testing have in recent years become much more rigorous, particularly through creative use of instrumental variables, and through random evaluations of interventions.

Social and cultural anthropologists explain social phenomena primarily by way of the case study method.[7] These studies are well-equipped to, and often do, investigate causal processes directly. An anthropologist's case study could include a small number of cases, compare two cases, or even conduct within-case analysis of a single case of interest (Ragin 1987). On the one hand the few-cases method restricts the researcher's ability to generalize beyond his or

[5] A set of classic readings in epistemology and the nature of explanation can be found in Rosenberg (1988).
[6] Some anthropological explanations such as symbolic interactionism are non-causal in nature.
[7] The term 'case study' could imply that the case in question belongs to a family of cases with similar or generalizable characteristics. There are anthropologists who view their work as explaining what is particular or unique about a situation, and who therefore reject the 'case' terminology.

her study site. On the other hand, anthropologists generally have a better insight into the wellsprings of human behavior, since they regularly live with the respondents, observe their practices, participate in some fashion in their daily lives, and can ask people why they took some action.[8] When the contributors to *Foundations* discovered that their respondents routinely undermined the predictions of bargaining theory, they were able to ask them explicitly about their motives. It was thus discovered that the way the games were played mirrored everyday interactions among the players (Henrich et al 2004). There are also cases where many alternative causal paths may lead to the same outcome (sometimes called the 'equifinality' problem), and the case study method may be better equipped to handle these. Some political scientists use what George (1979) calls 'process-tracing' which focuses on an analytical narrative of sequential processes in a causal chain within a particular case (and not on correlations of data across cases).

Case studies, however, are also prone to selection bias, omitted variable bias and (especially) endogeneity, and these errors and biases are often not addressed in the studies. Both sociologists and economists run regressions to statistically measure social effects, but often pay little attention to these possible biases. The proliferating literature on 'social capital' provides many examples of these methodological problems. [9] As we have noted before, one needs in this context to distinguish the effects of choices of others (which are endogenous or what Manski calls 'reflexive') versus the characteristics of others (Manski's 'contextual' effect) on an individual. The endogenous effect gives rise to statistical identification problems[10] which can vitiate the standard causal inferences on the group effects. There is also a self-selection problem since we, at least partly, choose the group or the community we are a part of. In this choice issues of an individual's endogenous construction of shared identity and its self-reinforcing features are salient. Models with social interaction can also generate multiple equilibria. This raises the possibility that two communities with similar observable characteristics can exhibit different aggregate behaviors. This means we have to be careful about analyzing social effects on aggregate outcomes by simply referring to group-specific characteristics. In aggregating one should also keep in mind that measured individual returns from a social network may be poor indicators of aggregate externalities. Individual returns will exceed aggregate returns when the network allows some individuals to capture rents at the expense of others in a competitive environment; in contrast, they will underestimate aggregate returns when the positive externalities generated by the social network cannot fully be appropriated by the network insiders.

While anthropologists are better at telling us *how* a variable mattered to the outcome, economists are often better at measuring *how much* it mattered. One creative way in which to combine the strengths of the two disciplines is 'participatory econometrics' (Rao 2002). This approach includes participatory appraisals, focus group discussions, participant observation and structured surveys in the design of which the respondents participate. While labor- and skill-intensive, such hybrid approaches are likely to yield better insights into causal processes than traditional econometrics, and be more generalizable than traditional case studies.

[8] David Szanton points out that the immersion in the field that is often a rite of passage in social and cultural anthropology is itself a form of 'embeddedness'.
[9] For a critical assessment of this literature see Durlauf and Fafchamps (2004).
[10] For a discussion of the econometric issues involved, see Brock and Durlauf (2001).

One of the strengths of anthropologists' concern with process is the ability to explain the multiple ways in which power operates within a society. Economists are also interested in understanding power relations, and much work on the effect of inequality on social cooperation and economic growth has been done by economists.[11] But economists usually model power asymmetries as a standing condition, operationalize them as measurable inequalities, and then work through their consequences for the relevant economic agents. This leads them to overemphasize the material benefits and costs of asymmetry, and to underemphasize the symbolic and disciplining dimensions of power, where power and authority are regularly articulated through diverse institutions.

Anthropologists have brought a much richer understanding of power to the social-theoretic literature. First, as we mentioned, power has symbolic as well as material dimensions, which have to be revealed in the course of observation and analysis (Li 2002; Mosse 1997). Second, an understanding of power is incomplete without an understanding of the resistance that oppression can generate, and the history of resource struggles, for example, is replete with such resistance. From struggles to retain the right to use common forest resources in Indonesia (Peluso 1992), to the protests to stop the displacement of tribal people along the Narmada River (Baviskar 1996), the exercise of power has generated collective actions that can only be understood as *movements and processes*.

Finally, power is not only the ability to make someone do something that is not in the doer's interest – which is what economics can analyze. It is also, at its most subtle and perhaps most pervasive, the ability to frame the terms of public discussion such that the powerless do not even recognize their powerlessness (Lukes 1974). The ascendance of critical social theory has brought the issues of language and framing into the core of current anthropology. This discursive turn reflects the influence of post-structuralism, whose starting point is not 'the objective truth' but rather the multiple and co-existing interpretations of social problems. In this framework, "truths are statements within socially produced discourses rather than objective 'facts' about reality" (Peet and Watts 1996, p13). The ways in which different groups and individuals use concepts such as 'immigration' or 'invasive species', and the politics of such representations, become the foci of analysis. [12]

Anthropological research in the wake of critical theory thus undermines the 'naturalness' of familiar categories by revealing how all such categories and regimes are socially constructed, and by so doing, undermines the regimes of power that naturalize these categories. By rejecting the 'community' or the 'local' as pre-existing starting points, for example, Gupta and Ferguson (1997) argue that the researcher is free to explore the feelings, dynamics and processes that go into "the construction of space as place and locality in the first instance". The policy and the political implications of either accepting or interrogating these categories are sharply different. Many economists would probably agree that "the way a question is framed reveals the kind of accommodation being reached" (Dasgupta 2002), but framings and discourses as instruments of social control are far from central to economic analysis.

[11] See, for example, the papers from the *MacArthur Research Network on Inequality and Economic Performance*: http://globetrotter.berkeley.edu/macarthur/inequality/

[12] In anthropological writings, these questions are often phrased in a somewhat disembodied or agent-less manner: *'How does this issue get represented? How does it get used? How does discourse get reproduced?'*

Such uses of power can only be uncovered through process analysis, and as of now they are squarely in the anthropologists' corner.

3. Parsimony versus complexity

We have just shown that the explication of the multiple ways in which power works in a society is a strong suit for anthropology. Many economic models allow social structures and cultural norms to emerge from millions of disaggregated individual decisions, with no explicit role for power in the emergence. Each individual choice may be reasonable but together the choices may create an inefficient, unjust or indeed a horrible society. Dasgupta argues that this feature is an achievement of modern economics, "because it does not rely on postulating predatory governments, or thieving aristocracies, or grasping landlords. This is not to deny their existence, but you don't *need* an intellectual apparatus to conclude that a defenseless person will be robbed if there is an armed robber bent on robbing her" (Dasgupta 2002, our italics). In a similar spirit, discussing von Thünen's pioneering work on agricultural land use, Krugman shows that a complex and historicized theory of power *was not needed* to explain how land was allocated in the von Thünen model – the assumption of self interested behavior and strategic interaction was sufficient to allow the spatial pattern of land use to emerge (Krugman 1995, p75). The point that we do not need a particular assumption to explain a particular outcome is an expression of the principle of parsimony, also known as that of Occam's Razor. If there are two theories with equal explanatory power, we should choose the one with the fewer assumptions. This has been a guiding principle for model-building in the physical sciences.

It may not, however, be reasonable to assume that simplicity provides an insight into a particular society, which is a historically evolved system, with layers of change and modification building upon what was already there before it. This is the argument against parsimony that Francis Crick makes with respect to biology, "While Occam's Razor is a useful tool in the physical sciences, it can be a very dangerous implement in biology. It is…rash to use simplicity and elegance as a guide in biological research" (Crick 1988; p138). So why has parsimony been embraced by economics, which is not, after all, a physical science?

The first and most obvious reason is that economics looks for patterns in economic life that, while not universal, are widely generalizable. If, despite differences in culture, norms and values, a similar-enough set of behaviors can be observed in many places and over time, then a small set of simple assumptions may be sufficient to explain them. The most critical element of parsimony has been the assumption of the self-regarding choice-making individual – usually but not always simplified to a utility-maximizing agent. This one assumption, allied in modern economics to strategic interaction, has given economics its theoretical generalizability and practical policy relevance. This assumption is seriously being questioned by experimental and behavioral economists, but even here they look for systematic departures from the canonical model so that, for example, other-regarding behavior can be formalized and utilized for suitable generalizations.

The second and less obvious reason for parsimony in economic theory is the modeler's aesthetic sense. Parsimonious theories explain many observations with few assumptions, and this feature has come to be regarded as elegant. The conventional argument in all the social

sciences, including economics, is that empirical tests are the final judges of whether a theory or hypothesis is a good one. Of course, the conditions under which the hypothesis holds – the *ceteris paribus* condition – should be as precisely specified as possible, so the tests conducted are relevant ones. However, there are disagreements among economists about how to test particular theories, about whether in a particular case the *ceteris paribus* condition was (approximately) met, about model specification, and so on. All the social sciences have running debates about what the 'data' show, and as a result, more than in the natural sciences, several competing and conflicting theories and hypotheses co-exist within each discipline. In these circumstances, despite official agreement on the importance of empirically-informed theorizing in economics, if there appear to be trade-offs between elegance and relevance, parsimony is likely to be the guiding principle (Klamer 1988, p245).

Parsimonious explanations are not particularly favored in anthropology. There are two important and related reasons for this – the role of the anthropologist in her research and the methodological philosophies of major schools of anthropology. Anthropology as a discipline has a history of being concerned with non-Western non-capitalist economies, with a mission to explore the particular and the unique, and to translate other 'lifeworlds' into social scientific discourse. There was time when this mission was not especially progressive, let alone emancipatory – rather, it served to cement colonial stereotypes or exoticize other cultures (see e.g. Asad 1991). Today, however, the role of the anthropologist in research is conceived in a more complex way than that of the economist. For example, an empirical economist adopts the role of a neutral observer when in the field, gathering data about her subjects while remaining at all times a dispassionate outsider. Some anthropologists are in this category, but an increasing number are not willing to admit the possibility of a wholly neutral position. The attention to the formation of the subject at the intersection of power and knowledge have made researchers conscious of the asymmetries implicit in conducting surveys and interviews, which then purport to 'represent' their respondents to the wider world. Thus these researchers see themselves as empathetic rather than neutral observers, or interpreters of speech and action 'from the inside', or even as partners in their respondents' aspirations and struggles (Blaikie 2000, p52).

Moreover, the epistemological position of major schools of anthropology is not to focus just on the seen and heard, but to look for hidden meanings, to listen for the unspoken, to interpret culture from the insider's perspective (Geertz 2000) – in short, to 'make strange the familiar'. The traditional concern of anthropology with the particular and the unique has also made the genealogical approach of Foucault (1980, 1997) especially influential in this discipline. The genealogical approach argues that societies change through a series of power struggles and that there is no overarching or predictable trajectory to this unfolding. There are no universalizable evolutionary laws, no 'grand theory' of change as such. The methodological consequence of this framework is that the role of the social scientist is to reveal the *contingent* course that has shaped a society, and through this method, to contest notions of necessary orders and structures.[13] This is a very different project from that of economics – if anything, the project is to complicate rather than simplify, question the unquestioned, and be wary of neat and tidy 'parsimonious' explanations.

[13] In contrast, we may note that while sociologists do consider Foucault to be a key social theorist, the structuralist roots of sociology have made him far less central to that discipline than to anthropology.

The difference between a parsimonious and a complicating approach has had enormous consequences for the role of economics and anthropology in policy circles. In formulating causal explanations, the parsimony principle leads economists to insulate the effect of one variable, controlling for others, so that they can measure its direct effect. Anthropologists throw into the analysis a much larger set of factors to capture the essential multi-dimensionality of action -- without telling us what the effect of each factor by itself will be. A cause may never be attributable to one factor, the symbolic and the material may be considered inseparable in judging effect. The economists' approach is needed if we want to use the research results to guide policy advice. We would want to know about the impact of a particular policy that largely has an impact on one variable (e.g. property rights). We could legitimately argue that too much inseparability and too much multi-dimensionality would make policy advice impossible, and could lead to an accumulation of possibly relevant factors, without providing clues about how to sort the accumulated evidence.

Anthropologists acknowledge that policy advice requires simplifying assumptions and generalizable conclusions, and detailed analyses of complex situations are not conducive to either. But they could legitimately argue that policies are implemented in unequal social, cultural and economic settings and the impacts of these inequalities are more complex than policy analysts realize, or may even want to know. Simplification for the sake of policy could lead to new methods of social control (Li 2002). And parsimonious explanations of central tendencies could lead to the further marginalization of the already marginal, particularly in terms of learning about omitted variables (Rao 2000).

Conclusion

In this essay we have argued that one of the key barriers to interdisciplinary work between economists and anthropologists is differences in methodology and epistemology -- in what the two disciplines consider important to explain, and how they evaluate the criteria for a good explanation. We have highlighted three dichotomies that are emblematic of some of these differences: autonomy versus embeddedness, outcomes versus processes and parsimony versus complexity. A discussion of dichotomies is, of course, just one possible opening into a fruitful conversation between economists and anthropologists. We hope our discussion leads at least some economists and anthropologists critically to examine the assumptions and modes of analysis that may sometimes go unquestioned within each discipline.

References cited

Appadurai, Arjun. 1989. 'Small-scale techniques and large-scale objectives.' In Pranab Bardhan (ed) 1989: 250 – 282.

Akerlof, George and Rachel Kranton. 2005. Identity and the economics of organizations.' *Journal of Economic Perspectives*, **19**: 9 – 32.

Appadurai, Arjun. 2004. 'The capacity to aspire: culture and the terms of recognition.' In Rao and Walton (eds) 2004, 59 – 84.

Arrow, Kenneth J. 1994. Methodological individualism and social knowledge.' *American Economic Review*, 84: 1 – 9.

Asad, Talal. 1991. 'Afterword -- from the history of colonial anthropology to the anthropology of western hegemony.' In George W. Stocking (ed) *Colonial situations: essays on the contextualization of ethnographic knowledge*. Madison: University of Wisconsin Press.

Bardhan, Pranab (ed). 1989. *Conversations between economists and anthropologists: methodological Issues in measuring economic change in rural India*. New Delhi: Oxford University Press.

Bardhan, Pranab. 1991. 'On the concept of power in economics.' *Economics and Politics*. November 1991.

Basu, Kaushik. 2000. *Prelude to political economy: a study of the social and political foundations of economics*. Oxford and New York: Oxford University Press.

Baviskar, Amita. 1995. *In the belly of the river: tribal conflicts over development in the Narmada Valley*. Delhi and New York: Oxford University Press.

Bhargava, Rajeev. 1993. *Individualism in social science: forms and limits of methodology*. Oxford: Oxford University Press.

Blaikie, Norman. 2000. *Designing social research*. Malden, MA: Blackwell.

Bourdieu, Pierre. 1977. *Outline of a theory of practice*. Cambridge: Cambridge University Press.

Bourdieu, Pierre. 1979. *Distinction: A social critique of the judgment of taste*. London: Routledge.

Brock, W and S. Durlauf 2001. 'Interaction-based models', in J. Heckman and E. Leamer (eds.), *Handbook of Econometrics*, vol. 5, Amsterdam: Elsevier.

Bromley, D.W., and M.M. Cernea. 1989. 'The management of common- property natural resources: some conceptual and operational fallacies', *World Bank Discussion Papers*, no. 57. Washington: The World Bank.

Charness, Gary and Matthew Rabin. 2002. 'Understanding social preferences with simple tests.' *Quarterly Journal of Economics*, 117: 817 – 69.

Crick, Francis. 1988. *What mad pursuit: a personal view of scientific discovery*. New York: Basic Books.

Dasgupta, Partha. 2002. 'Modern economics and its critics.' In Uskali Mäki (ed.) *Fact and fiction in economics: models, realism and social construction*. Cambridge: Cambridge University Press: 57-89.

Durlauf, S. and M. Fafchamps. 2004. 'Social Capital.' Working paper, University of Wisconsin, Madison.

Elster, Jon. 1989. *The cement of society: a study of social order*. New York: Cambridge University Press.

Foucault, Michel. 1980. *Power/knowledge: selected interviews and other writings, 1972-1977*. Edited and translated by Colin Gordon. Sussex: Harvester.

Foucault, Michel. 1991. 'Governmentality'. In G. Burchell, C. Gordon and P. Miller (eds.) *The Foucault effect: studies in governmentality*. London: Harvester Wheatsheaf.

Foucault, Michel. 1997. *The essential works of Michel Foucault, 1954-1984*. Paul Rabinow, editor. New York: New Press, distributed by W.W. Norton.

Geertz, Clifford. 1963. *Agricultural involution: the process of ecological change in Indonesia.* Berkeley: University of California Press.

Geertz, Clifford. 1978. 'The bazaar economy: information and search in peasant marketing.' *American Economic Review*, **68**:28 – 32.

Geertz, Clifford. 2000. *Local knowledge: further essays in interpretive anthropology*. New York: Basic Books.

George, Alexander L. 1979. 'The causal nexus between cognitive beliefs and decision-making behavior', in L.S. Falkowski (ed.) *Psychological models in international politics*, Boulder,:Westview Press. 95-124.

Granovetter, Mark. 1985. 'Economic action and social structure: the problem of embeddedness.' *American Journal of Sociology*, **91**: 481 – 510.

Granovetter, Mark. 2005. 'The impact of social structure on economic outcomes.' *Journal of Economic Perspectives*, **19**: 33 – 50.

Gupta, Akhil and James Ferguson. 1997. 'Beyond culture: space, identity and the politics of difference'. In Akhil Gupta and James Ferguson (eds) *Culture, power, place: explorations in critical anthropology*. Durham, NC: Duke University Press.

Haddad, Lawrence, John Hoddinott, and Harold Alderman.1997. *Intrahousehold resource*

allocation in developing countries: models, methods, and policy. Baltimore: Johns Hopkins University Press.

Hart, Gillian. 1997. 'From Rotten Wives to Good Mothers: Household Models and the Limits of Economism.' ***IDS Bulletin***, 28, 14 – 25.

Henrich, Joseph, Robert Boyd, Samuel Bowles, Colin Camerer, Ernst Fehr and Herbert Gintis (eds.). 2004. *Foundations of Human Sociality*. Oxford: Oxford University Press.

Kanbur, Ravi. 2001. 'Q-squared? a commentary on qualitative and quantitative poverty appraisal.' In Ravi Kanbur (ed) 2001.

Klamer, Arjo. 1988. *Conversations with economists*. Totowa: Rowman and Allanheld.

Klamer, Arjo. 2004. 'Cultural goods are good for more than their economic value.' In Rao and Walton (eds) 2004: 138 – 162.

Krugman, Paul. 1995. *Development, geography and economic theory*. Cambridge: MIT Press.

Li, Tania M. 1996. 'Images of community: discourse and strategy in property relations.' *Development and Change,* 27: 501 – 27.

Li, Tania M. 2002. 'Engaging simplifications: community-based resource management, market processes and state agendas in upland Southeast Asia.' *World Development*, 30: 265–283.

Lipton, Michael. 1992. 'Economics and anthropology: grounding models in relationships.' *World Development*, 20: 1541 – 1546.

Lukes, Steven. 1974. *Power: a radical view*. London: Macmillan.

Manski, C. 1993. 'Identification of endogenous social effects: the reflection problem.' *Review of Economic Studies*, **60**: 531 – 542.

Marx, Karl. 1852. (1981 printing). *The eighteenth Brumaire of Louis Bonaparte*. New York: International Publishers

Mosse, David. 1997. 'The symbolic making of a common property resource: history, ecology and locality in a tank-irrigated landscape in South India.' *Development and Change*, **28**: 467 – 504.

Ostrom, Elinor and R. Gardner. 1993. 'Coping with asymmetries in the commons: self-governing irrigation systems can work'. *Journal of Economic Perspectives*, **7**: 93 - 112.

Peet, Richard and Michael Watts. 1996. *Liberation ecologies: environment, development, social movements*. New York: Routledge.

Peluso, Nancy. 1992. *Rich forests, poor people: resource control and resistance in Java.* Berkeley: University of California Press.

Polanyi, Karl. 1954. *The great transformation*. Boston: Beacon.

Rabin, Matthew. 1993. 'Incorporating fairness into game theory and economics.' *American Economic Review*, 83: 1281 – 1302.

Ragin, Charles. 1987. *The comparative method: moving beyond qualitative and quantitative strategies*. Berkeley: University of California Press.

Rao, Vijayendra. 2002. 'Experiments in Participatory Econometrics.' *Economic and Political Weekly*, May 18.

Rao, Vijayendra and Michael Walton (eds). 2004. *Culture and public action*. Stanford: Stanford Social Sciences.

Rosenberg, Alexander. 1988. *Philosophy of social science*. Boulder: Westview Press.

Sen, Amartya. 1999. *Development as freedom*. New York: Knopf.

Sethi, Rajiv and E. Somanathan. 1996. 'The evolution of social norms in common property use.' *American Economic Review*, 86: 766 – 788.

Schelling, Thomas. 1978. *Micromotives and macrobehavior*. New York: Norton.

Scott, James. 1976. *The moral economy of the peasant*. New Haven: Yale University Press

Seabright, Paul, 1993. 'Managing local commons: theoretical issues in incentive design'. *Journal of Economic Perspectives*, 7: 113 - 134.

Sugden, R 1989. 'Spontaneous order.' *Journal of Economic Perspectives*, 3, 85 - 97.

Taylor, Michael. 1988. 'Rationality and revolutionary collective action.' In M. Taylor (ed) *Rationality and revolution*. Cambridge: Cambridge University Press.