Post-Macroeconomics:
Some Theoretical and Analytical Issues

Célestin Monga
Abstract

Economic literature generally assumes that the world is made of representative agents who are always self-interested and exclusively motivated by the pursuit of maximum profit in anything they do. This simplistic assumption has allowed the discipline to use simple and elegant modelling techniques to describe and predict human thinking and decision making. It has also helped the two main schools of thought (Keynesian and Neoclassical) find a broad methodological consensus. But some theorists acknowledge the limitations of the rational, self-interested agent and suggest new ways of modelling human behavior. This paper builds on these new theoretical developments to suggest new ways of enriching macroeconomics. Post-macroeconomics is to be understood not as a total rejection of traditional macroeconomics, but that as a call for building upon and beyond it. It seeks a reconstruction of the analytical frameworks for studying key macroeconomic questions and recommends that findings from other social sciences be more systematically integrated into economic modelling.

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1. Introduction

In his 1974 Nobel Prize lecture titled “The Pretence of Knowledge,” Friedrich von Hayek chastised his fellow economists about their love affair with analytical approaches that mimicked physics or biology, especially after their discipline had “been conceded some of the dignity and prestige of the physical sciences.” He argued forcefully and convincingly that some of the gravest errors of economic policy are a direct consequence of this scientistic error.” (von Hayek, 1974) Decades later, his criticism of economic methodology, in general, is still valid and has been endorsed by a wide range of economists, including some of the most influential in the field (Krugman, 2008; Solow, 2008, 2009; Caballero, 2010; Stiglitz, 2010). The “scientific” validity of economic methods has become even more controversial in the aftermath of the 2008–09 Great Recession, and for a good reason: the crisis confirmed once more that the assumptions of markets as optimal institutions, where rational and generally well-informed agents make individual decisions that eventually serve the interests of society, were misleading. Yet, these assumptions remain the foundations on which modern economic theory is built.

Jane I. Guyer’s work of social and economic anthropology focuses on the gray zones between formal and informal economies where various patterns of confrontations and collaboration constantly take place; her work sheds light on how economic agents, facing hard budget constraints but eager to conform to sets of social norms, make decisions; how the productive economy in such settings actually works; how the division of labor among heterogeneous groups takes form; and how money is managed to serve as a unit of account, a medium of exchange, and a store of culture, meaning, and value. To their own detriment, macroeconomic theorists have not paid more attention to the stunning insights from the very practical analyses of how people perform economic relations on multiple and overlapping scales of value (Guyer, 1995, 2004).

This paper, which draws on Monga (2011, 2015), builds on some of the insights from Guyer’s landmark book Marginal Gains: Monetary Transactions in Atlantic Africa (2004) and discusses the state of macroeconomic theory today, suggesting some of the lessons that social theorists could draw from the study of Africa. Section 2 begins with some of the puzzling basic questions on the mystery of economic growth, which reflect the ineffectiveness of current macroeconomic knowledge. Section 3 sketches an example of a macroeconomic model that considers the type of findings that anthropologists bring to the corpus of social science knowledge. Section 4 outlines the rationale for post-macroeconomics and the philosophical and
theoretical path ahead for macroeconomic modeling. Section 5 provides some concluding thoughts.

2. A Few Lingering Questions on the Mystery of Growth

We start with the idea that economic growth is generally good for poverty reduction, global prosperity, peace, and stability. For a long time, economists believed that the growth potential of any given country depended primarily on its volume of natural resources, the quantity and the quality of its human capital or investments, and its use of available technology. It was the sparkling intuition of the Solow growth model. The level of technology available and productivity were exogenous to the model and were regarded as public goods. Advances in growth theory, especially through the endogenization of productivity (technology being considered as a private good), have generated a new wave of research that integrates into the models some factors previously identified only intuitively. However, the progress of knowledge has not led to a clear understanding of the specific factors that allow countries to grow at a given point in time—let alone, the specific policies to be implemented to generate sustained growth. In fact, despite the progress, many respected macroeconomists still make doubtful assertions about the reasons for economic failures or successes.

Nowhere is this more evident than in the study of Africa’s poor macroeconomic performance, which has been alternately attributed to the absence or abundance of natural resources; the rather high number of landlocked countries; the brutality of the tropical climate; the narrowness of African markets; or the weakness of the social and political institutions (Sachs and Warner, 1997).

2.1. Lacking Natural Resources or Having Too Much?

Japan has had any. Yet, its economic history, which was marked by the destruction of two atomic bombs dropped in the Second World War, suggests that it never needed abundant natural resources. Compare its endowment in natural resources to the extraordinary geological wealth of the Democratic Republic of Congo, which may have contributed largely to impoverishment and political bankruptcy. Yet, the idea that countries with great quantities of natural resources suffer a “resource curse” (the paradox of plenty) does not hold and cannot be generalized: Qatar, Dubai, and even Botswana have been able to use their natural resources to kick-start their respective economic development processes.
2.2. Being a Landlocked Country?

Switzerland has been a landlocked country for as long as one can remember. Yet, it has exploited that condition to rigorously assess its strategic options and to choose an optimal growth strategy: its geographical location has perhaps forced it to establish good, mutually profitable relations with its neighbors, as its policymakers understood that their country’s economic success is dependent on that of its neighboring states.

2.3. Hot and Humid Climate?

Dubai is not in a place known for the gentleness of its temperatures, but this has not prevented capital holders of the world from investing their savings there and even building their second homes in Dubai, which often remain unoccupied. Like Dubai, Gabon, Congo, Angola, and Sudan have huge oil reserves; yet no retired American or Japanese billionaire considers settling in these countries to enjoy his or her fortune.

2.4. Narrow Markets?

The size of Singapore or the modest population of Costa Rica has not prevented these countries from positioning themselves as major exporters nor from making huge gains based on their policy choices. With reduced transportation costs, major technological progress, and a greater coordination of trade policies facilitating exchanges, the potential market of any small African country is no longer limited to its borders. The Chadian market or the Burundian market is the world market, provided that either is able to improve its business environment.

2.5. Weak and Ineffective Political Institutions?

While there is much empirical research pointing to large macro effects of “governance” on growth, the precise meaning of the concept remains unclear. In fact, it is extremely difficult to identify specific quantitative measures of institutional quality that are significant in statistical models of growth. The typical measures of institutional quality, such as “government effectiveness,” which are often used in empirical growth investigations, rely on surveys of perceptions by the private sector of the government’s behavior rather than on the well-established and sustainable institutional features for which they are proxies (property rights, enforcement of contracts, etc.). It is puzzling that some countries that have been praised for economic successes and poverty reduction often perform poorly on governance indicators (for example, China or South Korea prior to 1980). Many drivers of growth, such as trade,
education, or even governance, are endogenous, and the empirical literature has not convincingly disentangled their effects. Moreover, most institutional factors associated with growth, such as property rights, are not easy to establish (in some countries, they have resulted only after from decades or even centuries of sociopolitical changes). This has led some researchers to conclude, “there is no relationship between growth and constitutional measures of institutions” (Glaeser et al., 2004, 282).

These paradoxes and many others are enough to justify a reassessment of the intellectual foundations of traditional macroeconomics, and to explore new theoretical and epistemological approaches from the kind of microanalyses carried out by anthropologists. It is clear from Guyer’s work, for instance (1995, 2004), that there is a need for post-macroeconomic thinking (Monga 2011)—an approach to the discipline which constantly integrates new knowledge from other disciplines of the social sciences and humanities with traditional macroeconomics.

3. The Analytics of Humility

Some economists have taken too seriously “the dignity and prestige of the physical sciences” (von Hayek 1974) conferred to their discipline as a license to simplify everything—including feelings, values, and behavior—and to allocate monetary value to all social practices. Guyer and some of the best interpreters of Guyer’s anthropological work have rightly criticized the aggressive push for economic formalization, which they consider to be analogous to colonial conversion, “a strategy intended to tear apart and reconfigure existing systems of social practice and meaning. It is unlikely ever to be achieved because existing multiple scales of valuation do important work in formatting and reformatting social relations. Formalization in this part of Africa will remain partial, just another scale of transactional possibility” (Green, online).

One can object to excessive, mechanistic, and meaningless simplification of complex social practices without throwing away the baby with the bath water. Economics will retain its unique status among the social sciences only if it can use formal models and numbers to codify its knowledge and make it easily teachable and reproducible. It will endure, however, and gain even more credibility if it goes beyond the rigid constraints of simplified modeling to enrich its toolbox with findings and lessons from other disciplines. Economic knowledge benefits enormously from the technical rigor of mathematical models but it need not be restricted to such models.
A key feature in the approach suggested here as post-macroeconomics is the idea that economics should maintain its drive toward analytical rigor and even formalization. A consequential mistake made by the first generation of development economists in the 1950s was to assume that they could build a credible and consistent subdiscipline from some sort of “pragmatist thinking,” and by ignoring pressures to produce mathematically consistent analyses. That intellectual attitude was largely justified by the difficulty of telling their story of poverty traps and the impossibility at the time to confront market structure in a formal way. They believed that the aggregate behavior of a whole economy dominated by oligopolistic rather than perfectly competitive industries was the way to go. They were right in their suspicion of assuming perfectly competitive markets but lacked the analytical tools to prove it. In fact, economists were only able to formalize their intuition in the 1980s and 1990s.\(^2\)

Unfortunately, their intellectual strategy of neglecting formal models only generated hostility and contempt from mainstream economics, as it left out the clarity of reasoning and assumptions that underline any given theory. The strict adherence to a discursive style eventually meant that development thinkers had to use parables and metaphors to make complicated points, such as economies of scale (which implies imperfect competition), so crucial to their theories. This only led to fuzziness, despite the pertinence of their ideas. The choice of a methodological path should be clear. Modeling is always part of economic thinking, either explicitly or implicitly. As Krugman (1997, 79) pointed out, “the problem is that there is no alternative to models. We all think in simplified models, all the time. The sophisticated thing to do is not to pretend to stop but to be self-conscious—to be aware that your models are maps rather than reality.”

Since this explanation in itself may sound rather general, let’s go back to the critical issue of economic growth, outline what could be the methodological path ahead, and sketch a formal exposition of why macroeconomics would be enriched by a clear rehabilitation of the kind of microeconomic knowledge that can be derived from the work of Guyer and others in social anthropology. At the outset, it must be said that most mainstream macroeconomists acknowledge the rather disappointing results of current frameworks for growth analysis, which have so far yielded little actionable results. The existing models of growth in cross-country analyses almost invariably assume the existence of representative firms and representative consumers. In real life—and this is the reason why countries with similar conditions and

\(^2\) The first successful attempt to translate the key points made by early development economists into a simple, formal model is found in Murphy et al. (1989).
policies may perform quite differently—there is a lot of heterogeneity in behavior for firms and consumers, both within and across countries. From a methodological viewpoint, the study of growth must give more prominence to models where attention is given to the agent (household or firm).

To be sure, economists have learned a few things about the general conditions that are conducive to growth. Cross-country empirics has highlighted broad differences between high- and low-income countries by identifying three types of variables that are correlated to growth: (1) structural variables such as productivity, physical capital, labor force or educational attainment; (2) institutional variables such as the “quality of institutions” (too often, arbitrarily defined) or governance; and (3) policy variables such as macroeconomic stability, investment climate, financial development or trade openness (though the current crisis has shattered the consensus on what these variables should be).

These lessons have not been very helpful, as countries vary enormously with respect to the conditions under which they can generate and sustain high growth. Over the past decades, China and Chile have adopted very different policies, but both were able to grow comfortably. Korea and Taiwan have chosen different degrees of government intervention in their economies, but both have done quite well over an extended period of time. Qatar has recorded high growth rates despite its mediocre governance indicators, while other major oil producers such as Gabon or Nigeria have performed poorly.

These puzzling facts have forced economists to explore new directions in growth research. They are not yet centering their mathematical tools and attention on all the findings from social anthropology, but they are much more willing to entertain the possibilities of assumptions that are radically different from those underlying the still dominant neoclassical model. Paying more attention to individual firms and households requires a different approach to macroeconomic modeling, one that explicitly recognizes heterogeneity as a first step to the study of what Guyer has called the “multiple and overlapping scales of value.”

In the quest for economic growth, such an approach could be expressed formally as follows: suppose in a given country that the output of each agent \( i \), indexed by \( i = 1, 2, \ldots, N \), is \( q_i \).

For simplicity, we assume that all agents have identical production functions and that each agent’s output is

\[
q_i = a_i f^i (k_i, l_i)
\]
with \( q \) representing the agent’s endowment in physical capital, \( l \) his/her human capital, and \( a \), productivity. Then

\[
Q = \sum_{i} q_i; \quad K = \sum_{i} k_i; \quad \text{and} \quad L = \sum_{i} l_i
\]

From these macroaggregates, one can write

\[
\bar{q} = \frac{Q}{N} \quad \text{as the average output and the average output is} \quad \bar{a} = \left(\frac{1}{N}\right) \sum_{i} a_i
\]

The marginal productivity of capital endowment of type \( j \) (physical or human) for agent \( i \) is \( MP^i_j \), with

\[
MP_j = \left(\frac{1}{N}\right) \sum_{i} MP^i_j
\]

We can then write the growth of aggregate output, \( \dot{Q} \), to the sum of the following two components:

\[
\dot{Q} = \bar{a} + \frac{K}{Q} \dot{MP}_k \dot{K} + \frac{L}{Q} \dot{MP}_l \dot{L}
\]

\[
+ \sum_{i} \left(\frac{q_i - \bar{q}}{Q}\right) (\dot{a}_i - \dot{\bar{a}}) + \sum_{i} \frac{k_i}{Q} (MP^i_k - MP_k) \dot{k}_i + \sum_{i} \frac{l_i}{Q} (MP^i_l - MP_l) \dot{l}_i
\]

Equation (5) expresses the fact that growth is the result of aggregates and averages, while Equation (6) stresses the importance of differences in the levels and growth rates of productivity among agents. The former is about microeconomic heterogeneity, while the latter is about the macro view of growth. This approach recognizes the problem of endogeneity of economic agents and raises issues of aggregation, but it remains, perhaps, too abstract and a bit too general for operationalization. It therefore needs to be complemented by an expression that

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3 I thank Luis Serven for drawing my attention to this way of formulating the problem.
highlights both the difficulty of model specification, as well as the importance of heterogeneity and productivity behavior of agents.

The treatment I offer here is a streamlined version of the exposition in Bourguignon (2006) and Monga (2007). Starting again from the standard accounting identity of a stylized economy in which all agents have the same production function, the growth of output, \( \hat{Q} \), can be attributed to the growth of the capital stock, \( \hat{K} \), the growth of labor supply or possibly human capital, \( \hat{L} \), and the total factor productivity growth, \( \hat{A} \). Considering that \( \alpha \) is the capital share of income and \((1-\alpha)\) is the share of other factors in national income, that identity can be written:

\[
(7) \quad \hat{Q} = \alpha \hat{K} + (1 - \alpha) \hat{L} + \hat{A}
\]

That identity can then be enriched by introducing behavioral relationships linking growth in each production factor to a set of variables \( Z \) (determinants of growth) that describe the initial conditions, policy variables, and institutional environment of the economy. In a reduced form model, aggregate growth, \( \hat{Q} \), would be a function of \( Z \) and a set of parameters, \( \beta \). That is the realm of most of growth empirics, but it is generally carried out in a linear and unrealistic way.

The more complex and detailed one could be in the specification of the function \( f(\beta, Z) \), bringing us closer to understanding the heterogeneity of economic agents in any given country. However, given the data limitation, it is currently difficult, if not impossible, to estimate such complicated models in a meaningful way. Taking into consideration the fact that economic agents in any given country are heterogeneous and that we need to differentiate them by levels of productivity, for instance—not to mention their objective functions, endowment in physical or human capital, and access to credit or constraints—we realize that Equation (7) can be made more explicit. Focusing on firms and assuming that they all have the same shares of capital and labor coefficients \( (\alpha \text{ and } 1-\alpha) \) with different productivity levels, \( A_i \), Bourguignon (2006) has suggested that we consider the production function for firm \( i \) is as:

\[
(8) \quad q_i = A_i \cdot k_i^\alpha \cdot l_i^{1-\alpha}
\]

That gives us the standard growth accounting identity as
where $\hat{k}_i$ is growth in capital stock of firm $i$, $\hat{A}_i$ is total factor productivity growth for firm $i$, and $w_i$ is firm $i$'s share of effective capital (where “effective capital” is capital stock weighted by the productivity term). In this formulation, and despite the stringent assumption of firms having identical shares of capital and labor, it is easier to see that the three sources of aggregate growth (the three terms on the right hand side of the equation) display a new dynamics: (1) the first term represents overall increase in capital behind which lies the investment behavior of individual firms, with an important role being played by the reallocation of capital across firms; (2) the second term remains unchanged because of the assumption of perfect labor market competition.; and (3) the third term reflects aggregate productivity growth, which is derived from differentiated productivity gains of individual firms weighted by their shares in effective capital. The next logical step is to introduce behavioral relationships that would link $Z$ policy and institutional variables to firm level investment behavior and productivity growth. Although this would clearly yield more insights on the heterogeneity of firms and the sources of growth, it would also highlight the complexity of the micro–macro linkages. This way is only one among many in which economic theorists could think of integrating the findings of social anthropology into new methodological approaches.

Some marginal gains are underway, and many macroeconomic theorists acknowledge the need to update their old methodological framework, which relies primarily on the “neo-Keynesian model” and postulates three relations: (1) an aggregate demand relation, where production is determined by demand, which itself depends on anticipations made by agents regarding future production and future interest rates; (2) a relation based on the Philips curve, where inflation depends on production, as well as on anticipation of future inflation levels; and (3), a relation of monetary policy, which reflects in the model the idea that monetary policy can be used to influence prevailing real interest rates.

The availability of new powerful software and computers now makes it possible to carry out complex and simultaneous calculations. Macroeconomics is no longer concerned solely or primarily with the resolution of differential equations systems. Newer methods, such as dynamic stochastic programming that simultaneously integrate some of the lessons of
microeconomics (consumer and employee utility maximization, value maximization by companies, rational anticipations, detailed specification of imperfections, etc.) represent a breakthrough in economics.

Macroeconomists working on African economies have shown that the basic neo-Keynesian model, which has been expanded to consider many imperfections, especially those found in credit or employment markets, could be strengthened even further (Collier and Mayer 1989). Some fundamental issues remain, however: first, the amount of detailed and disaggregated information necessary for the use of these new dynamic stochastic general equilibrium models (DSGE) seldom exists in many poor countries. Also, the meaning of the structural parameters often generated by DSGE models has become so doubtful (Canova and Sala, 2006) that “this may be a case in which technology has run ahead of our ability to use it, or at least to use it best.” (Blanchard, 2008, 24).

In addition, the micro–macro linkages are still ignored in DSGE models, as well as the heterogeneity of households and firms, which are too quickly amalgamated into randomly created generic categories. Again, the study of African economies sheds light on the need to explicitly address issues of aggregation. In the African context, the very idea of household (an economic concept that applies to all persons living under the same roof, regardless of whether they are linked by family ties) poses conceptual challenges to statisticians and demographers (van de Walle, 2006). The same is true for firms, a term so general and so broad that it could be quite misleading in economic modeling exercises.

The solution to such difficulties is not for macroeconomists to content themselves with structural parameters generated from industrialized economies, but rather to complement macroeconomic analyses with microeconomics, country studies, and lessons from thematic monographs from other disciplines. Far from weakening the identity of macroeconomics and diluting it, it would enrich it and strengthen the credibility of the entire discipline of economics. It must be acknowledged that the suggestion to move from traditional macroeconomic modeling to post-macroeconomics would open up a wave of technical and complex methodological issues and, perhaps, even raise some controversies. Yes, research in the social sciences should not be concerned about complexities and controversies if it all lead to better understanding of the tasks ahead—and humility. The next section offers some semantic clarification and outlines the general expository strategy for the research agenda ahead.
4. The Theoretical Path Ahead

Since economics defined itself as a social science that uses the methodology of the physical sciences, it has faced some serious intellectual challenges, which have become even more salient in the aftermath of the 2008–09 global financial crisis and recession. The shortcomings of economic methodology certainly do not invalidate everything learned from it. However, they point to major gaps in knowledge and the need for improvements in traditional approaches. Fortunately, advances in research in other social sciences—especially in anthropology, sociology, psychology, and political science—provide valuable new insights that can strengthen the status of economics as a dominant academic discipline, one with a much richer foundation for theory.

Post-macroeconomics should not be understood as another metanarrative of the end of metanarratives. True, to theorize certain key features of the new macroeconomics as post, is, of course, to assume ipso facto another narrative. However, my use of the prefix post here suggests and emphasizes much more than temporal posterity. Post-macroeconomics should follow from macroeconomics more than it follows after macroeconomics. In fact, I do not envisage new macroeconomic theories that will emerge from the current crisis as being a complete rejection of all of the previous knowledge of the discipline.

My theorizing of post-macroeconomics is therefore neither systematically oppositional nor hegemonic. I do not advocate a “dialectic opposition” between macroeconomics and post-macroeconomics. Rather, I suggest that the latter builds on the former and goes beyond it. Post-macroeconomics should not necessarily be against macroeconomics. Although there needs to be some repudiation of the founding assumptions that led to the desire for a unique grand theory constrained by its own technical limitations, the goal should be to avoid the kind of dichotomist approaches that led to the validation of a dominant, if not unique way of thinking about economics. An important lesson from the recent global crisis is the realization that macroeconomics should no longer position itself as an antecedent analytical framework that claims to a certain exclusivity of understanding—a positioning that led theoretical macroeconomists to derive many ineffective or harmful policies from unrealistic assumptions in areas as diverse as banking supervision, financial regulation, and monetary policy. Post-macroeconomics suggests a rejection of that claim of exclusivity and stresses the importance

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of enriching economic theory with new methodological assumptions and new knowledge. Post-
thus should image in macroeconomics the meaning of meta in classical metaphysics.

To be specific about what post-macroeconomics entails:

- It is the rejection of the analytical consensus that has characterized mainstream
  macroeconomics for decades, and which assumes that there is a single methodological
  route to knowledge, comparable to what Appiah called “exclusivism in epistemology,
  metaphysical realism (there is one truth, which is exclusivism in ontology), each
  underwritten by a unitary notion of reason.”

- It is the rejection of monism in the design of analytical frameworks in macroeconomics,
  and overthrow by a conception of economics as irreducibly plural, drawing insights
  from various perspectives from other disciplines of the social sciences and beyond.

- It reacts against the self-righteousness and the elegant, but mathematically simplistic
  and often misleading, models that have been used for public policy around the world
  since the methodological convergence between new-Keynesians and new-classical
  economists.

The need for such epistemological nuances is nothing new, certainly not to researchers who
have worked on African and developing economies, in general. For decades, many researchers
had argued that economics had nothing to fear from enriching itself with lessons and advances
from other disciplines (see, for instance, Ela, [1990]; Galbraith and Monga, [1994]; or
Mkandawire and Olukoshi, [2002]). Unfortunately, these suggestions were either neglected or
dismissed upfront within what was then arbitrarily considered mainstream economics. The
global crisis has led even Nobel Prize winners to acknowledge that the problem facing
economists and policymakers today is mostly intellectual—it is the need to confront the
systematic failure of thinking, especially on the part of macroeconomists. Akerlof and Schiller
(2009), for instance, identified five elements in what they called “animal spirits,” the omission
of which blocks conventional economics from either understanding today’s crisis or providing
pertinent solutions to policymakers for dealing with it. They are: (1) confidence or the lack of
it in the marketplace; (2) concern for fairness by economic agents who are often puzzled by the
behavior of some people in crisis situations; (3) corruption and other antisocial behavior; (4)
“money illusion,” which makes agents susceptible to being misled by purely nominal price

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5 See the discussion of the postcolonial and the postmodern in Appiah (1992, 143).
movements and not changes in real values; and (5) the reliance on “stories,” which justifies herding behavior.

Guyer and other social anthropologists may be pleased to know that there is now widespread acknowledgment that conventional economic models fail to fit the facts in almost all aspects of observable economic behavior. To put it bluntly, “the theories economists typically put forth about how the whole economy works are too simplistic.” What is at stake now is how to incorporate “animal spirits” into economic theory and how to make macroeconomic frameworks more relevant to the analysis of everyday problems. Unfortunately, the analytical strategy suggested by leading theorists still falls short of the needs. After succeeding in highlighting both the rigidity and narrowness of mainstream macroeconomic thinking and its disastrous implications for policy, Akerlof and Shiller’s (2009, 168) attempt to “clean up macroeconomics and make it more scientific” also fails to offer a convincing alternative. The main reason is that they propose an unrealistic approach to the search for a better theoretical strategy. Discussing what is usually included in conventional economic theory and what is not, they basically suggest to start with a square divided into four boxes, to denote motives that are economic or noneconomic, and responses that are rational or irrational. They then observe that current economic models fill only the upper left-hand box, as they only answer the question: how does the economy behave if people only have economic motives and respond to them rationally. To understand exactly what they suggest, I offer below my own visual illustration of their argument (Figure 1), which shows that macroeconomists have so far focused on Box 1 and neglected Boxes 2, 3, and 4.

![Figure 1. The Search for a Theoretical Strategy](image)

Of course, the main problem with such a schematic analysis is that it relies on an arbitrary definition of what constitutes “economic” or “noneconomic” motives and begs the question what is to be considered “rational” or “irrational” responses? For example, when someone chooses to buy organic coffee instead of the regular food store brand because it tastes better, that is presumably an “economic” motive. What if the choice is motivated also, though, by the supposed minimal impact of organic coffee on the environment and the higher income revenue from coffee farmers? Likewise, poor household heads who take their children out of school after an economic crisis because they have lost a fraction of their already low income and need extra help to compensate for it may be acting “irrationally” in that they deprive their children and their society of the opportunity to build a much-needed human capital. Still, given their situation, pulling children from school is a “rational” way of getting extra labor at their disposal to cope with negative shocks. These examples show that the distinctions between “economic” and “noneconomic” motives and between “rational” and irrational” responses are not very useful pillars for designing a rigorous theoretical macroeconomic framework. As Friedman (2009, 43) pointed out, “an ‘economic’ motive is whatever economists include in their theories of how people behave. And since different economists are always proposing different theories, what constitutes an ‘economic’ motive can differ from one theory, and one economist, to another.”

The reconstruction of the analytical framework for studying key macroeconomic questions must also consider the specific nature of each social environment and adjust to changing times. Much can be learned from the study of African economies, recent advances in growth research, and lessons from other subdisciplines of economics and various fields of the social sciences. All this new knowledge can help address the theoretical deficit in economics and outlines the frontiers of post-macroeconomics.

Economists have long been either dismissive of or nervous about such thinking, which they have perceived as unjustified legitimation of socially constructed differences in humans (agents)—and for good reason, as accepting the prevalence of intrinsically different modes of thinking and patterns of behavior among people or social groups raises serious methodological questions and challenges the very boundaries of economics (Malinvaud 1991). At a more
abstract level, it can also open the door to ethical questions and crude prejudices of the type that has led many to believe that the “economic man” did not exist in Africa (Jones 1960).7 Fortunately, the terms of the debate have been clarified in recent years, polemics has subsided, and there has been much intellectual progress on such questions. Mainstream economists have done a much better job in explaining the methodological reasons why “economic imperialism” should not be a source of shame but rather pride in the social sciences (Lazear, 2000). In doing so, they convincingly have expanded the scope of their discipline. Even leaving aside the advent of the behavioral revolution in economics, it is now clear that economics has opened (Colander, Holt, and Rosser 2004) and enriched its traditional methodological tools by studying non-monetary interactions (Glaeser and Scheinkman, 2003); social interactions and social norms (Loury, 1977; Manski, 2000); and making the case for a more rigorous exploration of the variety of human motivations and behavior (Sen, 1977; Akerlof, 1984; Akerlof and Kranton, 2010; Basu, 2010).

In their quest for a richer set of tools for the economic toolbox, economic theorists could draw many lessons the work carried out by anthropologists in the African context. One central question, on which research by Guyer and others have already generated much critical information, is the fundamental motivation of households and firms as agents. It is at the heart of economic theory and has been answered for hundreds of years (since Adam Smith [1776]) to be only about profit maximization. Research on Africa sheds light on the inaccuracy of that fundamental postulate of economic theory. Like most economic agents elsewhere in the world, households, workers, and companies moving in the African context make decisions they see as optimal, based on the quality and cost of the information available to them and according to the circumstances and changes in supply and demand. Contrary to the suppositions of microeconomic theory, however, they are capable of simultaneously having a multiplicity of objectives that do not fit into the simplifying modeling techniques imposed by the

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7 Already in 1960, Jones pointed out with mordant irony the rapid and erroneous conclusions of many researchers in various disciplines who found in the “strange” behaviors of the economic agents in Africa the “proof” that those people had peculiar motivations. Commenting on the analyses of African behaviors reported by Western experts, he wrote: “They have come home with stories of all sorts of peculiar, seemingly irrational responses to economic stimuli and innovation. Stories of farmers who refuse to harvest the cotton crop the government has required them to plant, or who refuse even to plant the food crops needed for their very subsistence, of cattle that are valued for the shape of their horns rather than for their flesh, of laborers who cannot be induced to work overtime even by attractive bonuses, of consumers who refuse to buy unfamiliar but nutritious foods available at low prices although their supply of the traditional staple is exhausted, of producers who react to higher prices or lower production costs by reducing their output, of prices determined by custom that are stubbornly resistant to changes in supply or demand, and of consumers who spend their money on spectacle frames without glasses, shoes to be worn slung over the shoulders, and nostrums that have no effect other than to turn the urine purple” (1960, 107).
maximization postulate. Their utility functions are much richer and more complex that what appears in textbook diagrams.

Individual interest is not always their sole motivation. Altruistic, social, spiritual or even philosophical objectives are equally at work in business relations. For instance, people give much of their time and money to social activities with the goal of helping to improve the quality of life in their communities—this, even when it is not necessarily in their own interest to do it. Throughout the continent, entire villages are equipped with rural paths, wells, schools, libraries, and dispensaries financed anonymously by citizens whose only profit is the feeling of having done what seemed logical to them in a context of chronic government failure. Even in the West, where the frenzied cult of profit seems to dominate social interactions and justify the theoretical postulate of the maximization of a utility reduced to its financial aspects, notions like the public good or the general interest are greatly valued in relations between economic agents, justifying the dictum often attributed to Winston Churchill: “We make a living by what we get. We make a life by what we give.”

5. Conclusion

Economic theorists have long promoted the idea of universally representative agents who are self-interested and exclusively motivated by the pursuit of maximum profit in anything they do, whether in the realm of commercial transactions or in non-monetary domains of life. Although these important assumptions have allowed for simple and elegant modeling techniques that describe and predict human thinking and decision-making—and granted the discipline of economics a methodological status comparable to that of hard sciences—they have never helped predict or avert major financial and economic crises, with heavy human costs and consequences.

The time has come for an intellectual aggiornamento in the social sciences. The methodological consensus that has underlined economics must be reconsidered. Contrary to Malinvaud, who defined a rather narrow field of investigation for the discipline and advised macroeconomists “not to divert his/her focus towards the explanation of institutional, social or technical evolutions” (1981, p. 30), I have argued in this chapter that macroeconomics should renew itself and update its stock of knowledge. Without throwing away the baby with the bath water, it is possible for macroeconomists to question some of the fundamental features of their dominant model—a model founded on the rationality of economic agents and the efficiency of the markets, even in situations involving asymmetric information—and to break loose from the
dictum of the single existing methodological approach, drawing lessons and tools from microeconomics and other disciplines of the social sciences.

It is both refreshing and ironic that it is research on Africa (a region of the world where there has been a debate in the economic literature on the existence of the rational “economic man”) that is providing some of the best clues of the existence of multiple rationalities and overlapping value scales, destined to enrich economic methodology and knowledge. It is now a well-documented fact that economic problems and the challenges of development are often of a different nature than those observed in industrialized countries. Yet for decades, African policymakers and central bank governors have simply, but regrettably, replicated in their respective contexts the dominant macroeconomic models used in Western economies. The ineffectiveness of this approach has sustained the analytical shallowness of economic thinking on Africa.

Owing to the pioneering work by social and economic anthropologists like Guyer, questions can be raised about the relevance of some of the most widely used macroeconomic frameworks and the effectiveness of some of the pillars of development thinking. Challenges to the pertinence of the main assumptions in dominant macroeconomic models not only force researchers to reflect on the validity of the new-Keynesian or neoclassical frameworks, but these reflections also lead to reassessments of fundamental policy issues such as the determinants of consumption, investment, and savings; the proper role of the government in the economy in general and in financial systems in particular, the appropriate goals and instruments for monetary policy, the effectiveness of fiscal policies in an increasingly globalized world, and many other important topics.

This methodological evolution obviously poses a serious identity problem for macroeconomics: should the discipline, like other social sciences, venture in distant territories to seek answers to economic problems—even at the risk of drowning in the broad corpus of the social sciences? Or should it continue to limit its aspirations to activities it can handle, quantifying and calculating with precision—even at the risk of being viewed as a sensitive, sectarian and overly formalized discipline, incapable of rendering a genuine account of reality? In truth, the debate is about much more than academic turf battles. It is in fact about intellectual integrity, and the heavy financial, human, and intellectual costs of bad ideas and methods.
References


