

EPISTEMOLOGY, SOCIAL THEORY, SOCIAL RESEARCH

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Csontos, László: *Ismeretelmélet, társadalomelmélet, társadalomkutatás* (Ed. Szántó, Zoltán). Budapest: Osiris, 1999.

I.

The book under review, last year rewarded with the Polányi prize of the Hungarian Institute of Sociology, is a posthumous selection of works by the sociologist-economist-political scientist, László Csontos (1953–1997) who died at a much too early age. The volume contains the author's 18 writings, a list of his works¹ and a preface by Róbert Iván Gál and László Szakadát.

All these writings except for one² have formerly been published in Hungarian. There are, however, a few short reviews, forewords and postscripts included in the bibliography but left out of this volume. In addition, most of the works originally written in English were also left out, and, perhaps the main shortcoming, the book does not include László Csontos's famous lectures of 1985–86 through which Hungarian sociologists and economists were introduced to rational choice theory for the first time. So Róbert Gál's remark back in 1999 (Gál 1999: 422) still holds true: "It should be considered to publish them."

The studies included in the volume and comprising a wide range of fields in social sciences are classified into four groups: epistemology, social theory, social research (empirical accounts) and essays. Though the editors intended to ensure a unified reading of the oeuvre, the ordering and the classification of the individual texts is questionable. Here it must be noted that not only had Csontos' work been broken off tragically early, but within the two decades of his active career, writing articles was only the tip of the iceberg. He was a personality of great scientific influence and he considered teaching as well as making classical texts accessible to the Hungarian audience equally important.

1 Missing from the list of works (in addition to pieces of journalism):

Meir Kohn: Bank- és pénzügyek, pénzügyi piacok. (Editor of the Hungarian edition: László Csontos) Budapest: Osiris–Nemzetközi Bankárképző, 1998.

2 Optimalizáció, szabálykövetés és a szituációs elemzés módszertana (Co-author: Richard N. Langlois). Translation by László Ábel Nagy; pp. 49–68, present volume. Original publication: Optimization, Rule-Following, and the Methodology of Situational Analysis. In U. Mäki, B. Gustaffson and C. Knudsen (eds.): Rationality, Institutions and Economic Methodology. London: Routledge, 1993.

II.

The “tip-of-the-iceberg” phenomenon is mainly reflected in the epistemological and methodological writings of the volume: Csontos’ position on the fundamental questions of the social sciences must be reconstructed like a mosaic,³ it is mostly explicated in concise prefaces. His position is best defined through negations: Csontos wished to break with the “happy methodological unconsciousness” of empirical social research, but he did not seem to have been even touched by the ideas of “Marxist social philosophy and the reform sciences” either (p. 205).

Instead, he reconstructed the methodological features characterising the works of some classics of sociology (Durkheim, Weber) and of some contemporaries just turning into classics (Olson, Hirschman). These characteristics, which make the theories of social sciences lasting and valuable, are (1) empirical soundness, (2) interpretative force and (3) scientific fruitfulness (p. 13). He also pointed out the criteria for the “rational criticism (based on logical or factual arguments)” of a conjecture: (1) determining the limits of validity of the argument, (2) introducing alternative or complementary hypotheses, or (3) the “thorough and detailed analysis” of the consequences of the hypothesis (p. 15). He discussed the criteria of explication as a method of concept-formation⁴ (precision or clarity, similarity, relative simplicity, scientific fruitfulness; pp. 30–31). He reconstructed the logic of holistic, functional argumentation (pp. 22–25 and 40–42), of the intentional (pp. 37–39) and deductive-nomological explanation (pp. 26–28), and, already using the method of explication, he elucidated Durkheim’s concept of “collective consciousness” (pp. 19–22).

The next two studies (the former closing the first and the latter opening the second part) are closely linked to each other. The first reconstructs Weber’s views on the methodological foundations of economic theory (pp. 30–45) while the second – co-authored with R. N. Langlois – presents the paradigm of situational analysis (pp. 49–68). The core of this latter methodological paradigm can be defined as follows: “The method of situational analysis... having developed from the Weberian tradition attempts to deduce particular results without directly questioning the economic actor’s free will. [...] It is placing the actor in such a situation that directs his behaviour along certain lines, furthermore, it presumes that the actor is capable of evaluating the situation and chooses the action most desirable for him from the alternatives perceived” (p. 55). The linkage to the Weberian tradition can be understood from the fact that Weber had not only criticised psychological reductionism but also rejected “the extreme claims of methodological monism” (p. 33). In line with this, in social sciences (in the present context primarily in the field of economics), the starting point of the analysis is human action which implies (in accordance with the program of understanding [*verstehende*] sociology) an intentionalistic interpretation and not a behaviouristic explanation in some kind of stimulus–response pattern, where the agents are “puppets on the strings of obscure

³ The mosaic-like character refers only to the present volume since Csontos – as we can learn from the preface – “wrote his thesis on epistemological questions” (p. 7).

⁴ He also summarised the same, in somewhat different wording, in a foreword not included in this volume (Csontos 1984: 5–6).

psychological stimuli or of mysterious social forces” (p. 36). “Economists add to this the further assumption that people [...] in matters relating to their own interests do act calculatively, that is in this sense rationally.” (ibid.)

This is, of course, only the beginning of the analysis. Further questions are (1) whether we interpret rationality in its subjective or objective sense, how much we specify it (cf. the “thin” and the “thick” concept of rationality), and (2) how we proceed from individual action to the explication of collective phenomena like rules and other institutions. Moreover, linking up with the aforesaid, (3) where should we place the individual on the “conceptual spectrum” between human action and human behaviour (pp. 54–55, fn 14) and whether in the course of modelling we should build the limits of optimisation into the level of individual psychology or into the construction of the problem situation. In Csontos and Langlois’s interpretation, the former fits in the methodology of “behaviourism” while the latter suits the methodology of situational logic. What they regard as the focal point of their study is proving that the above alternatives do not correspond to the opposition of optimisation under constraints (exemplified by neo-classical economics) and bounded rationality (worked out as the constructive criticism of the former model), i.e. the behavioural model of rule-following. Consequently, both the followers of the situational logic approach and the followers of the behaviouristic approach equally apply models that assume optimisation and models assuming rule-following (pp. 58–60).

III.

In Csontos’ view, situational logic as a methodological paradigm differs from rational choice theory (RCT) only by its name (p. 206). Moreover, “the logical structure of the explanatory scheme suggested by the latter is fundamentally identical with the structure of the basic models of microeconomic theory” (p. 207). The starting point of the analysis is human action, which means the choice of the option considered most suitable of the several alternatives available (p. 74, 90, pp. 206–207).

This “common methodological platform” (p. 203) accommodates the various substantive and formal models belonging to RCT: (1) the type-variants of the theory of individual decisions, (2) game theory, (3) public choice theory and (4) the economics-inspired models in social sciences. In this volume, we cannot find a systematic discussion of RCT,⁵ but the attentive reader can spot the analyses referring to all four groups. As far as the level of individual decision-making is concerned, the volume contains an overview of the basic concepts of decisions theory (pp. 90–94). A few additional writings by Csontos also belong here, which deal with the so-called anomalies of the theory of decision-making, (p. 89, pp. 94–101, 179–180, 245–247) like the status quo effect, the aversion towards losses, or the lack of will power, passions and dynamic inconsistency.

Csontos uses simple game theory models to interpret serious relationships in economic sociology, such as the impact of strategic interactions between workers

5 On this see the volume he edited (Csontos 1998) and the references there.

following different norms on factory performance (pp. 105–108) or the strategies of distributive rent seeking in economic organisations (pp. 108–112). Similarly, in the overview of “the positive economic approach to political science” (public choice theory) (pp. 74–79, 167–169)⁶ he also uses game theory models to show that purely redistributive games have the core empty, i.e. the players can be stuck in a never-ending circulation of offers and counter-offers, which might result in the instability of political processes. The analytical model then offers an explanation for certain empirical relationships, for example, why government parties and parties in opposition formulate the essence of politics differently, or why the forming coalitions are sometimes broader than the necessary minimum (p. 79). The potential empirical-scientific explanations built on the Olson-paradox, mentioned sporadically through the book also belong to “the economics-inspired models in social sciences” (p. 13, 14, pp. 28–29).

IV.

Of course, the volume does not only suggest directions for social research. Between one third and a half of the volume is taken up by Csontos’ writings related to empirical research projects. These pieces present the findings of two TÁRKI surveys (Economic and sociological factors in budget formation, pp. 83–103, 166–182; and The state and its citizens, pp. 119–141, 142–165, 183–200).⁷ Both research programs are concerned with major questions of economic and social policy formation in Hungary in the 1990s (and partly today): the so-called public finance reform, budget revenues (tax awareness) and budgetary expenditure (fiscal rent seeking, the transformation of the welfare system). Of the two projects the latter was undoubtedly more comprehensive (using questionnaires as well as novel methods of experimental economics) and at the same time it sparked off a heated debate (see Ferge 1996, Vita...1997).

The research entitled *The state and its citizens*, which Csontos described in studies written jointly with János Kornai and István György Tóth, is based on the initial hypothesis that “voters have a distorted perception of the fiscal parameters concerning the economic and social role of the state and the costs of governmental programs” (p. 119), which means that (1) their tax-awareness (i.e., their knowledge about the relationship between tax burden and state expenditure) is insufficient; (2) they are subject to fiscal illusions (they underestimate the real costs of governmental programs); and (3) to the status quo effect (they irrationally adhere to their vested rights). The above can be complemented by the hypothesis that (4) after the

6 As a side remark, let me note that the last two paragraphs on p. 74 and paragraphs 1–4 on p. 75 (translated from an English manuscript by Tamás Meszerics) and the last paragraph on p. 167, paragraphs 1–3 on p. 168, lines 3–8 and paragraph 2 on p. 169 (originally published in Hungarian) contain virtually the same text, apart from terminological differences arising from the translation.

7 The ordering of the five studies on two subjects in the volume, as it can be seen from the page numbers, is not really fortunate. But aside from this, there is still another difficulty, especially with the latter three studies: the high degree of redundancy in the texts. Since the book is not intended to be a critical edition (as it is indicated by the above-mentioned omitted texts), but a textbook for higher education (see p. 4), the repeated appearance of identical texts (and tables sometimes appearing three times) does not seem to be justified.

information given by the interviewer helps dispel the “tax-ignorance” and fiscal illusions of the respondent, the status quo effect diminishes, and respondents stick less firmly to an unchanged role of the state. Behind the “perceptual distortions” there certainly lie political and institutional factors like “the complexity and revenue-flexibility of the taxation system, the mixing up of the tax bases of different governmental expenses and programs, the practice of cross-financing in the public finance sector and the lack of transparency in the state’s debt payments” (p. 179).

The study discusses health care (hospital care, medicines), pensions and higher education. The research findings have only partially confirmed the hypotheses and the interpretation of the results (even the way the questions had been formulated) provoked fierce disputes in spite of the limitations the authors had admitted to in advance and the caution with which conclusions in most cases were drawn. At this point emphasising some of the critical points could be more useful than the mere discussion of the factual findings.

The study revealed that respondents do not have a precise knowledge about the cost of public goods. In some of the investigated cases, however, cost-awareness would not be a realistic requirement. On the other hand, in certain other cases respondents have not underestimated, but, on the contrary, overestimated the costs falling upon them. An added problem is that we do not have much comparative data on cost- and tax-awareness, either from other countries or, say, about the precision of individual estimations of the amount annually spent on a particular private consumption good. In addition, sometimes even real data available to political decision-makers and researchers are mere expert estimates (Vita...1997: 111, 121, 123).

No decisive majority was formed to support any of the alternative institutional solutions offered by the researchers (p. 129, 199): (1) “centralised state solution”, (2) “mixed construction” and (3) “market solution”. However, the majority of respondents chose the mixed construction and the ratio of those supporting the centralised state solution decreased when, in the second phase of the interview the question was accompanied by cost information. At the same time the critics and sometimes even the authors themselves emphasised that the three alternatives were not sufficiently nuanced and detailed. It was not clear, for example, whether the centralised state solution meant regulation, compulsory consumption, state financing or whether it referred to the state ownership of the service-providing institution (Vita... 1997: 120–121). It was also not obvious whether or not compulsory health insurance excludes the operation of voluntary health insurance funds. It may be noted also that “in hospital financing, for example, the solution really in compliance with market requirements corresponds to mixed constructions” (p. 189). In addition, choosing the middle solution from the three options available could itself be the consequence of some kind of “decision theoretical illusion”, the preference for the happy medium (Vita...1997: 116).

The most problematic aspects of the research findings are the normative conclusions (pp. 163–164) suggesting “a society-wide pedagogical undertaking” to increase public awareness, or, at another place, talking about the need to solve “a whole scale of informational, communicational and marketing problems needed to make the public accept the reform of public finances” (p. 181). In this respect, even disregarding the occasionally painful lessons of our recent history, there are a few

points where we must proceed with caution. First, “if the negative experience of bureaucratic or state-managed solutions gets coupled with an instinctive belief in the free market, it can easily lead to illusions regarding market solutions” (Vita...1997: 111). Second, as the role played by the state in welfare and social care is also significant in Western Europe, the preferences of the respondents or of “post-socialist” voters cannot be explained entirely by their “intellectual, ideological and emotional attachment to the ancien régime”. Furthermore, if we intend to explain preferences on psychological, rather than political and historical grounds, i.e. as diversions from the normative criteria of RCT, then the possibility must be taken into account that citizens may undervalue the benefits of certain welfare programs, or they may underestimate some types of risk, so the need for “paternalism” may emerge. Finally, it is not at all certain that the problem (besides rent-seeking and altruism) is simply rooted in the lack of information from which a democratic community led by researchers (free of illusions) and a few enlightened decision-makers would be able to redeem itself.

V.

It is namely possible – and here we have arrived at the final section of our reasoning, the limits of RCT – that the assumptions of RCT concerning the individuals’ system of preferences cannot be sustained. On this issue, let’s see a longer citation from an essay by László Csontos written jointly with Júlia Király and Géza László, entitled *The Great Shiver at the End of the Millenium*, the purpose of which was “to grasp the components of fears related to the world of money and to confront them with some of the achievements of economics” (p. 209). After proving that the above-mentioned “fears”, the arguments for the power of the world of money lack ground, the authors continue like this:

“When trying to rationally discuss views that we are not able to criticise either by empirical or by theoretical arguments, then, in order to ensure the possibility of rational discussion, we have to explore the normative background and the methodological roots of the given position. The normative support for the thesis on money-power requires the correction of the formal-calculative market-type rationality based on capital and money accounts according to value rationality.[...]”

The formal structure of the problem is roughly the following: according to an important but often hidden assumption of economic theory the preferences of market actors satisfy the so-called Archimedean axiom. There are, however, preference relations which do not do so. One of these is the so-called lexicographic ordering. Human action based on value rationality means action based on lexicographic preferences” (p. 213).⁸

⁸ Italics mine – P. Cs. I left out the two footnotes including the formal definition of the Archimedean axiom and the lexicographic ordering. The former roughly says that in a choice between bundles with different amounts of goods *x* and *y* it is always possible to increase the amount of *y* by such measure that directs preference toward a bundle with a smaller amount of *x*. Such calculation is really “one-dimensional” (p. 213). On the other hand, by lexicographic ordering, the preference for a bundle with a smaller amount of *x* cannot be achieved merely through increasing the amount of *y*, i.e. “there is no currency (money, power, influence) that could be used to compensate the actor for the decrease in the amount or the value of the other good”. (ibid. fn 5).

Then the authors continue: “The question we have to face is this: how would it be possible to create institutional assurances to guarantee that the predominance of economic rationality should not, in the world of law, religion, politics, science and art, or in business life for that matter, be accompanied by the unconfined power of the Archimedean axiom, in other words, where and how would it be possible to save a little space for individual action based on preferences of value rationality. This question, however, must be clearly distinguished from the problem of eliminating markets or their general restriction and regulation in the spirit of the principles of value rationality” (p. 214).

Csontos formulated similar questions as early as 1986 when he argued that disputes within economic sociology “can partly be traced back to differences in the [normative] evaluation of the social and historical role of market institutions: ...Do we have to note with resignation (or should we welcome?) the fact that human relations organised by the market are increasingly moving away from the authority of ethics, religion and politics, or, on the contrary, shall we – in the spirit of romantic anti-capitalism – challenge the autonomy of market institutions and aim to bring market relations under regulation in the name of ethical, religious or political principles?” (p. 17).

As it is, the problem of the preferences of the individuals observed (about which *non est disputandum*) becomes the problem of the researcher’s preferences. But the latter question has no place in scientific discourses – it is at best an accessory circumstance or a precondition. This is why Csontos has a rather devastating opinion about the usefulness of the evaluation of RCT based on the sociology of knowledge. Instead of examining the merits of “the constituents or the possible achievements of the given research program”, sociology of knowledge focuses on the hidden mean intentions of those representing the viewpoint and refers to their distorted personality structure (p. 208). Contrary to this, Csontos claims that “although human decisions are rational, they are not exclusively driven by economic considerations. An example for such a decision can be the choice between competing scientific theories or alternative methodological programs” (p. 69).⁹

Now, if we accept that (in line with the above quotation) the exploration of the normative background of a standpoint should take place only in the absence of empirical and theoretical arguments and with the purpose of promoting rational discussion, the cited denouncing analysis of the sociology of knowledge would not meet this latter criterion. As for the former condition, there is plenty of room for both empirical and theoretical arguments about the achievements of RCT. László Csontos’ writings offer a remarkably worthy contribution to this discourse.

9 Cf. Peter Abell’s famous question “Is rational choice theory a rational choice of theory?”

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