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ON THE IRRELEVANCE OF METHODOLOGICAL INDIVIDUALISM

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Abstract. *So far, methodological individualism has been the cognitive paradigm that permeates economic thinking in the epistemic community, in economic policy, and holds a place within the wide public at large. On the other hand, the tide of criticism addressed towards traditional economic philosophy is on the rise. The gist of this study is to demonstrate the weakness and antinomic character of the individualistic paradigm and to suggest an alternative worldview – methodological holism.*

Keywords: *methodological individualism, market fundamentalism, economy, methodological holism.*

Introduction

A part of the people in the economic profession, or other fields, such as politics or journalism, as well as a range of similar areas, are voicing concerns about the relevance of traditional, mainstream economic thinking. They are talking about the inability of economists to explain economic reality and predict even major negative economic shocks. Especially loudly such a discontent inside and outside of our profession was expressed after the last global economic crises of 2008, when many realized just how limited are the abilities of mainstream economics to explain and to predict. More and more academicians, politicians and ordinary citizens are aware of the fundamental shortcomings of the dominating economic paradigm – methodological individualism – and are expressing their hopes that a paradigmatic shift from the orthodox, neoliberal thinking to a new economic paradigm will take place.

To demonstrate the level of dissatisfaction and disappointment with the profession, we will cite several crying titles of certain articles: *Economics is a Sham Science*, *Why Economists Should Start Behaving Like Scientists*, *Orthodox Economics is Empirically Invalid and Theoretically Flawed*. Among the several abovementioned, another pair can be cited: *Orthodox Economics is Broken* and *Why You Should Blame the Economics Discipline for Today's Problems*.

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Some renowned economists like Joseph Stiglitz and George Akerlof admit that our profession is in the great trouble of being unable to forecast the future and that the need for alternative approaches does exist (Stiglitz and Akerlof, 2009). In our view, the recent failures of traditional economic teaching show that there is ground to use stronger language: economics is in a deep cognitive crisis, which is the root cause of a systemic crisis within the real economy (Gylys, 2011).

In the same time, the majority in our profession behave in the manner of business as usual. If asked, these people would admit that we as economists face certain cognitive quandaries, yet their attitude is, we dare say, superficial – even fatalistic – in that it can be expressed by the Macbethian attitude of "Come what come may.“ The reasons for this professional apathy vis-à-vis the paradigmatic situation stem from a lack of interest in the sought-after value of paradigmatic explorations and discussions. Thereby, we are facing a low intensity of philosophical discourse and, finally, a lack of clear paradigmatic alternative to individualism.

The purpose of this article is to contribute to the intensity of the paradigmatic discussion, showing the irrelevancy of methodological individualism, which sometimes is referred to as atomism. In parallel, we suggest an alternative to individualistic economic philosophy – methodological holism.

The Flaws of Methodological Individualism

Though nowadays the concept of methodological individualism associates with such names as Friedrich von Hayek, Milton Friedman and Ludwig von Mises (Hayek, 1994; Friedman, 1962; Mises, 1996), it is widely accepted and acknowledged that the doctrine and concept of methodological individualism was introduced by Max Weber in his *Economy and Society* (1968). The very term of "methodological individualism" was coined by Max Weber's student Joseph Schumpeter, who later distanced himself from the individualistic paradigm.

M. Weber was critical of those who talk about various "social collectivities, such as states, associations, business corporations, foundations, as if they were an individual person" (Weber, 1968, p. 13). We are wrong, says the revered author, when we talk about these entities as if having their own plans, performing actions, gaining benefits or suffering losses. But in fact, according to his individualistic precepts of methodological individualism, the sociological works of these collectivities "must be treated as solely as the resultants and modes of organization of the particular acts of individual persons, since they alone can be treated as agents in a course of subjectively understandable action" (Weber, 1968, p. 13). [1]

[1] One of the possible explanations for such an attitude is an improper perception of economic substratum. The latter isn‘t physical in it‘s nature. It is intangible. Such economic phenomenon like inflation, market equilibrium, social capital has no physical existence, though they are real. The same applies to the community, the state etc.

One of the tenets of M. Weber's individualistic worldview is his rational action theory, which to a large extent is laid down on another famous idea. Namely, it is the concept of the *ideal types*. An ideal type is an abstract, generalized (and idealized) model of any phenomena. The most important, essential, stable characteristics of the social phenomena must be included in the model, but other characteristics – temporary or inessential features – could be excluded from the model. In undertaking this procedure with human action, M. Weber introduces the ideal type or, in other words, the ideal model of a *rational human action*. In this ideal type of human action, only rational elements of individual behavior are included. Irrational elements of this behavior stay outside this ideal model as rare and minor deviations from normality from which a researcher can abstract without any danger or threat to the quality of the results of an investigation.

The concept of *homo economicus*, neoliberal microeconomics and the market equilibrium theory are spheres of economic theory in which the precepts of methodological individualism are widely applied. But it isn't the case with macroeconomy, political economy and other fields of economic knowledge which deal with the wider aspects of social reality. In these fields, the aggregate, systemic parameters and variables are examined; therefore, an atomistic approach towards economic inquiry is misleading.

An aggregate demand or aggregate supply, an inflation or fiscal policy are phenomena of the superindividual level, for which the individualistic approach is inappropriate. For this reason, the "betrayal" of the principles of the individualistic philosophy takes place – the concessions to the paradigmatic enemies from the individualistic camp – the holists – are made. This paradigmatic "treason" acquires a form of admittance of existence of various exceptions from the individualistic world view. All this denotes a weakness of the individualistic paradigm, because good cognitive philosophy should cover *all* cases and *all* facts of reality. If a theory isn't able to explain the whole reality or even more, as in the case of individualism, a part of a reality, due to its application, remains invisible or unexplained. In any such case one must state – the theory in question is flawed. In this sense, Leon Walras was rightly saying that one could not explain anything in economy until one had explained everything.

Some representatives from the individualistic camp are trying to keep consistency and a logics of individualistic thinking and claim that any discussion regarding the "states", "nations", "classes" and other superindividual, collective entities are futile abstractions and efforts to ascribe to them features and powers which could be ascribed to individuals only (Degutis, 1998, p. 21).[2]

This position is an example of outright denial of the existence of communal entities, agents and actors. It represents a case of *pure individualism*, which is not "littered" by

[2] This individualistic approach was assumed by some influential politicians. One of them - Margaret Thatcher once said: "There's no such thing as society". That is paradoxical statement – public figure in fact denies the fact of public needs and interests.

collectivistic elements. But this cognitive position in our view should be followed by a suggestion to delete, to exempt from our vocabularies such terms as *family*, *community*, *nation*, *society*, because they are the names of non-existent phenomena. If there is no such real entity as a nation or community, then there is no sense of using these terms. The usage of meaningless, futile words distorts and thereby hampers communication between individuals. Language, therefore, should be cleaned up from such a linguistic waste.

But even these "consistent" individualists cannot manage without "futile" or "empty" words. *Group*, *team*, *party*, *nation* exist as terms in their vocabularies when they must articulate their views on the real life of society. But every word or term is the name of a concept, which in turn is a mental reconstruction, a reflection of certain phenomena – aspects, parts or elements of reality. If phenomena don't exist, the term is meaningless.

Therefore, some of individualists try to assume a milder position and do not deny outrightly the existence of superindividual entities. "Nobody ventures to deny that nations, states, municipalities, parties, religions, communities are real factors determining the course of human events," says L. Mises – one of the most prominent figures in the individualistic camp (Mises, L., 1996, p. 2).

But this admission, one that the collective actors are real facts of social life, is the kind of antinomy that leaves the reader in disarray, in cognitive confusion. On the one hand, individualists assume that only reality is an individual and that "there is no substratum other than the actions of individuals," that the "*we* cannot act otherwise than each of them acting on his own behalf," (Mises, p. 2) but, on the other hand, a statement is made that *we*, in the form of a nation, party or other collective entity are *real* facts of our life.

The paradox or even absurdity of individualism lies in the position that one can understand collectivities only through the study of individual action. As L. Mises states, "the way to a cognition of collective wholes is through analysis of the individual's actions" (p. 43). This statement represents reductionist philosophy, i.e., the belief that the whole can be understood by an exploration of its parts. In other words, the whole has nothing specific to distinguish it from its parts. The study of individual behavior gives a full picture of the society. In other words, it means that the microeconomic analysis of the actions committed by the egoistic *homo economicus* discloses the macropicture of the economy as a whole.

But the figments of imagination, unreal things, those without their actual "body" and/or "spirit" cannot be real factors of life. In a simple statement, we could say that "nothing is nothing" and that this "nothing" can't influence the course of events. There are only two logical possibilities here. First, real are only the individuals and their actions, which would mean that teams, groups and communities are unreal, and then that only individual factors of human life exist. Second, the existence of superindividual entities like families, nations etc. are recognized. Although in that case, the main presumption, the axiom of individualistic perception of this world goes "bang" – it turns to be irrelevant, unrealistic.

Thus, the statement that the only reality is *I* and during the same time something connected with *we* influences the functioning and development of humanity should be treated as an antinomy. Otherwise – collectivities don't exist, but they could be understood through the analysis of behavior of their individual members.

A vivid example of such an antinomic thinking is the individualistic version of the public choice theory, formulated and presented by James Buchanan and Gordon Tullock (1962). It is a kind of paradox that this theory was the creation of the individualists, even though public life should belong to the holistic domain of explorations.

Thus, in this individualistic version, the model of public choice is founded on the presumption that all participants of public life, beginning with an ordinary voter and ending with an elected politician, are driven by their own personal interest. In this sense, they have the same motivation as market participants – they are essentially driven only by the search for private gains. The antinomy of this theoretical model is expressed in two irreconcilable postulates; first, the acknowledgement and recognition that public life, with its regime of public choice, does exist, but, second, that public figures pursue not the goals of the public, but ones of their, own private need. Here we must stress that we are talking about a purified, idealized, theoretical model, not about, in many cases, the "dirty" practices of reality.

These authors and their followers don't use such concepts of public life as public goods, solidarity, social capital, free riding etc. Therefore, the picture of public life presented by individualists looks indeed gloomy. A quite different and much more optimistic panorama of public reality opens when a holistic approach is employed for public matters (Gylys, 2013).

It is quite an astounding, stunning fact that this antinomic character of methodological individualism, or atomism so far wasn't revealed and demonstrated to the epistemic community and to the public at large. Even in spite of the fact that such philosophical confusion leads to constant and immense cognitive and, finally, practical losses, which are part of anti-economy[3].

There are at least three explanations for such a situation. First, western scientists (they had assumed the role of global intellectual leaders) discount the role of the paradigmatic, philosophical level of cognition. Second, although it is connected with the first factor, paradigmatic research is time-consuming and is related to high opportunity costs; in turn, these costs repel scientists from time-consuming, "unpractical" and unpopular explorations. Third, the political economy of our science is not favorable to the emergence of

[3] Anti-economy is the negative side of social life, which reflects the creation and the flows of economic – private and public – issues, deviations from the optimal ratio between benefit and the input of limited resources (Gylys, 2013).

a paradigmatic alternative to methodological individualism, since major power centers, first of all, the businesses, are not interested in the paradigmatic shift from individualism to other economic philosophy. For the worldview, in which self-interest, private gain and competition are dominating, prevailing concepts, gives them ideological advantage.

Modern society suffers from its own excessive orientation towards "practical results", from the obsession with practicalities and the adverse attitude towards theory as an empty, fruitless part of knowledge. But there is not a more practical thing than good theory. Vice versa, too – nothing is more damaging than bad theory.

For many economists, it seems "cheaper", less costly to go straight to the practical matters instead of delving into the risky, intricate world of high abstractions. As an outcome, we are stuck in a situation where the majority in our profession are instinctive adherents and proponents of the individualistic paradigm. Those who remain are usually subconscious, instinctive opponents of this philosophy. Regarding this matter, I speak of Keynesianism, institutionalism and other non-individualistic economic doctrines.

A big part of the problems that occur in our profession arise because of the low intensity of discourse on the paradigmatic, philosophical level. The main fighting space, or area of investigations, is at least one "floor" below. On that lower level of cognition, different doctrines – libertarians, neoliberals, Keynesians, institutionalists fight on the issues of relevancy, adequacy of the economic model they present and on the recipes of economic policy they suggest.

Fighting sides rarely rise above the level of separate doctrines and theories to reach the paradigmatic, philosophical level of academic discourse and explorations. Or, in other words, they do not "dig" deep enough under the axiomatic foundations of cognitive "fortifications" of the opponents. They, in many cases, do not even understand that such a possibility to shake the foundations of an adversary's "fortifications" does exist.

Our aim is to critically examine the individualistic way of thinking and to suggest a paradigmatic alternative, one which is devoid of internal incompatibilities, discrepancies and a lack of relevance to the realities of life. A good paradigmatic alternative for individualism would mean that the perception of the surrounding world is not "amputated", i.e., the whole is not reduced to its parts or elements and that through the regimes of negative reflexivity[4] social actors do not destroy social structures. They do not deviate and digress from the progressive trends of social development. At the same time, this alternative view should be able to explain all facts and cases of real life.

Individualistic orthodoxy removes itself from the national specificities of economic life of different countries. A consistent individualist, if he recognizes the universality of market principles, shouldn't talk about a German model, a Japanese model or an Anglo-

[4] By reflexivity, we understand the circular relationship between reality, its perception and the active formation of that reality on the basis of social perceptions, believes and so on. It means that social reality is in part the product of the implementation of various philosophies, doctrines and ideologies.

Saxon model of economy. Bolivia, China or Russia should be assessed and measured by the same cognitive instrument – the model of a pure market. An orthodox economist has no respect for the history, culture or institutional arrangements of a country in question. He/she has little interest either in how a market operates in practice, or how it is intertwined with other (social, political etc.) aspects of society. In other words, they believe in "a universally homogeneous historic reality" reduced to capitalism (Tabb, W., p. 113).

But as we have already said, market is only one of the aspects, not a separate part of social life, which is "diluted" with elements of other aspects of reality, namely by monopoly (monopsony), politics, a legal system, morality, traditions and so on. Only in our minds the model of pure markets may exist. In the real word, it is only one ingredient of the "social mixture" what society is in practice.

Individualism as Market Fundamentalism

Individualistic philosophy breeds a kind of economic thinking which is based on an almost eternal belief in the effectiveness and justice of the market regime. Indeed, if one assumes that the only reality is a private individual with his/her self-interest and ability to make rational decisions, then one follows a quite logical conclusion that the market, where private goods (i.e., goods meeting private wants and needs) are produced, is the only productive, effective economic regime. Therefore, the more of the market, the more of the economy and vice versa – more economy means more market. All that leads to the conclusion that economy, in this philosophical framework, is identified with market. To put it in other words, economic reality is reduced to the model of a pure market. That is the essence of market fundamentalism (Gylys 2002, Stiglitz, 2010).

The individualistic camp is absolutely sure that an unfettered, laisser-faire market can resolve all economic problems. For them, all phenomena of social, cultural, political and ecological nature do not belong to economy unless they become part of the market system through privatization and use of market instruments. In their view, free markets are able to guarantee the greatest efficiency and prosperity for any society. They believe that any collective action unavoidably leads to the situation which is called "the tragedy of the commons" (Hardin, 1968). This cohort of economists assumes that a private individual, given that he is free in his private choice, is always rational. They usually turn a blind eye on the warnings that irrationality is an element of economic behavior (Shiller, 2000). Individualists think that all kinds of interventionism, statism, protectionism, institutionalism, i.e., all efforts to tune the economy in fact hamper the smooth, elegant, elastic functioning of the market forces, distort the "natural" economic order and lead to economic losses.

In this "natural" market order, there should be no place for superindividual demands, which by their nature are public needs, even though public and not private personal regimes are budget, economic governance etc. Despite that, they still do not belong to the "natural" market economy. According with atomistic logic, they should be perceived as unnatural and alien to economy. They are unnatural products of the activities of those entities which do not understand the economy as a marketplace and therefore try to impose the "natural" economic life onto non-economic regimes.

These are the foundations of pure individualistic thinking. Any deviation from it would mean the betrayal of individualistic beliefs, or, at best, concession to paradigmatic opponents, i.e., the holists.

Neoliberalism, monetarism and the Washington consensus are largely, even though not absolutely, based on this set of beliefs. This group of economists and politicians could be referred to as market fundamentalists. They – usually implicitly – identify economy with the market, ignore the public aspects of wealth creation and suspiciously observe all regimes of superindividual governance as unnatural, non-economic.

They discard any public governance because they believe only in spontaneous self-regulation, in the effectiveness of the "invisible hand", i.e., in processes derived of proactive public interventions. This almost eternal, religious belief in spontaneity stems from "naturalistic" thinking, from a presumption that economy functions like nature. And as market is, in their view, the most natural regime, all non-market elements "spoil" the economy. Any public intervention is a threat to the purity of a "natural" economic order. There is no such thing as governance in "economic nature", therefore governance should be absent in a "natural" economic order.

But this "naturalistic" premise contradicts and denies the whole course of historical development. Human history could be, among other things, described as a process of evolving public arrangements and institutions that had helped people to cope with the problems of procurement of security, justice and other *public goods*. With a deepening differentiation and specialization, an increasing variety of economic activities, on the one hand, these institutions became more and more sophisticated and, on the other hand, the need for them was more and more pressingly acute.

Thereby, the very appearance, development, spread and ramification of regimes of public governance and production of public goods was natural in social terms. It was the expression of economic and social progress. Therefore, demonstrative disgust and repugnance towards these regimes and non-market, i.e., public goods demonstrated by individualists is in fact unnatural itself.

Monopoly and monopsony also contradict the individualistic economic philosophy. They are not "natural" elements of the market in the sense that they do not represent regimes of self-regulation. They hamper, impede and distort the workings of the invisible hand. They belong to the category of "visible hands", like governments, supergovernmental organizations and so on. But this fact miraculously goes "unnoticed" by the individualistic camp. They concentrate their criticism on state institutions. One of the explanations of such position – the individualists prefer private visible hands rather than public ones.

The aversion for regimes of public governance is one of the expressions of market fundamentalism. Market fundamentalists pretend that a pure, perfect market is possible and that a pure market regime is able to resolve all economic problems. Thus, we economists should be responsible for this purity, cleanness of economic life and should do our utmost to eliminate all elements of "unnatural" nature, all the alien non-market aspects from the would be ideal economy.

According to the logics of market such concepts as public goods, public interests and needs, public governance, public finances *per se* should disappear from scientific and every day circulation. But they don't.

In this fundamentalist framework, such spheres as education, healthcare, social protection could be treated as legitimate parts of economy only if they are privatized and subdued to self-regulating market forces. If they are under the control of superindividual public institutions, their workings are non-economic, ineffective, wasteful etc. Thus, the only way out of this precarious situation, according with the individualistic worldview, is privatization and marketization of these spheres.

Such a perception of economy is the ideological basis for individualistic decision making in the economic policy. But the imposition of market regimes on education or healthcare is an unnatural endeavor. In these spheres, its expression can be *naturally* found not only in private, but also public interests and regimes. What is more – the marketization and commodification of these branches, these spheres of social life, where public interest is objectively and strongly presented, in turn provokes the spread and enforcement of anti-economic regimes.

Based on historical knowledge, we know that, for instance, education was the object not only of private, but also public concern and that, in the course of at least several centuries, the public part of resources was also employed in the development of education. Therefore, to implement any privatization of education would mean the reversal of the progressive trend in economic practice. To a large extent, this trend facilitated the settlement of the problem of scarcity of human and social resources. Education, which would be based on totally private funding couldn't solve the problem of the massive supply of educated workforce, because children from poor families would remain outside of the system.

The shortage of qualified labor would create a major economic imbalance and, in turn, this disequilibrium would lead to lower economic growth understood both in individualistic and holistic terms[5], to a much slower rise of living standards and quality of life. All this would mean losses in overall economic benefits, the waste of resources and, consequently, the spread anti-economy.

[5] The holistic camp measures economic growth and development not only in monetary terms, but in terms of the procurement of both private and public goods, whilst individualists are inclined to use monetary evaluations.

On the Pure and Real Market

In identifying market and economy, individualists face a multitude of intellectual and conceptual inconveniencies, which they stubbornly brush away or neglect.

One of them, and a fundamental one, is the fact that a pure market is practically impossible. One thing is to construct a mental model of a pure, ideal market based on perfect and fair competition – this mental procedure of abstraction/idealization helps us to grasp the essence of market regimes. Another and more complex thing is to implement it and to make it part of economic practice.

The latter endeavor always meets the resistance of miscellaneous, various factors, conditions and circumstances. To demonstrate this, let us briefly examine the issue of basic preconditions and characteristics of perfect competition, though as elementary as they might seem. As we will see, the realization of these preconditions isn't trivial at all.

To put them concisely, there are four preconditions of perfect competition, i.e., an ideal market. First – a large number of economic actors or firms operating in the industry that are of more or less equal power. Each of them can't exert pressure on others. None of them alone can influence the price of the commodity produced in the market economy. A big number of equal economic actors makes it impossible for the collusion between these actors, i.e., the creation of cartels, which would make the market less pure and less ideal, since a cartel (in its monopolistic or monopsonistic form) would have power to impose its will and whim on other, minor participants of the market and set, or at least influence, the price of a given commodity. That illusion would mean the distortion of fair competition and the replacement, at least of partial nature, of a spontaneous regime of self-regulation (an invisible hand) by a regime of programmed governance, employed by a monopolist.

This first precondition of perfect competition is immensely difficult to implement, because, in some sectors of economy, firms can be successful if they are large enough to acquire and attain the economy of scale. Therefore, there we can find a small number of firms or, especially in small countries, only a single producer of a given commodity. Also, one must have in mind that in most circumstances bigger economic actors are inclined to go into collusions and form cartels, though illegitimate as they are. Here we can state the first paradox of the market regime. In this respect, the most fair and pure market is when it is characterized by a large number of small and almost equal participants, but, on the other hand, it is advantageous to every market participant to have bigger economic power and exert influence on others and on the main market parameter – on the price of a commodity. In reality, the market benefits those economic actors who are able replace the invisible hand with their own visible hand so as to become the giver of the price, rather than a price taker.

The second precondition of a pure market is the homogeneity of the goods produced in the given branch of the market. To put it simpler – all producers supply the market with absolutely identical products. All cars in the car industry are the same, all tubes of dental paste, no matter who is a producer, are identical… This condition is indispensable to ensure that firms are not in a position to avoid price competition with other producers by manipulating the characteristics of a given good; therefore, the firms would be acquiring additional power on the market, which would give them an opportunity to set the price instead of accepting the price given by an invisible hand.

But real economic market actors are striving exactly for the opposite. They use any opportunity to differentiate their product, i.e., to make it different from the produce by other firms in a given sector of a market; in this way, they seek the advantage. In a perfect market, all beer produced by a country's breweries must be identical, but in a real market, practically all breweries claim that they produce specific, even unique beer. That is the essence of another paradox of the market economy. The ideal market presupposes the homogeneity of the goods produced in the given sector, whereas in reality, market participants are playing the card of specificity, uniqueness. As a result, practice provides us with a monopolistic competition as a widespread model of market behavior.

The third condition of perfect competition and pure market is this: all varieties of resources must be perfectly mobile, i.e., there should be no barriers hampering the allocation and reallocation of resources (capital, labor etc.) inside the branch and between the branches (sectors) of the market. The latter means that resources move between branches producing different goods (for instance, TV sets, milk products, apparel etc.). This perfect mobility implies that the set of resources must be easily adaptable to the changing market situation. The absence of any barriers for the flow of resources inside and between sectors of the market means that there is not a single hindrance for spontaneous, automatic regulatory regime, guaranteeing the best possible allocation of resources available in the marketplace.

In truth (alas!), in this case, too, it is practically impossible to meet this requirement needed for the implementation of a pure market. Financial, monopolistic, administrative, technological and criminal barriers, hampering the free flow of resources, are realities of our life. Some of them are impossible to dismantle and neutralize. For instance, it would be unrealistic to suppose that labor, as an economic resource, is absolutely mobile geographically (i.e., people with their families easily change their geographic location) and that any given person or employee has no problems if a work situation requires one to move from one sector of the market to another, changing one's profession etc. In this particular case, an employee has to be re-educated, requalified and retrained. But the change of profession is not an easy task either for the individual, or for a country's institutions that are responsible for these matters. In this case, too, we could talk about a paradox: the contradiction between a theoretical model and the actual behavior of market participants.

The last precondition of perfect competition and pure market is absolute and symmetric knowledge in the disposition of all participants of market activities – producers, buyers, owners of the factors of production. Being ideally informed, all they have to be able to do is check all characteristics of goods circulating on the marketplace, beginning with final, ready for consumption goods and ending with the qualifications of each employee or quality of machinery in supply. In addition, they should know the true market price, i.e., the price of market equilibrium given by an invisible hand of all commodities labor included.

In effect, total knowledge means that fairness of exchange and fairness of competition is guaranteed and there is no need for support of a moral and/or legal system. An ideal market, with its ideally informed participants and competitors, is able to establish its own, autonomous system of justice – an ideal invisible hand, which efficiently (and qualitatively) stimulates, rewards the achievers and punishes the laggards as an impersonal force. Moreover, it would be a system where each and every individual buyer would be able to make his/her own personal (right!) judgement by "screening" the product and comparing the asked price with the well-known true market price.

But market reality is quite remote from this heavenly, ideal situation. In the real market, the information is scarce and in most cases asymmetric – one side is better informed than the another. Disinformation, misinformation, manipulation are widely spread practices (Akerlof, G. A., Shiller, 2015). One of the explanations for this gap between requirement of absolute and symmetric knowledge and acute shortages of information and dissemination of disinformation (rumors, slander etc.) is another paradox of the market model: the best market is a market based on full, quality, symmetric information, but real people on the marketplace often are inclined to hide or distort information because they see that such a behavior brings them benefits. While others can't check the validity of the information because the limited knowledge of their own, the transactions between the market actors lose transparency, fairness and efficiency.

Market regimes are not able to automatically correct the situations when, for instance, collusions or massive disinformation take place. In such cases, public interests must be defended. And they are. State institutions fulfill their duties – they produce public goods in the form of laws, administrative acts and such, in effect enforcing them, so those economic actors who abuse their influence on the marketplace are met with repercussions. Therefore, in a real economic market, regimes intertwine with public ones. This symbiosis of public and market regimes makes economy less sensitive and vulnerable to economic shocks. Furthermore, in the holistic paradigm, economy could be defined as a system aspect of social reality comprised of organically intertwined public and private sectors. They both belong to economy, because in both of them limited resources are used and procedures of economization are employed (Gylys, 2013).

Individualism and the Theory of Firm

Individualism for some might seem a consistent, logically "hard" philosophy. This "hardness" is one of explanations of its global influence. But if confronted with questions from critical paradigmatic positions, it begins to crack.

Let's put several simple questions and look whether the individualistic structure passes practical exams and withstands the counterarguments of its opponents.

The first group of questions would be as follows: is the business firm a sum of employees, with each of them of equal status? Can we reduce a firm's real activities to the actions of separate individual employees? Do the needs, interests and goals of an individual employee are identical to the ones of the firm? Or otherwise – are the interests of the owner of the firm are the same as those of hired employees? Are they equals who are not connected by relations of subordination?

If an individualist is a truth-seeking person, he/she would raise these questions and provide the answers themselves. But they usually sidestep these questions. One of the possible reasons of such an avoidance of fundamental queries might be the fact that the logical answers to these questions do not fit in the individualistic picture of the world. For instance, it is hard to deny that a firm's goals are separate and different from those of an individual worker's. At the same time, it would be difficult to deny the subordination, thus, the hierarchy of the goals. The owner of the firm and an ordinary employee could hardly be treated as equals and identical in terms of their goals, means, power etc.

The firm as a whole, and not the separate worker, is trading its goods, making contracts with other enterprises and banks. It is not the domain of activities of an individual employee. Thus, on the firm level, superindividuality does exist. It also contradicts the individualistic notion that economic reality is flat, comprised of the sum of more or less equal individuals. In every real, not imaginary, firm we find hierarchy. In case one admits that a firm is a system, not a sum of individuals, one should instantly follow the conclusion that as far as any system works with more than a sum of its elements, a higher, superindividual level of a firm's reality exists.

Further – the productivity of a firm depends on a couple of factors that are invisible or neglected in the individualistic theory regarding firms. On the one hand, its efficiency depends on the quality of management, i.e., on the ability of the managers to formulate a firm's goals and to choose and combine the appropriate means of their achievement. Management is a superindividual structure and its activities are systemic in the sense that it has to create an optimal combination of human, material, financial and other kinds of resources for the good of the firm or to devise a proper system of organization, which is the common good of a firm.

On the other hand, the success of the firm is partly determined by the level of loyalty demonstrated by personnel. Social cohesion and social capital in the work place adds to what is called the *synergy effect* to the total output of the firm. But social cohesion, social capital, and synergy are not terms of individualistic philosophy, because they belong to the superindividual reality of a firm and therefore stay unnoticed and unexplored by mainstream economics. It is worthwhile to remind that managerial sciences study these characteristics of a firm, while economic orthodoxy ignores them. It means that neoliberal and libertarian economics and the people working in the managerial field belong to two different *cognitive tribes* – the individualists and holists, respectively. Most of economists are members of the individualistic *tribe*, as representatives of managerial sciences are mainly holists.

Adding to the wider version of individualistic theory regarding the functioning of firms, we'll shortly discuss the issue of social responsibility of a business company. The individualistic camp is very critical of any talks about the possibility of socially responsible behavior of business entities. The leading figure in this respect is Milton Friedman. In his famous work, *Capitalism and Freedom* (1962), he argues that the only group of people to which a firm should be held accountable are the shareholders. Therefore, the exclusive goal of any business company is the maximization of profits and its faire distribution among co-owners, i.e., shareholders.

In M. Friedman's view, business should have no "social responsibility" in the sense that it shouldn't be bothered by any wider social, public interests or concerns. Strangely enough, he claims that a company's involvement in community or society life may lead to totalitarianism.

In response to this notion of social irresponsibility of a business firm, one could state the following: first, every business company is an integral, organic part of the society; thus, it couldn't survive without social, political, legal and other public institutions, which provide the whole society – the business included – with a wide variety of public, infrastructural goods. Second, every firm must be rational, wise and socially responsible and contribute to public resources, first and foremost to public finance. Third, any attempt to avoid such a responsibility of contribution to public matters means free riding, i.e., a practice when an entity getting a certain amount of public goods shuns and dodges its responsibility to contribute to public resources and, consequently, to the common good of community and society at large. Any company practicing free riding faces the prospect of public condemnation and legal punishment to the detriment of interests of any normal business firm and to the interests of its shareholders.

Finally, M. Friedman finds, in our view, a strange, yet causal link between socially responsible entrepreneurship and totalitarianism. Social responsibility and participation in public matters are the features of a democratic system, not authoritarianism or totalitarianism. Especially if they are based on free will and genuine, holistic understanding of the importance of the social, public environment for successful business.

Family Without Romance

One of the classical exemplary cases of the application of individualistic market philosophy in social life is Gary Becker's theory of the family. The Nobel prize winner assumes in his notorious work *The Treatise on the Family* (Becker, 1991) that a family is a market phenomenon, that each marriage could be considered as an entity in which a wife and husband behave as entrepreneurs maximizing their own benefits. He states: "This volume uses the assumptions of maximizing behavior, stable preferences and equilibrium in implicit or explicit markets to provide a systemic analysis of family" (Becker, G., 1981, ix).

The abovementioned means that G. Becker's ambition is not limited to some aspects of family life, when the family or its members in fact do act as market agents. His task is to give a comprehensive, systemic and universal doctrine of the family based on the individualistic assumption of *homo economicus*. He and his disciples talk about how supply and demand operates within a family, also discussing implicit and explicit prices as well as marriage markets. In purely market terms, he tries to explain divorce, fertility, social security in the family etc.

In our view, an individualistic approach regarding a family is a great misconception, which leads to substantial cognitive and practical, as well as social and economic losses. First of all, an individualistic theory of a family is devoid of such elements as love, devotion, affection, family duty and responsibility. In other words, it lacks the elements which we could attribute to the romantic and spiritual side of family life. It puts emphasis on competition and ignores both cooperation and solidarity. Family cohesion, norms, rites and traditions, all of which originate from the family itself, from the communities (for instance, religious communities) or societies at large are neglected because they do not fit in the conceptual apparatus of market philosophy. But all these things are *real* and *essential* parts of family life, without which a family isn't viable and sustainable. The family model based just on individual calculations of its members, i.e., individual rationality and the competition between spouses is just a mere shadow of a real family, or even worse – phantom of its image.

In other words – we are presented with a parody of the family. G. Becker's theory of family represents the ordinary case of individualistic reductionism, when a part is presented as a whole. It is true that market elements are present in family life, but it is also true that they do not cover or represent this life as a whole. In the true whole which we call "family", elements of egoism and altruism, of competition and solidarity do exist as well.

This major paradigmatic misunderstanding brings not only purely cognitive losses and anti-economy. It, through the regime of reflexivity, distorts and harms social life both on levels macro and micro. In other words, if an individualistic doctrine of the family is learned and adopted, then it is internalized by a considerable part of individuals. This perception of the family as a market phenomenon penetrates the whole family layer of social reality (Hodgson, 1999).

Consequently, some spouses, at least partly, adopt an overly competitive model of behavior, which destroys regimes of solidarity and altruism. Real family life becomes a kind of projection of the individualistic doctrine of family, because, to a large extent, we act according to our perceptions and beliefs. If we believe that a family's organization is based on market principles on competition, on the equilibrium of personal benefits, then, as rational individuals, we should adopt the principles of market behavior. To put it in a simpler language, people who internalize individualistic thinking generally and adopt the individualistic notion of a family can hardly lead full-fledged family lives, since they put emphasis on competition, not on cooperation between spouses and between family members in general.

Special attention should be payed to the problem of socialization of children in the individualistic family environment. In such an environment, children would be raised in the spirit of pure egoism and extreme competitiveness. Domestic altruism, family solidarity, readiness to make sacrifices for the common good of the family and other virtues would be marginalized and neglected in an individualistically oriented family. Therefore, a child growing in such a family would turn out to have an "amputated" soul. As a consequence, society would get filled with overly self-interested citizens who are unable to grasp the essence of the common good, required to develop meaningful social contacts.

Total adherence to market principles in family life would have an entropic and disorganizing impact on families. Even though for thousands of years families exercised altruism, benevolence and devotion to the common family cause, such as childcare, respect for family elders etc., the shift from traditional collective values to individualistic ones means that the withdrawal of essential, vital blocks of family construction what could lead and practically would lead to the destruction and decomposition of the family edifice and the family rung in the social ladder (individual–family–community–nation).

It would be difficult to deny the fact that individualistic thinking, alongside other factors, exerted substantial influence to the instability and unsustainability of families in Western societies. When spouses in the family influenced by individualistic worldview look to each other as competitors and as sources of – usually short term – financial, material and other benefits, when all benefits are explicitly or implicitly translated into market value, into prices, then only partly can the families sustain themselves. It is so because of the lack of social capital, i.e., a lacking of readiness of members within a family to act for the common family good, a readiness which stems from the shortage (or absence) of the respect for family moral norms and traditions (all these elements are of superindividual character). In other words, individualistic thinking operates as a negative, anti-economic regulator, as a negative self-fulfilling prophesy that ruins the social fabric of the family and its moral infrastructure, the latter which, in normal conditions, unites individuals into a collective entity-family.

If a family is a sum of competing individuals maximizing their own utility, this infrastructure is assumed as an unimportant and inessential one. Even more – it doesn't exist or is an obstacle to an ideal family. But such a family, in which such uniting infrastructure is weak, cannot be stable. It is inherently, genetically fragile and unsustainable.

In a pure individualistic model of a family, there are only the individual goals of family members. Superindividual or common goals of the family as a whole in this pure model shouldn't exist, because it contradicts the spirit and the letter of individualistic philosophy. It means that the regime of systemic, common family governance is absent within this model. Family members here are governed only by personal goals and the means of this self-governance are of pure individual origin. All elements of collectivity, for instance, of collective spirit, as well as all instruments of collective influence – persuasion or coercion – are excluded from this model. But without any superindividual spirit and governance, no matter its model – matriarchy, patriarchy or partnership – a family can hardly survive.

G. Becker's individualistic doctrine of family could be treated as an example of public bad, i.e., a wrong which causes negative destructive impact on the family life and public life at large. This destruction works through the regime of negative reflexivity. This misleading concept of a family distorts the normal and natural behavior of family members. That leads to the loss of the social capital in families, a waste of limited family resources and, consequently, the loss of sustainability and vitality in these social entities.

Conclusions

Despite widening and strengthening the opposition to orthodox economic thinking, and despite certain achievements in the holistic camp – here we would like to note the seminal workings of Elinor Ostrom (1990) – methodological individualism is so far the prevailing economic paradigm in economic explorations, in the teaching of economics and, subsequently, in political decision making. Based on the concept of *homo economicus*, individualism is acting as a misleading cognitive framework, which proposes the identification of economy with the market and the marginalization of public matters (Gylys, 2013). Being of reductionist nature, it leads to market fundamentalism, and, through the regimes of reflexivity, to an "amputation" of economic policy; as a result, huge losses of limited resources are sustained. The valid paradigmatic alternative to individualism is methodological holism, which is based on the premise that, first of all, there are collective, not only individual, economic actors and, second, self-interest is only one of the motives of economic action. The search for the common good is another one. In holistic cognitive framework, both private goods and common goods could be explored. The application of holistic cognitive framework opens new opportunities to both the economic science and practice.

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