

Flying High on Deconstruction and Reasonable Value

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Chasse is a polemicist. His belligerence is both deadly and sneaky. After killing off two pilots on an imagined Air France Concorde, he condemns us and Derrida to collective suicide—all this buried in endnote seven! There are three ways of dealing with warriors such as he. One is to ignore them; another is to fight them on their ground; and a third is to do a little of both. We, after some debate, have chosen the third way.

We ignore most of his stuff on deconstruction per se and on its (ir)relevance to institutional economics, that is, the first and last sections of his paper. We stand by the brief outline on these points in our previous paper. Moreover, we direct interested readers to Warren Samuel's able comments on this issue and to the considerable primary and secondary literature on the topic. However, one insight from postmodern thought we would reiterate here is that the writers' intentions, whatever they may be, cannot control a readers' interpretation of a text.¹ Chasse castigates us for not honoring Commons's intentions as a writer. We do not deny that he may possess superhuman powers to divine authorial intent, though we doubt it. Nevertheless, his paper is a good example of the notion that all reading is an interpretation and, moreover, of the fact that sloppy reading can obfuscate and even falsify what seems to be fairly clear. We give one example here to illustrate this point, while others follow in due course.

In a gloss on Commons's concept of reasonable value, we wrote: "However, Commons saw that his concept of reasonable value might have been threatened by too much *subjectivity* ..." [1997, 11]. In his take on this, Chasse writes: "Because (reasonable return) was *too objective*, they argue, (Commons) proposed as a 'subjective supplement' discussion among reasonable people" (emphasis added). We are mildly, though not completely, surprised (since his is a polemic) when Chasse ascribes to us the precise opposite of what we wrote, especially when he is so concerned by how deconstruction presupposes the "leveling of discourse." It is the notion of "*physical* valuation" that invokes objectivity through calculation. What is "reasonable" is a matter of collective or individual *judgment* and hence subjective. While authorial intention and reading as interpretation are contested philosophical points that Chasse may or may not agree with, a modicum of attention to the text is something he can and ought to cultivate.

We suspect that Chasse uses our paper as a stone on which to grind his ax. His problems seem to lie more with deconstruction per se, rather than our arguments. How else are we to comprehend his gratuitous invocation of Nazism (gratuitous because Nazism was not founded on deconstruction), his utter misreading of our central point, and that his pertinent empirical evidence on Commons only reinforces our claims?

Our central point was that much of economic policy is rhetorically constituted, and we applied the precepts of deconstruction to elucidate that point. This we stated baldly in both the introduction and the conclusion. Chasse wants, as a serious economist, to get on with making policy and solving problems. Perhaps before he busily begins to

¹ In our original paper, we state this as "the individual agent is not in sole control of the text in either its preparation or its interpretation" [1997, 5].

do so, he might reflect on the conceptual space within which this occurs. That was the point of our paper, and its scope was narrowly circumscribed. We were investigating the rhetoric through which utility regulation was justified, contested, and implemented, and why the terms of this rhetoric had remained broadly the same over the last century. This is why we also referred to the contemporary discourse around utility regulation, which Chasse dismisses as “pick(ing) ideas out of the neoclassical hat. “ Incomprehension often, it seems, leads to fighting words!

The focus on utility regulation was largely accidental—one of us partially supervised a doctoral thesis on accounting in public utilities, and our prior work in the sociology of accounting had introduced us to Commons and the Progressive era. Hence, when we write of bureaucracy in the context of the state and utility regulation, it is neither because we have any preference, least of all “ethical,” for the private sector nor because we “defined bureaucracy simply as government organization” as Chasse contends. He reads this into our paper, mistaking the choice of topic for a political preference. We are fully aware that General Motors, like universities and the state, is a bureaucracy. Indeed, our argument applies to the private sector as well, but that would demand the attention of a more careful and subtle reader.

Our argument, most generally stated, is that some modes of economic regulation were, and continue to be, based on a constitutive rhetoric that partly revolves around the concepts of objectivity and subjectivity. More specifically, we argued that the discourse of utility regulation vacillates between bureaucratic and expert-based modes of governance. We emphasized that while the bureaucratic mode of governance, which relies on rules and calculations, is justified by appeals to objectivity, the rule by experts, which relies on professional judgment, is justified by appeals to subjectivity.² We further argued, using deconstruction, that these kinds of justifications, though usually seen as independent, are in fact interrelated and hierarchically prioritized. Accordingly, appeals to objectivity are founded on containing or limiting subjectivity and vice versa. What is more, each type of justification is susceptible to going too far, which invokes the other to “balance” or mitigate its excesses. For example, a bureaucracy is justified on the grounds that it prevents the exercise of arbitrary—sovereign or monopoly—power. This invokes “objectivity” against subjectivity in the forms of accounting calculations, due process, and other methods to ensure transparency. However, a bureaucracy is susceptible to becoming a dehumanizing iron cage. This in turn demands the exercise of human judgment or subjectivity as a balm in the form of experts, professionals, and commissions. We used Commons’s arguments on rate regulation as an exemplar to show this incessant interplay and interrelation between objectivity and subjectivity that also

² Bureaucracy is strictly the power of the desk. This is, as Hannah Arendt points out, the rule by nobody. On the other hand, the calls for professional judgment implicate experts as quasi-legislators. Neither is democratic in the strict sense of power of the people.

forms the support for what is, arguably, the two dominant modes of contemporary economic governance: the bureaucratic and the rule by experts.³

Chasse writes that "it is in the nature of deconstruction that any attempt to correct erroneous portrayals must highlight omissions at every step of the argument. This paper, *therefore*, follows the Covalski, Dirsmith, and Samuel outline" (emphasis added). Whatever the merits of his understanding of the procedures of deconstruction, he seems to have an urge to do it. This, given his polemic, is curious to say the least. Be that as it may, from his numerous and scattered criticisms, it is clear that Chasse does not grasp our argument at all. Nowhere in his introduction or the rest of the paper does he engage it. Instead, he misreads us as having intended a psycho-biography of Commons. He therefore states, for example, that we did not "grasp the unique way in which Commons interacted with the intellectual current of his age," that our theoretical commitment to deconstruction led us to have "erroneously portrayed (Commons) as an advocate of bureaucracy," that we do not sufficiently differentiate Commons's "mature ideas" and writings from his presumably immature ones, that we "miss the significance of his personal focus on the history of labor" and his relative disinterest in public utility regulation, and that consequently we "tried to explain Commons's writing in abstraction from who he was and from what he tried to do." These criticisms would be valid if we were primarily concerned with who he was and his background. They are not valid because we were not.

As we stated in the introduction to our paper, we related Commons's rhetoric on utility regulation to the wider discourses on society, business, and the individual during the Progressive era. While this necessarily requires that we pay less attention to the nuances of Commons's biography, it has the advantage of describing some of the social currents that made the discourse on utility regulation possible. Hence, for example, while Commons's allegiance to the social gospel may have waned in his later years, as Chasse avers, it remains the case that he was part of it. More pertinently, the social gospel movement is a first example of the religiously inspired current that fed the reform efforts during the turn of the century. The same logic applies for our relating Commons to the "Wisconsin Idea" and LaFollette. It is for this reason as well that we broadly summarize Commons's writings as being concerned with the question of social order and governance and with the divergence between private and public interests. Chasse makes one good point in the welter of criticisms of the "general statements ... in the section of (our) article labeled 'The Religious-Social-Historical context of Commons'." That is that we were wrong in implying that Commons wrote of competition as natural.⁴ In all else, he gives us biographical nuances that miss the woods for the trees.

³ The general argument applies to the private sector as well. The contemporary paeans to entrepreneurs, teams, and flexible workers as replacing job-description manuals, individualized repetitive work, and specialized workers are based on prioritizing subjectivity over objectivity.

⁴ In citing Commons's defiance of the Fugitive Slave Law as a refutation of our suggesting that he contrasted self-interest against the rule of law and reason, Chasse actually supports our point. When a

More importantly, when it comes to a few issues that pertain to our substantive argument, Chasse, who apparently disagrees with us, in fact agrees! This is most disconcerting, even surreal, and requires further elaboration. We Emit ourselves to the three main points in his paper and suggest here that he agrees with us (unintentionally to be sure) because he does not grasp our argument in its entirety, but rather deals with it piecemeal. First, Chasse says that we should have focused on the Industrial Commission of Wisconsin if we wanted to study Commons's regulatory discourse. After doing so himself over two pages, he concludes that "Commons never identified reasonableness at any particular time with some objective truth or justice" and that Commons believed that "careful investigation and argument can move beliefs in the direction of an opinion 'ultimately to be agreed by all.'" So? We do not disagree. This is precisely what we, in our paper, highlighted in a quote from him and glossed immediately following as, "thus for Commons, objectivity was defined by the degree of social-legal consensus concerning 'reasonable value'. Objectivity— social objectivity— and the social process of developing a reasonable value were intertwined" [1997, 12].

Next, in the following section titled "The Formalist Voice and the Rigging," Chasse starts by telling us that "Commons did not recommend rate fixing based on rate of return on physical valuation."⁵ We agree with Chasse that physical valuation is, for Commons, the *starting point* for rate regulation. We even quoted him to that effect and explicitly stated that "physical valuation serves as a foundation for setting prices" [1997, 10]. Commons recommended reasonable value, which as we stated "is physical valuation *augmented* by ... discussion/debate among informed people" [1997, 10]. Chasse then, very earnestly, restores portions of a quote from Commons in our paper. He even "italicized a large section that (we) cut out." We were expecting a shattering refutation. Instead, the operation was thought necessary to permit him the observation that Commons "wanted to start with physical valuation" not "in order to have an objective criterion," but rather "as a means of increasing citizen control." Yes, we *almost* agree. Our hesitation is because we do not quite see the distinction. Chasse, in his haste, misses a key point. Citizen control is made possible by starting from a publicly verifiable, that is, objective measure. To quote Commons again, as we did in our earlier paper, "with the Wisconsin idea of 'physical valuation' as the starting point, every citizen can determine for himself just as well as the Commission whether the rates and fares charged by the corporation are yielding excessive profits." Thus,

law is seen to reflect a narrow class interest, it ceases to be law because it does not represent the general interest.

⁵ Between these pages, he informs us that "Commons recommended a 'sliding scale' not substantially different from the incentive prices recently suggested by authors such as Joskow." Even sliding scales must start from some "factual" cost and related metrics. More pertinently, as we pointed out, such incentive pricing mechanisms are also based on the dialectic of subjectivity/objectivity. Moreover, cost-plus pricing was used for almost 80 years, and, as our paper shows, there was considerable discussion on the question of what was "reasonable."

Chasse only restores what we already had, and he may have well avoided the extra work.

Third, in the section titled “The Rigging and the Expertise Voice,” Chasse amasses, in more than three and a half pages, quotes from Commons that show he was aware of the fact that experts are not always neutral and are often captured by the very interests they sought to regulate. We thank him for it and agree again. As we stated, in the one section on which Chasse did not comment substantively, “(Commons) recognized that... the knowledge and selflessness of regulatory commissions were ... flawed by a need for ‘rationing transactions’ wherein regulations and their application would be influenced by the very interests of the utilities to be regulated” [1997, 20]. Yet this does not negate the fact that Commons advocated the need for non-partisan commissions of experts and intellectuals. Perhaps it requires a certain subtlety of thought to see that experts and professionals have been thought of both as disinterested and as servants of power. Experts introduce the subjective element of judgment into bureaucratic procedures of regulation.⁶ But they themselves can become too subjective—hostages to powerful interests—that call for other, more objective forms of control. This only gives credence to our arguments on the incessant interplay between objectivity and subjectivity that partially found the contemporary modes of economic governance.

We agree so readily with Chasse because he missed our argument. If he had not, then he may have supported it more directly than he has. But perhaps he was so keen to deconstruct that he did not find out what he was deconstructing. In his introduction, he warns institutionalists to think twice, even 10 times, before they jump on the deconstruction bandwagon. After his performance, it is we who are considering jumping off. Even if he did not *intend* to deconstruct, we still might jump off if only to avoid polemics such as this!

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References

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⁶ Once again, where we were explicit in saying that experts introduce the subjective element, Chasse states “Commons therefore did not say, as CD&S imply, that commissions are good because experts are *objective*” (emphasis added). We wearily relegate this observation to an endnote.

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