# The Economics of Convention: From the Practice of Economics to the Economics of Practice

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**Abstract**: »*Die Economics of convention: Von der Praxis der Ökonomie zur Ökonomie der Praktiken*«. There would not have been an economics of convention (EC) without the use of the word "convention" in chapter 12 of the "The General Theory of Employment, Interest, and Money" (1936) by Keynes, and without the book "Convention. A Philosophical Study" (1969), by the philosopher and mathematician David Lewis. But representatives of EC reinterpret the usual reading of those two texts. They extract from the first one the idea of a convention as regulating a professional community (the financial one and the academic one in economics). As for the second one, they privilege the final revision of Lewis' initial game-theoretic definition, which puts non-observable "beliefs" on a par with observable "actions." The coherence between both elements can only be produced by the emergence of a "(social) practice." Therefore a very different practice of economics is promoted by EC (for instance reunifying coordination and reproduction). Following Foucault who studied states as a practice (through the notion of "governmentality"), we study business firms as a practice. Because of the gap between the legal person (corporation whose members are the share-holders) and the economic organization (with all its stake-holders), the firm as a practice needs to be regulated by a convention, in order to make the inequality not unbearable for workers. Otherwise the working of the firm as a dispositive of collective creation would be blocked. We conclude that conventions, practices, and dispositives belong to the same analytical space.

**Keywords:** Keynes, Lewis, Foucault, coordination, reflexivity, bad convention, social practice, legal person, dispositive, language.

## 1. Introduction

In this special issue of HSR devoted to "Markets, organizations, and law – perspectives of convention theory on economic practices and structures", my objective is to answer two series of questions, from my position as an economist, working within the conventionalist research program:

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1) What are the main features of that research program in social sciences, at least within economics? And what does it imply, a priori, about such classical objects of economic analysis as "markets," "organizations" and even "law" (a more recent object, to say the truth, but nowadays a major one)? Could we define something that helps us consider a piece of economic analysis as specifically "conventionalist"?
2) Since business firms are economic entities obviously mixing "markets," "organizations" and "law," is there anything like a conventionalist theory of the nature of the firm, which could be contrasted with (for instance) the celebrated paper of Ronald Coase entitled "The nature of the firm" (1937)?

In the end, I hope I have reached both objectives, the first one in the first part of this contribution, the second one in its second part. But the pedagogical logic of the exposition does not mirror the genetic logic of the argument. The actual key was to realize, by reading Foucault's 1979 seminar at *Collège de France* on state as a practice (rather than an essence), that what recent conventionalist research at the *Collège des Bernardins* (located in Paris)[1] on business firm have arrived at is exactly that: a practice, of course quite different from the state. Although our indebtedness toward Foucault is, for this reason, of the highest level, it is not without a critical tone. Viewing practice as the nature of the firm (of course a specific one) reveals a weakness of Foucault's thought about law. But emphasizing the theoretical link between practice and convention entails many more benefits. The most important one is to induce a new (re)reading of the two books without which there would not have been the so-called economics of convention (in short EC), at least among institutionalist economics:[2] "The General Theory of Employment, Interest and Money" of the greatest economist of the 20th century John Maynard Keynes (1936) and "Convention. A Philosophical Study" (1969) of the young mathematician, philosopher, and logician David Lewis, one of the founders of modern possible-worlds semantics. And it so happens that these two (re)readings[3] offer, I think, a definite clarification of our projected answers to the two series of questions mentioned at the beginning. There is one more benefit of understanding that the concept of (social) *practice* is central for the economics of *convention*. As readers of *Historical Social Research* know, there is another way for entering the conven-

[1] See for more information <https://www.collegedesbernardins.fr/english-pages>.

[2] It is difficult to speak for sociology. But apparently, there were no previous sociological books at the origin of EC, as we have in economics. It is true to say that the book of David Lewis is not exactly an economic book, and it could be claimed by social science researchers too, even if I am not aware that such claims are numerous.

[3] This clumsy phrase is necessary to warn the reader that within Keynes's book, it is one chapter that is put to the fore (a neglected chapter for several decades) and Lewis's book completely changes its meaning through the correction of an error by the author himself (a neglected revision by most commentators).

tionalist research program, a sociological one, more precisely, from pragmatic sociology, with its two philosophical branches: Weberian/Ricoeurian hermeneutics and pragmatist philosophy (from Dilthey to Rorty).[4] The dual nature of the economics of convention will be completely confirmed by this contribution, since it concludes that the pragmatist idea of practice is the natural companion of the economic idea of convention, without explicitly borrowing from either sociological or philosophical pragmatism (but with some help from Foucault's last seminars).

In the first part, I will show that the best way to identify the main constitutive features of EC is to read them through the story of the emergence of a new practice, within the realm of social science research, and a fortiori economic science, under this heading "economics of convention." In the second part, I will present a recent result established along conventionalist lines: the nature of the firm (as that of state according to Foucault) is that of a practice, in an extremely specific meaning, where law plays a major albeit special role: what is decisive is not its functionality, as one would have expected; it is rather some kind of structural dysfunctionality, that was missed by Foucault.

## 2. The Keynesian Root of EC: The Practice of Economics

The reader will not be surprised if we start our overview of the economics of conventions from the notion of "convention" itself, not a familiar word in the semantics of economics (and indeed of social sciences in general). The first thing to understand, if not the most important, is that there would have been no such thing as "economics of convention," would Keynes have excluded the word "convention" from chapter 12, paragraph IV, from the final version of "The General Theory of Employment, Interest and Money" (1936). That chapter is the heart of the Keynesian criticism against the neo-classical explanation of involuntary unemployment. As suggested in the introduction, I add an auxiliary condition of possibility: the publication in 1969 by a young American philosopher of a small book combining formal logic (more precisely possible-words semantics) entitled "Convention. A Philosophical Study," with a foreword by another American philosopher Willard van Orman Quine, well known for his devastating criticism of logical positivism (1951). It will be at the heart of the second part of this paper.

A last warning to avoid misinterpretation: I do *not* suggest that EC proceeds *directly* from these so different books. I suggest on the contrary that it comes from a creative (re)reading of those sources, *far from their usual reading*. And

[4] See the contributions in Diaz-Bone and Salais (eds.) (2011), and the references in the introduction of this Special Issue.

the clear understanding of the distance between our *conventionalist* (re)reading and the *conventional* reading is the shortest way for a non-economist to grasp the distinctive features of the conventionalist program of research, at least the economic part of it.

## 2.1. The Conventionalist Reading of Keynes

In the usual reading of Keynesian economics, exemplified by IS-LM model, due to Hicks (1937), the whole of chapter 12 is skipped, as if its content was superfluous to extract the final message of Keynesian economics. What is retained is that the rate of interest is too high to promote enough effective demand, and the reason of it is the presence of a speculative element in the demand for money. Then the analysis quickly drifts toward the necessity of public investment and budget deficit to compensate the deficiency of private demand. That is not wrong, but that hides the revolutionary foundation of the Keynes's argument: i.e., the conventionalist one.

We may quote chap.12, § IV at length. After all it is the birth place of EC and by putting this quotation at the front-piece of this article it already brings a valuable and objective information to the reader: Keynes is the first conventionalist economist, although such was not his intention, nor his claim.[5]

> In practice we have tacitly agreed, as a rule, to fall back on what is, in truth, a *convention.* The essence of this convention – though it does not, of course, work out quite so simply – lies in assuming that the existing state of affairs will continue indefinitely, except in so far as we have specific reasons to expect a change. This does not mean that we really believe that the existing state of affairs will continue indefinitely. We know from extensive experience that this is most unlikely. The actual results of an investment over a long term of years very seldom agree with the initial expectation. Nor can we rationalize our behavior by arguing that to a man in a state of ignorance errors in either direction are equally probable, so that there remains a mean actuarial expectation based on equiprobabilities. For it can easily be shown that the assumption of arithmetically equal probabilities based on a state of ignorance leads to absurdities. We are assuming, in effect, that the existing market valuation, however arrived at, is uniquely *correct* in relation to our existing knowledge of the facts which will influence the yield of the investment, and that it will only change in proportion to changes in this knowledge; though, philosophically speaking it cannot be uniquely correct, since our existing knowledge does not provide a sufficient basis for a calculated mathematical expectation. (Keynes 1936, chap. 12 § IV; italics in the original)

[5] I do not mean that Keynes underscores his concept of convention: his summary of *General Theory* for the US academic community (Keynes 1937) proves the opposite.

### 2.1.1 The Discovery of Convention through the Working of the Financial Market

Let us make a first comment simply to pinpoint the main analytical features of this new object introduced by Keynes: convention. In this chapter Keynes was wondering how a unique price could emerge for each financial asset (for instance a share) on an organized market like the financial market – and that result is badly needed if the market is to work at all. Rationally, each individual investor should compute the sum of expected actuarial values of the dividends. But for Keynes, radical uncertainty about future makes this computation not impossible but simply extremely dubious. That is a first reason to be interested in similar computations by other people: maybe they are better informed than us and then we should imitate them. But we know by experience this too is dubious. Moreover a second reason, specific to the financial market, obliges us to consider what others think (and do, if it is observable): the individual investor could gain (or lose) much more by selling or buying assets, than by waiting for the series of annual dividends of the assets he owns. Then he has nothing to do but desperately try to guess what all the other investors think (or will do). But they too are more or less in the same situation (except if there are better informed agents). The financial market is at every moment faced with a deep problem of coordination between rational agents, the solution of which is logically indeterminate. And Keynes suggests that the financial community has found a solution: a convention, whose primary property is that "the existing state of affairs will continue indefinitely, except in so far as we have specific reasons to expect a change." Notice that the content of convention is crafted on imitation behaviors, in a subtle way: it implies a high level of critical reflexivity ("except in so far as …") and it requires the invention of a fictitious collective entity ("the existing state of affairs …" which Keynes more clearly calls the "state of the market" in other places): that defines the true level of imitation – introducing then the unavoidable divide between bulls and bears. Keynes was a speculator keen enough to know that the market breaks down when everybody is either bull or bear. At each time, fortunately we have both: there is a lot of variety within those imitation behaviors.

For the moment, let us neglect all other aspects of that solution than the following ones: (i) it is linked with the practice[6] of a professional community (e.g., the financial investors); (ii) as a rule, it is not enforced by law, but by a mix of conformism and rationality; (iii) it solves a major problem of coordination within our capitalist world (of course that does not exclude there also are conventions solving minor or local coordination problems), with the double meaning of major: macro and/or important – we should never lose sight of that fact: for Keynes, the massive involuntary unemployment after the 1929 crisis is

[6] The quotation above begins with "in practice."

caused by the conventional nature of the rate of interest, established at too high a level;[7] (iv) the last example suggesting that coordination, a priori a good thing, may also be something to be criticized, on a second thought: there could be "bad conventions,"[8] from a certain normative point of view (which remains to be defined).

### 2.1.2 The Generalization of Convention outside the Financial Community

Now we can introduce the second departure made by our conventionalist reading from the conventional one. By introducing the concept of convention with respect to a social practice, Keynes invites his readers to look outside the peculiar case of the professional community of financial investors. If economists are right to suppose that the financial community is regulated by conventions, then why should not the same be said about the functioning of their own academic community? Not only this generalization is not far-fetched, but it is the sole means to make sense of a recurrent thread which goes through the 24 chapters of the *General Theory*: the denunciation of something Keynes calls (another semantic innovation!) "orthodoxy" or "orthodox economics" or "classical economics" – we conventionalists would now say "conventional economics."[9] Moreover a careful study of the writing of *General Theory* between 1930 and 1936 reveals that Keynes became conscious (around 1933) of the existence and strength of classical economics as the undisputable paradigm about how to practice serious economic theory within the academic community. And he wanted to move this paradigm, which implied, rather than inventing an entirely new formal language, to look for the minimal changes within the conventional economics to get involuntary massive unemployment as a possible and stable solution. He thought that this pragmatic strategy would be more efficient to convince his fellow economists to change their mind.[10]

It is true that Keynes did not use the word "convention" for "orthodoxy" nor "conventional economics" for "classical economics" and I concede the task of his conventionalists descendants would have been simpler. Maybe because he

[7] Which depresses irreversible physical investment outlays, and so effective demand for the goods produced by the firms, which will then decrease the number of jobs relatively to the available workforce. That suggests that the market failure responsible for unemployment lies not in the labor market and its supposedly downward rigidity of wages (the conventional liberal stance, up to now), but in the financial market and its paradoxical downward rigidity of returns demanded by the financial investors.

[8] For an excellent overview of this essential concept, see Larquier (2016). As for Keynes, see Favereau (2013).

[9] The phrase was re-used by Galbraith (1958) but in a rather loose sense: "conventional wisdom."

[10] During that period, he had intense discussions with the philosopher Ludwig Wittgenstein, who was moving from his first philosophy to the second one, centered on the concept of language-games (cf. Favereau 2005, 2013).

thought that orthodoxy was a convention of a much higher order than the level of interest rates. Maybe also because he was aware of some religious flavor in the way economists define the real world as amenable to scientific analysis and deserving their attention. Anyway, we are faced with the first sketch of a general theoretical proposition about convention and social practice, at least for professional communities. Could the generalization extend to all professional communities? We leave this question open, for the moment, and we return to the academic community of economists, with a last argument to confirm our reading of Keynes. In pure logic it could be that Keynes is wrong, economists being a professional community, which miraculously escapes that constraint of being regulated by a deep cognitive convention. That objection could be easily discarded: first the burden of the proof lies on the shoulders of economists, denying it, and they will have to explain why "mainstream" is such a common expression among economists (whether orthodox or not). Moreover, I fear that trying to prove this unique "unconventionality" of the economists leads rather to confirm the contrary: even financial investors, according to Keynes, seem less fooled by their own convention. In the Keynes quotation, it is striking how much the financial investors are not prisoners of the conventional view. In that world of imitation, everybody seems anxious to be the first to see the moment when the convention will change. Would it be possible that mainstream economists are less rational than the economic agents they model?

## 2.2 A First Characterization of EC as a Research Program in Human and Social Sciences

Now we can at last say something fundamental about the foundations of EC. Although convention seems connected with imitation, i.e., conformism, the most abstract foundation is rather surprising: it is an appeal to *reflexivity* for social scientists, and especially for economists. *The economics of convention is an endeavor first to make explicit the conventions of economics – and second to change them, if they appear to be "bad" conventions, according to normative criteria, which then have to be made explicit*. Therefore, it is not *prima facie* a new economic theory (nor a new social science theory), it is a (proposal of a) new *practice*[11] of economic theory (and of social science).

The problem is now: what are the conventions of economics? Let us again quote Keynes at the time he was writing the final version of the *General Theory*:

> We fall into two main groups. What is it that makes the cleavage which thus divides us? On the one side are those who believe that the existing economic system is, in the long run, a self-adjusting system, though with creaks and groans and jerks, and interrupted by time lags, outside interference and mis-

[11] I agree with Rainer Diaz-Bone that pragmatism is the natural philosophical background of the economics of conventions, even if Keynes has no link with this philosophical strand.

> takes. […] These authorities do not, of course, believe that the system is automatically or immediately self-adjusting. But they do believe that it has an inherent tendency towards self-adjustment, if it is not interfered with and if the action of change and chance is not too rapid.
>
> On the other side of the gulf are those who reject the idea that the economic system is, in any significant sense, self-adjusting. They believe that the failure of effective demand to reach the full potentialities of supply, in spite of human psychological demand being immensely far from satisfied for the vast majority of individuals, is due to much more fundamental causes. […]
>
> The strength of the self-adjusting school depends on its having behind it the whole body of organized economic thinking and doctrine of the last hundred years. This is a formidable power. It is the product of acute minds and has persuaded and convinced the great majority of the intelligent and disinterested persons who have studied it. It has vast prestige and a more far-reaching influence than is obvious. For it lies behind the education and the habitual modes of thought, not only of economists, but of bankers and business men and civil servants and politicians of all parties. […]
>
> Now I range myself with the heretics (Keynes, nov.1934, cf. 1973, 486-7)

In the *General Theory*, the convention of self-adjusting system behind orthodox economics is formulated in a more technical way: either Say's law (supply creates its own demand) or the whole of savings is invested, etc., but the substance is the same.

The authors of the *Revue économique*, in 1989, (a special issue of an established French economic journal and seminal for EC), writing more than sixty years after the Keynesian message, could of course be more precise, all the more so because mainstream economics have changed, in depth, but still remained built upon a central conventional core. Let us try to specify it (while indicating what can be traced back to the time of Keynes and what is really new).

Around 1870, the classical thought (*stricto sensu*, not in Keynes's meaning) experienced a big divide between a line of thought privileging "coordination" and its possible failures (the neo-classical or marginalist strand) and another line stressing "reproduction" and its necessary critique (the Marxian or structuralist way). Nevertheless, both currents were to adopt a roughly similar position, with respect to two questions: first the question of moral values – it has to be firmly pushed outside the sphere of economic analysis; second the question of individual rationality – it has to be neatly separated from either coordination (e.g., in the theory of general equilibrium, each economic agent follows his own interests, and no one cares about coordination), or reproduction (e.g., for Marx, capitalists by increasing capital/labor in order to get super-profits unconsciously activate the tendency of decreasing profits). The (largely implicit, even unconscious) postulate of independence between the three dimensions "moral values"/"individual rationality"/"interindividual coordination" (or class reproduction, in the case of Marx) was, I think, quite present in the mind of Keynes, even if I put it in terms that could not be used by him, with this (now commonplace) clear-cut distinction[12] between the three dimensions. It is not difficult to show that the idea of a "self-adjusting system" supposes a strict independence between values, rationality, and coordination: the recourse to moral values is not necessary, it is enough to let individual agents follow their own will, and the market will progressively restore its equilibrium. And the fact that it is upheld by the dominant groups, in spite of a contrary evidence, works for the reproduction of a system, unfavorable to the victims of the lasting disequilibria, whereas a discretionary public would be necessary.

During the decade 1970, there was a major turn in either the individualist school of thought (with an attempt to endogenize coordination, in terms of individual rationality, through game theory and contract theory) or the structuralist one to do the same for reproduction: Bourdieu's sociology explains the reproduction of the fields by the strategies of the dominant groups and the habitus of the dominated people. The authors of the 1989 issue of *Revue économique* wanted clearly to extend the Keynesian revolution up to the critique of the neo-liberal adjustments of the conventional economics, belonging to the time of Keynes.

My hypothesis about the (re)reading of Keynes's chapter 12, stressing for the first time the concept of "convention," is that the neo-liberal turn, at least in the individualist school of thought, was a powerful incentive to give attention to that (apparently) small part of Keynes's argument, for two reasons: the accent first put on uncertainty (and therefore on how a computational rationality could handle it, when there are no numeric probabilities), and second put on contracts and institutions, which are a system of rules, and conventions are a special subset of the set of rules. That opens the way to explain the role of the book by David Lewis, which I will comment, in the next part of this contribution.

But now I have given more than minimal information, following the Keynesian source, to try a pedagogical digest:

> EC is a research program in human and social sciences,
> (i) which aims at displacing the conventions of the formal language of economic thought, towards stressing "coordination" (including coordination failures) without insulating it from "reproduction" (including critics of reproduction), and vice-versa,
> (ii) by endowing individuals with an interpretive (and not only computational) rationality, including a capacity of normative judgments, the models of which may be borrowed from the relevant human and social sciences, when it is required by a criterion of realism (vs. instrumentalism) and understanding (vs. explaining).[13]

[12] Due to the mathematical formulation of the theory of general equilibrium, which comes later (Hicks 1939), partly under the influence of *General Theory* (cf. Clower [1975] for this paradoxical impact).

[13] Understanding is an additional key to realism when we are talking about human/social sciences (and not only on natural sciences). Cf. Ricoeur (1986) for a sophisticated view of

The readers could check by themselves that this "definition" exemplifies the properties (i) to (iv) of the Keynesian convention,[14] *mutatis mutandis* (since we skip from the financial community to the economists' academic community). Most parts of the "definition" could be deduced from our (re)reading of Keynes's epistemological, philosophical, and political position. What is lacking is the introduction of an interpretive rationality (although we can guess that we need cognitive capacities other than calculative ones in order to decipher conventions), and probably the non-specialist reader would need more on realism vs. instrumentalism, and understanding vs. explaining (although Keynes strongly insisted on the involuntary, therefore painful, aspect of unemployment). It is what we shall complete in the next part, with the help, first, of a (re)reading of Lewis (1969), and second of an application to the theory of business firm.

## 3. The Lewisian Root of EC: The Economics of Practice

For a Keynesian economist, the philosopher David Lewis is attractive, on two grounds. First he develops a formal analysis of the (non-numerical) notion of possibility – which could be an alternative to the formal analysis of (numeric) probabilities, rejected by Keynes in his 1921 book (at least, as a general way of handling the working of the human mind, in front of uncertainty). This will not retain our attention here.[15] Secondly he published *Convention: A Philosophical Study* in 1969: quite a strange philosophical dissertation, since it uses game theory (after having attended the courses of the future Nobel prize in economics Thomas Schelling, at Princeton) to tackle one of the most venerable *conundra* of philosophy: if language is a (set of) convention(s), how is it possible for a human collectivity to agree on it, since there is (by hypothesis) no available language to start a discussion, nor (reasonably) to conclude by an explicit agreement? Therefore his methodological strategy was to devise a general theory of conventions without language, and then to apply it to the question of language. Since Keynes's convention[16] is such a special and big object, we could hope to get possible models for all other kinds of conventions, even "small" ones. Indeed it will be the case.

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the debate on explaining vs. understanding, which, I think, is shared by most conventionalist researchers. Cf. Favereau (2018) for the link with interdisciplinary research.

[14] Cf. above, § 2.1.1.

[15] I tried to translate the Keynesian view of uncertainty in the possible-worlds semantics of David Lewis (Favereau 1988). I must admit that David Lewis was not enthusiastic with my using his framework (personal exchange), without unfortunately telling me the arguments for his discontent.

[16] Of which Lewis seems not to be aware (which was quite understandable at that time).

But that will not be the greatest contribution of David Lewis to the future economics of conventions. His best contribution was his complete failure, with the discrete solution he found to mend his initial theory. So discrete that no one sees the significance of both the failure and its solution, no one except the conventionalist researchers.[17]

Let us see, in a first part, what his contribution, both initial and final, consists of, and then, in a second part, apply what we have found through this story to the special case of the business firm. The result is, I think, a deep understanding of the interdependence between convention and social practice – which calls for nothing less than a scientific revolution in social science.

## 3.1 Lewis's Initial and Final Contributions to EC

### 3.1.1 The Breakthrough and the Narrowness of the 1969 Definition of Convention

Lewis opens his book with a list of 11 "coordination problems," eventually leading to a "convention," solving the relevant coordination problem. The most pedagogical one is the celebrated cut off in a telephone call (it seems that it was a recurrent problem in the village where David Lewis was living). To restore the connection, one of the two interlocutors should call back, but neither both, nor no-one (thinking that the other will do it). The convention emerges in his village that the first caller is the one who calls back. We can extract some important features from this example, simple though it may be.

First we regain common-sense use of "conventions": a kind of rule with four distinctive features: implicit (no canonical expression), arbitrary (multiple alternatives), of unknown origin, and not legally enforced. Second it appears in some definite contexts: a coordination problem is a situation where we have a strong individual interest in adopting the same solution, but it does not matter at all which solution is adopted[18] or, if it matters, it matters much less than the failure of coordination: a bad coordination (i.e., the adoption of a solution that is not your preferred one) would be incomparably better than no coordination at all. So we owe to David Lewis a powerful general hypothesis[19] about the type of situation where the emergence of conventions could be expected – and it is a pragmatic problem of (inter)acting.

[17] The book edited by Batifoulier in 2001 was the first to stress the distance between "convention" in Lewis (1969) (or usual game theory) and "convention" according to EC (including Keynes's notion). In the foundational issue of EC (Dupuy et al. 1989), Dupuy rightfully used Lewis's amended definition, but without elaborating the reason of the amendment.

[18] Another example of Lewis is driving on the right or left hand side of the road.

[19] The reader is warned by Lewis himself at the very beginning of his book (1969, 3) that this hypothesis, even if neatly formulated within game theory, is independent of that framework.

We can draw two essential but paradoxical conclusions from this characterization: on one hand these situations are much more frequent than the grandiose cases studied by Keynes. It seems that conventions belong to the structure of everyday life and especially outside the field of economy (not to say economics) *stricto sensu*. Therefore, economics has to cross its own borders, to do its own job. But on the other hand, the coordination problems are not the whole of economic, social, etc., situations. For instance, there are also situations of pure conflict, or mixing cooperation and conflict. That is a lesson for EC: it should not restrict itself to the economics *of,* or even *with*, conventions. We should remember the lesson of Keynes: the economics we are searching for wants to make intelligible the economy of a world where we expect to find something usually called "conventions" to solve coordination problems, in extremely important fields as well as in extremely modest ones. It is the reason why the tentative "definition" of EC *supra* mentions conventions, of course, but within a whole change of the practice of economics, implying new concepts of coordination, reproduction and rationality, about which we have not said much until now. And many things will become clearer after introducing the "second" David Lewis.

Up to now, we have done as if Keynes and Lewis, when they are speaking about conventions, are really studying the same object (or the same kind of practice). The concept of coordination problems is, we argued, a fundamental element of similarity. But now we must be more explicit: is it the same "thing" that has to be coordinated, when Keynes and Lewis talk about conventions? There is something striking when we have a closer look at the list of 11 examples given by Lewis: 9 out of 11 are "small" everyday problems, and the last two are quite different (more akin to Keynes's centers of interest): money and language. But what is common to all (with the partial exception of the last one, as we will see) is the fact that what has to be coordinated is an *external* behavior, an objectively observable action. Indeed the project of Lewis is completely behaviorist, since he wants to build a general theory of conventional behavior, without anything like a language (nor all the correlated attitudes and representations). The Keynesian convention is not primarily about actions: as already noted, if everybody mimics everybody on the financial market, the market breaks down.

The formal definition of convention by Lewis confirms the behaviorist spirit of his theory (we will quote it in its entirety, all the more so since it is the only one used by most readers):[20]

> A regularity R in the behavior* of members of a population P when they are agents in a recurrent situation S is a convention if and only if it is true that,

[20] The asterisks * are used to mark those aspects of the first definition that will be changed in the second one.

> and it is common knowledge[21] in P that, in any instances of S among members of P:
>
> /1/ everyone conforms to R;
> /2/ everyone expects everyone else to conform to R;
> /3/ everyone has approximately the same preferences regarding all possible combinations of actions*;
> /4/ everyone prefers that everyone conforms to R, on condition that at least all but one conform to R;
> /5/ everyone would prefer that everyone conform to R', on condition that at least all but one conform to R',
>
> where R' is some possible regularity in the behaviour of members of P in S, such that no one in any instance of S among members of P could conform both to R' and to R. (Lewis 1969, 76)

The reader should notice that a convention is a regularity in the *behavior* of human agents, and that is coherent with 10 of the 11 examples selected by Lewis. Unfortunately the ultimate goal of Lewis was to explain the 11th example: language. And soon after publishing the book, he became conscious that his theory of conventions could not explain what is conventional within language. Here comes the second chance for the birth of EC …

### 3.1.2 The Conventionalist Turn of the Corrected 1969 Formal Definition of Convention

So Lewis has a theory about appropriate actions in the context of a problem coordination. What about language? The first step is signaling systems, where a conventional signal is emitted to give rise to a suitable action. What is needed is a "convention of truthfulness" with respect to that signaling system. The next step is the extension to the case where the signals giving rise to suitable actions are "actions of uttering verbal expressions"; it corresponds to a rudimentary language. A convention of truthfulness is still enough to produce two-sided coordination. The third step is the realistic one: there is a speaker in front of a hearer (one or many). The convention of truthfulness is once more necessary as for the speaker, but it fails for two-sided coordination: what action is expected from the audience? Lewis has to imagine an intricate story about coordination between past and present speakers It was one of his colleagues Jonathan Bennett who convinced him that it was a dead end – while giving him a seemingly extraordinarily elegant solution: The expected "answer" to a truthful speaker is not an action, it is a belief.[22] The question is, will the hearer trust the speaker or

[21] That means that the various facts listed in conditions /1/ to /5/ are known to everyone, it is known to everyone that they are known to everyone, and so on.
[22] The reader interested in the treatment of beliefs, in logic and philosophy, could refer to the collection of essays by Bogdan (1986).

not? And trust is not an action but a belief. So if belief does not enter the general definition of convention along with action, there is no hope of applying a general theory of convention to the case of language. What is required by two-sided coordination is a convention of truthfulness *and trust* in the relevant language.

This is the first difference[23] between the old and the new definition (cf. clause /1/): conventions are now regularities in action, *or in action and belief*, instead of being exclusively in action. But that is not enough, of course, since conformity may now include beliefs and no longer simply actions. Whereas we choose conformity in action because we *prefer* (conditional) conformity (cf. clause /3/), we choose conformity in beliefs only if we have good *reasons* to adopt new beliefs. So clause /3/ has to be restated in terms of reasons (not only epistemic, as we have just seen, to cover the new case of belief, but also practical, to cover the previous case of action), rather than in terms of preferences.[24] That is the second difference; and *that is all*: we could keep the remainder of the old definition, to get the new one. It looks as if the suggested change is a complete success: by slightly altering his definition, he may keep his theory. But of course, it is the contrary: the behavioral spirit of the project is totally rejected. And it is a fact that Lewis did not write any longer about conventions, although his 1969 book (without his 1971 correction) was to be more and more used by mainstream economists.

It will be conventionalist economists who will catch and develop the intuitions hidden in the revised definition of convention. Let us review the most important ones. Instead of only one definition of conventions (a regularity in action), we have two (a regularity in action, or in action and belief). Therefore Lewis meets Keynes, in the end. Lewis had a fine intuition – but limited to conventions centered on observable behaviors (let me call them A-conventions), whereas Keynes introduced conventions to understand two kinds of regularities (the level of interest rate, the existence of orthodox economics), centered on beliefs (let me call them B-conventions).[25] *EC needs both*.

But reconciling Keynes and Lewis entails another change in Lewis's initial definition, this one not envisioned by Lewis. To say it in one sentence, Keynes would not accept the clause related to "Common Knowledge" (now CK), because of his rejection of standard rationality with respect to uncertainty. Or in other words, EC turns upside down the logical order between conventions and language. David Lewis thought that in order to understand language, and *be-*

[23] See the first * in the definition given *supra*.

[24] See the second * in the definition given *supra*. The clause /3/ becomes: "This belief that the others conforms to R gives everyone a good and decisive reason to conform to R himself."

[25] The hypothesis of a duality of conventions is most frequent in the literature: cf. the references given in Favereau (2008, 125), to which I should now add Diaz-Bone (2016): conventions with or without semantic content.

*fore* understanding language, you have to understand conventions. EC is based on the inverse thesis: in order to understand conventions, and *before* understanding conventions, you have to take language into account.

This last point needs a separate development – which will lead us to discover the concept of practice, at the core of EC. As he moves from the initial definition to the new one, Lewis has to move from the logic of choice of actions (which could be tackled by a mainstream computational rationality) to the logic of reasons, be they epistemic or pragmatic. But he acts as if the conventional model of rationality could be kept unchanged. The logic of reasons makes it impossible, because language now becomes a prerequisite of rationality, far from being an application of it.[26] Then the new, conventionalist, model of rationality switches from computation to interpretation, from instrumentalism to realism, from explaining to understanding,[27] which will help the reader to grasp the final part of our digest of EC *supra*. Of course, in that new world, CK becomes the last residual piece of mainstream rationality. It must be abandoned. If we are not content with CK as a characterization of coordinated representations, what is the alternative? We should be aware that this question is one of the most difficult questions in the human and social sciences: how can one build a theory of coordination upon unobservable entities?

Here is a tentative answer. We have been led to acknowledge the possible existence of conventions as "regularities in action and/or belief." What is the mechanism that may bring some coherence between actions (observables) and beliefs (unobservables)? Let us take the risk of being simple on this complex matter:[28] people see actions (A), interpret them (i.e., attributing beliefs [B] behind those actions), ask questions and entertain discussions about the link between both A and B, "in a population P" (it is time to give to this part of Lewis's definition the importance it deserves). Sometimes, the interdependence between A, B, and P, acquires some approximate stability, at least for a time.[29] Then we should call this connection a "practice" or, better, a "social practice." If this is a reasonable epistemological position, and I think it is, then the ontological equipment of the researchers in economic and social sciences should be reinforced: we need a scientific model of the world, populated not only (as

[26] For a thorough treatment of this point (through the critics of James Coleman's individualist project for sociology) see Favereau (2005).

[27] Friedman (1953) advocates instrumentalism by explaining that a champion of billiard does not need to know the theorems of physics his behavior will respect – nevertheless we can use the theorems to predict his behavior. But if we are to forecast the decision of a top manager, we could not skip knowing his reasons.

[28] This risk should be taken, because it is a problem in everyday life. And we can observe this problem is solved more often than not. Why would researchers be less clever than ordinary people?

[29] Objects will play an important role in this process of stabilization, as stressed from the beginnings of EC; cf. Livet and Thévenot (2004) for an early formulation and Favereau (1998, spec. p. 214-220) for a first synthesis from the point of view of a theory of rules.

mainstream economics) with objective (A) and subjective (B) entities, but also with intersubjective[30] entities (like our practices = "A + B, in a population P").[31] A scientific revolution in social sciences (at least in economics), to be sure.

It seems the practice of economics has no choice but to turn to an economics of practice. Since the proof of the cake lies in its eating, let us show how it will help the economist to understand the nature of the firm, i.e., the most vexing question of economic literature,[32] as every economist knows.

## 3.2 The Economics of the Firm Is the Economics of a Practice

Up to the 1970s, mainstream economics has no real theory of the firm. Of course, in the mathematical models of the general equilibrium theory, there is an individual called the "producer," who is symmetrical to another individual called the "consumer." He takes decisions maximizing his profits subject to the constraint of a production function, summarizing the set of efficient technologies available to him. But no great economist would have pretended that it is a satisfactory representation of what it means to run a business. Their theoretical criterion was different. It was to find a concept of firm, connecting goods markets (Y) and production factors markets (K & L) – and the mathematical tool "function of production" (Y=F(K,L)) does the job with a beautiful parsimony. At that time the market was the only means of coordination. Therefore, what happened inside the firms was not important to understand what happens outside.

Things have changed radically during the 1970s with the emergence of a new mainstream theory of contracts and incentives, often using game theory as a tool. The firm is no longer a black box, since it is filled with interindividual contracts, explained by microeconomic models of non-cooperative rational individual agents, each maximizing his utility. Beside mainstream economics, transaction cost economics, initiated by Coase (1937) and popularized by Williamson (1985), had a deeper intuition: what happens within a firm reveals the existence of a non-market mode of coordination: managers give orders to their employees, according to the usual labor contract. But the mainstream and the transactionist models have in common the fact that corporate governance

[30] On intersubjectivity, see Bessy (2006), Fullbrook (2002), Ricoeur (1986) on Husserl, and my reference to Karl Popper's worlds I, II III and to Charles Taylor's illuminating theory of "social practice" (cf. Favereau 2008).

[31] Or according to a more complete characterization (cf. n. 29 supra): "A+B, in a population P, with O" where O stand for "Objects."

[32] A so-called Nobel Prize in economics was awarded to Ronald Coase in 1991, for a paper entitled "the nature of the firm" written in… 1937, which shows how much the economic discipline is embarrassed by the firm: 44 years after the publication, whereas modern firms exist at least in law since the second half of 19th century!

should privilege the interests of the share-holders who are, so they think, the owners of the firm. And that consensus re-unifies the academic community, within the individualist or coordination tradition, during the neo-liberal years of financialization, from 1970 to … nowadays.

### 3.2.1 When EC Introduces Firms as a Practice, It Finds an Ally in Foucault's Methodology[33]

In spite of its brevity, this summary is enough to introduce the seminal advancement we could make by working along EC lines, as indicated *supra*. What is the state of the art? I have just recalled that in the individualist or coordination tradition, managers have to contract with workers on behalf of share-holders, in the standard business firm. In the opposite holist or Reproduction tradition, the firm is the locus of a structural conflict of interest between Capital (share-holders and managers) and Labor (workers). Since EC renounces that lazy divide and wants to interweave the language of efficiency and the language of power, the problem of viability faced by any firm seems even more complicated than when we use only one language, and neglect the other one.

The (harder) problem of firms could be more precise. They do not function in an institutional vacuum. In the present capitalist world, at least since the second half of the 19th century, it is simply impossible to have firms (in general) without creating a new legal person: the corporation (US law) or the company (UK law), through a contract signed between the shareholders who bring the initial finance. Then to speak about firms, we need a *first* organization, most precise and definite, whose members are the shareholders and only them. If that organization (the corporation or the company) stays alone, nothing happens for share-holders. But of course, the new legal person will sign contracts, find buildings, hire labor, buy equipment,[34] procure tools and materials etc., i.e., create a *second* organization, for which there is no overall legal definition, including (or interacting with) workers, suppliers, consumers, creditors, bankers, sub-contractors, neighbors, local authorities, central state, trade-unions, natural environment, etc. Indeed the list is endless. "Firm" or "enterprise" does not belong to the legal vocabulary, *stricto sensu*, whereas "corporation" or "company" does.

Two comments: (i) a theory of (let us say) "firm" needs *not one concept, but two*, of which one is clear-cut, thanks to law (and to the concept of legal per-

[33] André Orléan (with Grenier) was the first conventionalist economist to guess the importance of Foucault's lectures in 1978 and 1979 for economic analysis (Grenier and Orléan 2007).

[34] It is the legal person, which owns the productive assets. When we say that share-holders own the firm, as Friedman in a famous paper (1970), we simply "forget" law to the benefit of a truncated economic analysis: we choose a practice of economics that does not respect what law says about its own concepts, even the most fundamental one like ownership.

sonality), and the other is not[35]; (ii) we begin to understand why economics has an endless debate on "the nature" or "the limits" of the firm. Nowadays, with the ecological crisis, we are tempted to insert neighbors or even the link with the environment within the limits of the "firm." There is also a permanent query about integrating or not the suppliers. Even more surprising: few people know that before the legal formalization of the labor contract (around the years 1920) and the recognition of the legal person as the true employer (rather than some sort of foreman, i.e., an individual himself contracting with the capitalist owning the equipment), workers were not functionally integrated into the "firm."[36] It is a painful lesson for the economic discipline: *the business firm is an organization which does not know its limits*.[37] The obvious conclusion is that there is no essential content of firm: it is not a 'universal,' it is a practice and here comes the link with Foucault's methodology,[38] when explaining his new concept of "governmentality".[39]

Let us quote at length the opening methodological paragraph of the opening seminar at *Collège de France*, for the academic year 1979. The reader should be conscious that the seminar was to be (and in fact was) entitled "The birth of biopolitics," but Foucault changed his mind and decided rather to concentrate on governmentality.[40]

> This immediately entails a choice of method that one day I will finally try to come back to at greater length, but I would like to point out straightaway that choosing to talk about or to start from governmental practice is obviously and explicitly a way of not taking as a primary, original, and already given object, notions such as the sovereign, sovereignty, the people, subjects, the state, and

[35] This fundamental point originates in the collective work at the *Collège des Bernardins* from 2009 to 2018: cf. Favereau (2014) for a first application to the economic theory of the firm. For an overview of that multidisciplinary approach of the firm (economics, law, sociology, management, anthropology), the following books are useful: Roger (2012), Segrestin and Hatchuel (2012), Favereau and Roger (2015), Auvray, Dallery and Rigot (2016), Favereau (2016), Segrestin and Vernac (2018).

[36] Cf. Jacoby (1985, chapter 1 "The way it was: factory labor before 1915", 13-38).

[37] Either legal limits or "cognitive" ones – since the goal of the practice called a firm is, of course, to produce profitable goods and services, but through a collective recurrent dynamics of innovation. In a nutshell: it is a device or a dispositive of collective creation (or organizational learning): see footnote 41 *infra*.

[38] There are other ways of mobilizing Foucault for renewing the theory of management (Hatchuel et al. 2005; Gomez 2015). My analysis is centered on the economic theory of the firm, according to EC.

[39] Introduced for the first time in his lecture of February 1, 1978, but at the center of the stage only in the course of the 1979 lectures.

[40] Defined as "the study of the rationalization of governmental practice in the exercise of political sovereignty" (Foucault 2008, 2). "Practice" is the core of the definition, but it would be a misinterpretation to neglect 'rationalization': the relevant practice is not a blind one. It includes a second-order practice of reflexivity about the first-order practice. It is the only way to make sense of the notion of "dispositive" or "device," so much used by Foucault, and which builds another bridge between EC and Foucault's methodology, as we will see *infra*.

> civil society, that is to say, all those universals employed by sociological analysis, historical analysis, and political philosophy in order to take account for real government practice. For my part, I would like to do exactly the opposite and starting from this practice as it is given, but at the same time as it reflects on itself and is rationalized, show how certain things – state and society, sovereign and subjects, etc. – were actually able to be formed, and the status of which should obviously be questioned. In other words, instead of deducing concrete phenomena from universals, or instead of starting with universals as an obligatory grid of intelligibility for certain concrete practices, I would like to start with these concrete practices and, as it were, pass these universals through the grid of these practices. (Foucault 1979 [2008], 2-3)

What he says about sovereign, state, people, civil society, etc., is *exactly* what EC wanted to say about the firm. The firm is not a universal, contrary to the spontaneous position of mainstream economics (be it an individual, a production function, a nexus of contracts, a governance structure or a non-market mode of resource allocation), it is a practice. The critical reader may object that what we have in common depends on the content we give to only one single word: practice.[41] To answer that objection, we have to show how it is connected with "convention." By doing so, which means by strengthening the parallelism with Foucault's methodology, we will unintentionally reveal a weakness of his thought about law, and then about governmentality, neo-liberalism and socialism. Foucault missed the firm, as a source of power rival to the state power.

### 3.2.2 When EC Introduces Conventions into Practices, It Fills a Gap in Foucault's Methodology[42]

Thanks to the second Lewis (with some extensions), we expect that when there is a social practice, in the context of a coordination problem, a convention could emerge, which will stabilize the social practice. A mathematical metaphor may be useful for the reader: this three-term process[43] could be summarized by the idea of a moving fixed point. Therefore, the problem becomes: we have started to see a practice behind the notion of firm, but where is the coordination problem, of which the convention may appear as a solution?

The coordination problem results directly from the legal foundations of capitalism. Let us concentrate on capital and labor. If shareholders remain alone between themselves within the limits of the legal entity they have just

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[41] With this proviso: Is "device" or "dispositive" another link, especially if EC sees firms as a device of collective learning (cf. *supra* n. 37)? We will show in the conclusion that "practice," "convention" and "dispositive" are three articulated concepts, belonging to the same analytical space.

[42] Once more Grenier and Orléan (2007) were the first to pinpoint some weaknesses in Foucault's framework, especially with respect to law.

[43] Or four-term, if we include objects (cf. supra n. 29 & 31).

founded, no benefit will result for them: they need to go outside the limits of the corporation (i.e., their own collectivity!) and hire labor (at least), who will manufacture goods, the sale of which will generate profits. But workers too need corporations to hire them; otherwise their fate will be rather dark. So capital needs labor as much as labor needs capital – a paradigmatic example of a coordination problem. Any coordination would be less bad than no coordination at all. Now we know from extensive historical experience that the asymmetry of wealth situations between capitalists and workers will naturally lead to a type of coordination, vastly unfavorable to workers. And the asymmetry is consolidated by law itself. Because the shareholders have created the corporation, they – and only them – elect the members of the board where the strategy of the firm is decided and controlled. Remember the workers are members of the firm but not of the corporation![44] The coordination problem then deepens and, in a sense, transforms itself. Why? Because the consequence of this structural asymmetry becomes nearly as much negative for capital than it is for labor, especially in the last decades, when an active involvement of employees are more and more a prerequisite for a high firm performance. Therefore, the coordination, in order to be favorable enough for share-holders should not be too much unfavorable to workers. In the Keynes/Lewis framework, that means a convention becomes vital to alleviate this coordination problem, if not to solve it. A convention is never sure; nevertheless its possibility is ardently urged.

These highly speculative and abstract considerations on the business firm are fortunately corroborated by our historical experience. What is striking is the emergence at long scattered intervals and afterwards the resilience of a collective representation of the firm, which nearly all agents will find obvious, even quasi-natural, and which makes the asymmetry *not unbearable.*[45] During the two or three decades after World War II an entirely new conception of firm appears: managers should be let free to modernize at will, on the condition that workers' real wage follow the labor productivity trend. We could call this the "Fordist" or the "social-democrat" or the "Keynesian" convention.[46] Since the 1970s, it was replaced progressively by a new convention, justifying shareholders' primacy by the idea that they are the true owners of the firm. This collective representation is all the more surprising that it is (i) wrong from the point of view of law;[47] (ii) considered as undisputable by a huge majority of

[44] Except if they buy shares!

[45] Not a very strong justification, indeed, which explains the continuous resurgence of criticism, and the unavoidable final breakdown of the existing convention (cf. Boltanski and Chiapello 2005; Favereau 2014, 2018).

[46] Cf. the "Regulation theory" (Boyer and Saillard 2002).

[47] See the three independent 1999 publications of Robé (for French law), Ireland (for English law), and Blair and Stout (for US law). For a highly readable introduction, the reader should refer to Kay (2015) in the "FT": clearly these matters are not all pure academics!

people; (iii) accompanied by no legal revolution in business law – as if the interpretation of rules changed without a corresponding change of content. If the reader remembers the EC project is to displace the conventions of economics, it should be clear that these two historical examples could not be made intelligible without re-mixing the two traditions of thought, respectively on coordination and reproduction.

So we can conclude that the methodological proximity with Foucault is not just a question of words. It is substantial. Nevertheless a problem appears within Foucault's thought: an essential part of the problem comes from law:[48] the capacity of private agents (business firms) to create legal persons, a privilege which remained for centuries between the hands of states, and which states were obliged to concede to private agents in the second half of the 19th century.[49] It seems that Foucault, probably because of his suspicion towards a causal reference to law, has missed – indeed like a majority of researchers in social sciences[50] – this turning point, and that leads him unfortunately to miss the firm. What Foucault says about the firm in the 1979 lectures (cf. 2008, 147-50) is very poor. For him, the enterprise is the entrepreneur, that is an individual, a physical person.[51] He did not mention codetermination (i.e., the 50/50 division of the boards instituted in the strategic sectors of the German economy, soon after the end of the war) in his story of the German neo-liberalism. Then Foucault seems to be of no help to understand the present crisis of the neo-liberal governmentality, whose main feature is the loss of sovereignty of states (public legal persons), with respect to the biggest transnational firms (private legal persons): [52] if you do not have the concept[53] of legal person vs. physical persons

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48 And there is no solution within law: extending the legal person up to all stake-holders is practically and logically impossible. The solution should only come from new practices, including a new practice of law, as is the case with codetermination (a European practice without any theoretical foundation, either in law or in economics – up to now. My hope is that EC may bring at least parts of the missing foundations). For an empirical overview of the practice of codetermination in Europe, see Waddington and Conchon (2016).

49 Through a competition between the first industrial nations to stimulate the developments of firms on their territory, rather than on the territory of neighboring countries.

50 Two bright exceptions: the economic historian North and his colleagues Wallis & Weingast (2009) and the lawyer Robé (cf. his collected writings – some in English – published in 2015).

51 Paradoxically, Foucault remained stuck on the old conception of the "subject" or the "person," whereas the concept of legal person (always driven by physical persons) would have better matched the "structuralist theory of social action" he was looking for (I intentionally use the sub-title of the first edition of White's book on identity and control, which was another source for EC).

52 Cf. the "fundamental political trilemma of the world economy" by Dani Rodrik (2011, 200): "we cannot have hyperglobalization, democracy and national self-determination all at one. We can have at most two out of three."

53 A concept with an extremely long and difficult genesis: cf. Descombes (2013, especially chapter 4).

(a basic element in law), you can only put superficial words upon that phenomenon.

This critical conclusion may be unfair to the visionary thought of Michel Foucault. Although he did not see where the problem could come from, he might have (fore)seen where the solution could come from. I quoted the lecture of January 13, 1979. I must now quote the lecture of January 31, with these strange reflections on socialism, where he leaves the running thread of his lectures to speak no longer for the audience but seemingly for himself – as a question to be addressed in a remote future.

> In short, whether or not there is a theory of the state in Marx is for Marxists to decide. As for myself, I would say that what socialism lacks is not so much a theory of the state as a governmental reason, the definition of what a governmental rationality would be in socialism, that is to say, a reasonable and calculable measure of the extent, modes, and objectives of governmental action. […]
>
> I do not think that there is an autonomous socialist governmentality. There is no governmental rationality of socialism. In actual fact, and history has shown this, socialism can only be implemented connected up to diverse types of governmentality. It has been connected up to liberal governmentality, […]. We have seen it function, and still see it function, within governmentalities that would no doubt fall more under what last year we called the police state, that is to say, a hyper-administrative state in which there is, so to speak, a fusion, a continuity, the constitution of a sort of massive bloc between governmentality and administration. […]
>
> What would really be the governmentality appropriate to socialism? […] In any case, we know only that if there is a really socialist governmentality, then it is not hidden within socialism and its texts. It cannot be deduced from them. It must be invented. (Foucault 2008, 92/93/94)

EC also meets Foucault for this following new reason. Without his inspired work, we could not have even imagined the following conjecture: socialism lacks an appropriate theory of governmentality because we all lack an appropriate theory of the practice called a firm – especially of the peculiar practice of codetermination, as a possible basis for a new convention, alternative to the previous ones, Fordist or neo-liberal.[54]

## 4. Conclusion

To conclude, the objective of this contribution was to prove that EC is deeply embedded in the economic discipline, with its two roots, Keynesian and Lewisian, but its branches and foliage are quite often interwoven with other human

[54] This is developed in my report to the International Labour Organization (Favereau 2018). It extends a previous one (Favereau 2016).

and social sciences: some are well known since the beginning (sociology), others were explored in this contribution: law, more precisely company law, because of our recent research on the theory of business firm. An unexpected connection springs up with the methodology of Michel Foucault's historical and political philosophy, through the common use of the notion of practice. The concept of convention is illuminated by the concept of practice, and inversely, the concept of convention is a very effective and operational tool if not for all social practices, at least for very important ones, as well as more mundane ones. In both cases, we have the same components: Actions (A), Beliefs (B), in a Population (P), with Objects (O). The result of the interaction between these elements is probably not substantially different (a kind of moving fixed point), but in one case, it is thought rather from a behavioral polarity, and in the other one, from a cognitive polarity. Anyway it is secondary.

What is not secondary, is another term, device or dispositive, frequently used both by Michel Foucault and by conventionalists. It is striking that the "family resemblance" – to use Wittgenstein's phrase – was established only recently, through the conventionalist research on business firms.[55] But this time Foucault's use is much more precise: "the nature of the dispositive is essentially strategic. […] it is always embedded in a power-game." In the remainder of its very long characterization by Foucault (1994, 299-300),[56] it is not so difficult to find the four constitutive elements we have brought together, to deal with either practices or conventions: A, B, P, and O.[57] If we recall the "essentially strategic" nature of dispositives, largely absent from conventions and/or practices, which are supposed to be rather spontaneous, we are led to the following proposition: *Foucault's dispositives are EC's conventions or practices loaded with intentionality,*[58] *but of a collective type*.[59]

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[55] Cf. the bibliographical note in Roger (2012, 101-3) or in Favereau (2014, 139-42). I am deeply grateful to Rainer Diaz-Bone for this highly insightful remark.

[56] According to Callewaert (2017), the long and important interview of Foucault in the well-known psychanalytic journal *Ornicar* in 1977, reprinted in Foucault (1994, 298-329), has only been partially translated in English by Gordon (Foucault, 1980, 194-228). So I give my own translation.

[57] The reader should remember that what Foucault calls "discourses," "rules," "theories," etc., are translated in our EC (post-Lewisian) vocabulary as "Actions" and "Objects" (objectively observable) and "Beliefs" (intersubjectively deduced from practices).

[58] The possibility of intentionality within dispositives proceeds from the reflexivity we have observed, at various degrees, for conventions and practices.

[59] Bessy and Chateauraynaud (2018, in this issue) display some strategic use of quality conventions by forgers (*faussaires*), who exploit naivety of the public (or even experts). See also Ghirardello (2018, in this issue) for a related point. Clearly Foucault's project goes much beyond individual opportunism. The difference could be summarized by saying that Foucault is interested in macro-dispositives, not micro-dispositives (a distinction briefly introduced in our work on firms (Favereau 2014, 108). EC has rather studied micro-dispositives (ex.: a rule is a collective cognitive dispositive, a firm is a dispositive of organizational learning, etc.).

The structure and the elements of the intersubjective world, instantiated by practices and/or conventions, are obviously a source of power for those agents or groups of agents who have the capacity to move (parts of) the conventions or the practices in the direction of their interests, because of (i) their personal or collective awareness of the interdependence between A, B, P, and O, and (ii) of their personal or collective control of the mechanisms or processes of evaluation on A and B.[60] Power as constraining obedience is a crude form of power, relative to power, as enacting or influencing what is valuable, and what is not.

François Eymard-Duvernay, in his last contribution (2012) to the conventionalist research on business firms, introduced the concept of "*pouvoirs de valorization*."[61] We all knew that it was an extremely innovative advance in the research program of EC, but from 2012 up to the preparation of this issue of HSR with Rainer Diaz-Bone we did not know how to use it.

Now we know.

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[60] A dispositive according to Foucault seems to combine (at least) these two properties (i) and (ii).

[61] Cf. Eymard-Duvernay (in Roger 2012, 155-218; 2016) and Favereau (2017) for a summary of Eymard-Duvernay's contributions to the program of EC. The research on macro-dispositives, starting from Foucault's building blocks, in the spirit of Eymard-Duvernay's "*pouvoirs de valorisation*" and within a framework mixing coordination and reproduction, should be henceforth rated high in the agenda of EC.

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