The heterodox economic agent is a creature best addressed from a pragmatist perspective. We show how the American (Original) Institutional Economics concept of agent offers an essential perspective when evaluating political economic concerns of today. Closely linked to pragmatist literature, American Institutionalism adds a contextual richness to agency theory that is absent from conventional economics. The agent of American Institutionalism, and heterodox economics in general, is a pragmatic creature, operating in real time, constantly trying to solve problems and adapt to ever changing reality. This guides political economic thought toward an evolutionary view and provides an important perspective on the democratic process.

1. A Brief Working Definition of Pragmatism

Pragmatism is difficult to define, even if we restrict ourselves to the central figures, Pierce, James, and Dewey. The many and seemingly contradictory facets of pragmatism have been a lively subject in the discourse at least from Lovejoy’s classic discussion, and one struggles to find definition in Diggins’s modern staple.\(^1\) We do not present ourselves as experts in this regard but we do need to offer a definition of sorts, if for no other reason than to provide data to the discerning reader who may or may not choose to read on. So with apologies to Papini we offer the following core attributes to represent our take on the matter.\(^2\) Pragmatism rejects such separations as thought and action or pure and applied science, even positive and normative. Thought is contextual and the test of validity of ideas, whatever their origin, is experience in regard to consequences. Authoritative, absolute, metaphysical truths are not entertained as truths per se but are subject to consequential validation. The habitual perspective of the investigator interacts with her observations of experience, and a regressive or at least progress-obstructing mentality is ever present.\(^3\) The knowledge gained from experience is contextual, temporal, tentative, and probabilistic. Thought or knowing is an ever evolving adaptive response to changing reality. For example,
justice is a powerful idea which is consequentially validated in many contexts with more or less subtle variations in meaning. The liberating capacity of the human mind is found in its ability to focus on the future, not its past orientation, and in its ability in several, within a community of inquiry, to achieve a consensus through cognitive development. Knowledge of this kind, with its focus on adaptation and adjustment, is forever at war with inherited belief, which is resolutely wedded to the authority of the familiar and customary. Inevitably a degree of maladjustment persists.  

Ideas are tested inter-subjectively or interactively. In all spheres, public and private, in civil society or scientific community, the process is one of peer review. The review or feedback reinforces or challenges the perspectives of the agent. In the process not only the original agent but other agents who participate in the peer review process undergo more or less alteration of their perspectives. This incessant interactive, developmental aspect is crucial to the understanding of human action. An individual resides in various communities or contexts of inquiry but the experimental procedure of testing by consequences is applicable across them. It is not that consequential validation is universally practiced to the exclusion of faith; undeniably communities have beliefs which are held but not subjected to consequential testing, at least not in a sensual experiential sense. A pseudo-consequentialism may apply but the testing is not experiential, although one certainly experiences strong feelings which are derivative from emotional conditioning.  

With this working, should we say tentative, definition of pragmatism in mind, we examine the importance of pragmatism to contemporary economics by discussing the conception of the economic agent that is now prevalent in many strands of heterodox economics. The heterodox economic agent is a creature best addressed from a pragmatist perspective. Next we examine the development of American Institutional Economics, or Original Institutional Economics, OIE for short. We contend that OIE offers an essential perspective on today’s most pressing political economic concerns and that in doing so, OIE demonstrates the urgency of applying pragmatism to economic matters and enriches our understanding of democracy.  

2. Heterodox Economic Person vs. Traditional Economic Man  

The emerging heterodox economics offers a conception of economic agency that sharply contrasts with that of conventional economic theory. Neoclassical economic man operates from a simple mental model both in terms of the goals and competence of the agent. Economic man’s goal is utility maximization and his information and cognitive ability is complete, indeed, perfect. The heterodox economic agent has both a more complicated objective function and less cognitive competence. The heterodox agent is viewed as acting in a framework that recognizes previous actions have consequences for present actions. Even setting aside the role of irrational emotional impulses in shaping behavior, the