

# The dynamics of encapsulation: Innovation, annihilation, and contradiction in practice

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# Objectives

- Following OIE's perspectives on technology, encapsulation, corporate hegemony, and the potential mismatch between institutions and social provisioning, we present an analytical framework devised to understand innovative and annihilative contradictory processes within modern capitalism.
- We have selected two different phenomena to demonstrate our perspective. The first concerns the contradictory relationship between biotechnology, genetic engineering, and biodiversity. The second concerns the problematic relationship between heterodox and mainstream economics in the beginning of 21st century.

# Our focus

- *Annihilation* is a current element in the contemporary analyses of the neoliberal order, where bureaucracy, terror, and massacre delimited vast populations in “worlds of death,” part of what the philosopher Achille Mbembe (2019) called “necropower.”
- *Innovation* and annihilation combine. Therefore, “the new” is not necessarily salable, and inserting the role of innovation in the destructive framework is necessary, not as a competitive element in a process of “creative destruction,” but as a central element eliminating everything that never was or will ever be an innovation
- In a contradictory sense, innovation and annihilation ultimately destroy the foundations of their reproduction.

# Original Institutional Economics on Annihilation, Innovation and Contradiction

- The centrality of corporate power: it is worth highlighting the relevance of Dugger's (1992) observations who, continuing the Veblenian argument, note that despite educational, military, political, and religious institutions, all of these would be subject "to the dominant economic institution, the corporation, in a kind of means-ends continuum. That is the corporation uses other institutions as the means for their own ends" (126).
- Paul D. Bush (1987), highlights that part of the possibilities for technological change might be controlled by ceremonial interests. They are "domesticated," in that they do not alter the status quo. This procedure, called "ceremonial encapsulation," largely places businessmen and corporations as relevant agents in the selection and implementation of appropriate technologies to maintain their power in contemporary society.

# Original Institutional Economics on Annihilation, Innovation and Contradiction

- Institutionalism sees innovation and annihilation as contradictory relationship within the encapsulation process. Following the emphasis provided in the first item, we must highlight that innovation is the result of a selection distinguishing from a set of activities, artifacts, and ideas, which can be submitted to corporate ceremonial requirements, which most often meet marketable requirements. Hence, this selection may immediately be called an annihilation, not in the Schumpeterian sense of “creative destruction,” but in the sense of destroying everything that does not match corporate requirements. This can include not only socially useful technologies but the environment, ideas, and, finally, humanity itself.

# Original Institutional Economics on Annihilation, Innovation and Contradiction

- Contradiction is at the heart of the Veblenian understanding of institutional processes. We must remember he considered the life-threatening institutions that emerged in opposition to the improvement of society's provisioning process as "imbecile institutions." The relationship between innovation and annihilation is contradictory. For us, innovation and annihilation imply standardization, which is contradictory to the elements subsidizing innovation.
- Our perspective aims to present the contradictory connection between innovation and annihilation as an analytical framework suitable for capturing the dynamics of apparently dissimilar phenomena within corporate hegemony in the 21st century

# Case 1: Biotechnology, GMOs, and biodiversity

- The advancement of microbiology, particularly from the 1950s onwards, led to numerous tests and experiments aimed at transferring genes between bacteria, culminating in the pioneering patent on a living organism requested by General Electric in 1980. Still, in the 80s, a well-known partnership between international corporation Monsanto and Washington University successfully conducted gene transfer between plants, something that Stone (2010, 382) labeled the “beginning of transgenic or genetically modified crops.”
- Paul Rabinow (1997), in the context of his field research at Cetus Corporation, defines biotechnology as “the potential to move away from nature by constructing artificial conditions in which specific variables become known so that they can be manipulated” (1996, 20).
- *polymerase chain reaction* (PCR): Allowed the exponential multiplication of genetic material essential for laboratory experimentation
- *recombinant DNA technology* (RDT): Allowed the cutting and pasting of DNA molecules in the laboratory

# Case 1: Biotechnology, GMOs, and biodiversity

- From a mean of production reconstituting itself in each productive period, the seed becomes an artificial raw material completely consumed in each period. PCR and RDT technology enables the transformation of natural seeds into GMOs.
- Genes are combined; but life is not *created* in the laboratory; it becomes *patentable* in the laboratory. As an innovation, GMO would meet the novelty requirements to become a property of the corporation that controlled the manipulation.
- Creating genetically modified seeds depends on the presence of different natural varieties. Simultaneously, as an innovation, increased productivity of GMOs becomes central in advancing monoculture, and consequently, appears as a mechanism for the annihilation of natural varieties.



# Case 2: Mainstream and Heterodox Economics in the 21st Century.

- According to Dequech (2007), modern mainstream economics could be understood as a sociological concept linked to a set of ideas that have greater acceptance and prestige among economists.
- It is the flexibility of the mainstream definition in the face of the rigidity of neoclassical economics that allows us to explain the process we seek to describe.
- Scarce resource allocation, utilitarianism, marginal calculus, substantive rationality, methodological individualism, and general equilibrium would all be surpassed by the mainstream. We now have a myriad of perspectives, including game theory, behavioral economics, new institutional economics, and complexity economics. According to Colander (2000), this variety of perspectives inform us that at the boundary of discipline is flexibility and that this is a characteristic of edge work.

# Case 2: Mainstream and Heterodox Economics in the 21st Century.

- Davis (2006, 10) recognizes that there could be selection bias in the mainstream regarding heterodoxy, and there could be a “selective appropriation process that systematically excludes certain types of heterodox contents.”
- Davis’ (2006) understanding of a “selective appropriation process” is close to what Lari (2021) highlighted as “weak complementarity” (i.e., the idea that methodological norms can be borrowed from other school, but without this implying “further research efforts by that school”) (7). This explains the method that one can borrow Veblen’s concept of “emulation” and “conspicuous consumption” under the idea of a “bandwagon” or “Veblen effect” (Duesenberry (1949) or the encapsulation of Keynes’ ideas into a Hicks-Hansen model (which Robinson (1974) called “bastard Keynesianism”), and, finally, in the context of the 2007 crisis, the simplification of Minsky’s contributions to his financial instability hypothesis, or “Minsky moment.”

# Case 2: Mainstream and Heterodox Economics in the 21st Century.

- Our perspective shows that the innovative character of the current mainstream is not contradictory to its tendency towards annihilation. Economics is largely established through the continual tension of heterodox ideas existing outside the mainstream and the encapsulation of selected perspectives. Our analytical framework characterizes the mainstream as a selection mechanism capable of implementing the interface between what is outside and what is inside. Thus, by incorporating elements of heterodoxy, the mainstream promotes a simultaneous internal innovation to the detriment of an annihilation of what is outside.

# Case 2: Mainstream and Heterodox Economics in the 21st Century.

- The flexible definition of mainstream, as a sociological concept, allows us to apply our analytical framework to understand the relationship between innovation and annihilation with economics. If anything were changeable and innovative in the mainstream, it would largely be the result of heterodoxy. However, this is a significant contradiction. The existence of the mainstream as a selection mechanism narrows further innovation. If heterodoxy is eliminated, as is objectively happening, the mainstream would become monolithic and would have nothing more to say other than what has already been said.
- Mainstream euthanasia?

# Concluding remarks

- The contradictory relationship between innovation and annihilation is not metaphysical. The role of corporate power underlies the dynamics of our analytical framework. In biotechnological applications, the role of big corporations is almost self-evident. Within economics, the relationship between the economic interests of corporate power and academia is a revisited subject, especially in the moment of a global crisis. However, to understand corporate interest depends on how those interests are translated in a specific field. To solve this problem, we suggest the incorporation of neoliberalism as a selective device. Neoliberalism, as a thought collective, as a political and economic practice, or as an ideology is a powerful candidate for understanding what exists and what is expelled from our existence.

Thank you!!