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# Social Economics, Major Contemporary Themes

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WILLIAM R. WATERS

## social economics: major contemporary themes

Social economics is concerned with the role and nature of social values in economics and economic life. The principal assumption of a social economic approach is that all economics is strongly influenced by social values that operate in economic life, and that all economic explanation makes (usually implicit) use of social values. Economics, that is, is inescapably value-laden. Thus a social economic approach rejects the fact-value distinction as it is generally understood by neoclassical economists. Moreover, social economists argue that the effect of neoclassical economists' claim that they produce a value-free, positive economics is to legitimate and reinforce their own social values at the expense of other social values by: (1) generally discouraging examination of the diversity of values that operate in economic life, and (2) suppressing debate over the nature and importance of the liberal values favored by

neoclassical economists (see VALUE JUDGMENTS AND WORLD VIEWS).

### *Homo economicus versus homo socio-economicus*

Thus, neoclassical economists suppose that individuals – in economic life, *homo economicus* – in fact act to maximize self-interest, and that individuals are accurately described in economics as atomistic rational maximizers. Social economists characterize this as a value assumption, because the pursuit of self-interest reflects only one dimension of human personality, and neglects the whole person, better labeled as *homo socio-economicus*. In particular, basing economics on self-interest alone requires (among other things) that individuals' cooperative behavior, their altruism and regard for others, and their sense of having responsibilities and duties be explained away or reduced to self-interest.

Heterodox economists in general take a social economic approach in rejecting the fact-value distinction, and in developing explanations of economic life that rely upon a wider range of social value assumptions than that involved in neoclassical economics. Neoclassical economics, in addition to assuming that individuals are atomistically self-interested, includes among its other value assumptions that wants alone explain choice, that interpersonal comparisons of well-being cannot be made, that competition fully characterizes economic life, that the economy reduces to a market process, that markets work reasonably well, that markets are impersonal, and that more is always preferred to less.

Heterodox economists, in contrast, often begin by explaining individual behavior in terms of richer social-historical frameworks that help explain a variety of types of individual motivation in economic life. Individuals may emulate one another, cooperate, act as members of a class, follow conventions and rules, act in non-market economic contexts and so on. This enables heterodox economists to place greater weight on concepts excluded from the neoliberal value framework: NEEDS, power,

equity, market failure, DISTRIBUTION OF INCOME, history, the production process, GENDER, CULTURE, the family, institutional context, custom and other dimensions of economic life left out of the narrow neoclassical focus on exchange. Heterodox economists thus typically work in terms of value frameworks that make reference to social JUSTICE, fairness, equality, HUMAN DIGNITY, human RIGHTS, and the common good.

The major contemporary themes of social economics, then, range not surprisingly across a very wide variety of topics and subjects. In addition, these topics and subjects shift and change over time, with the emergence of new historical social value challenges. In more recent research, five general and often overlapping social value frameworks have dominated the principal social economic publications, including the *Review of Social Economy*, the *Forum for Social Economics*, the *Journal of Income Distribution*, the *International Journal of Social Economics* and the *Journal of Socio-Economics*. They may be distinguished roughly as follows: (1) family and community relationships, (2) the workplace and its social organization, (3) the social nature of market relationships, (4) macroeconomic social policy issues, and (5) the methodology of economics, especially normative themes in economics, and the history of economic thought, especially as these impinge on social economics. What follows represents a selection of recent themes in these five categories.

### Family and community relationships

To understand the social-historical frameworks in which individuals operate, and the impact these frameworks have on individual behavior, social economists have studied the economics of non-market social networks. Recent social economic research on the family investigates household relationships as gendered relationships, as in work on divorce, the FEMINIZATION OF POVERTY, and the nature and incidence of domestic violence. COMMUNITY has been investigated in terms of the role of those

institutions that tend to foster it, such as credit unions, non-profit organizations, churches, and labor UNIONS. One special focus in this connection has been the network of cooperative institutions developed in the Basque region of Spain in MONDRAGÓN. Community-specific issues include housing discrimination and red-lining (see DISCRIMINATION IN THE HOUSING AND MORTGAGE MARKET), inter- and intra-racial income distribution, schooling and child care. Public policy, as it specifically impacts on families and communities – welfare, social security, unemployment insurance, health, the urban environment, and the living wage – have all received regular attention. General themes operating across family and community are the nature and extent of poverty, fairness and equity across classes and ethnic divisions, and how to address material need. One particular cross-cutting research project that falls in this area is the character of consumption, especially in terms of the social constitution of taste, meta-preferences, consumption as a form of communication, and the place of emulation and status (see CONSPICUOUS CONSUMPTION AND EMULATION).

### The workplace and its organization

Though production is a pre-eminently economic activity, social economists see the workplace as having a range of organizational forms that are thought to be necessary to any understanding of the economics of firms. Long-standing and continuing areas of interest in this category are worker participation and worker rights, the democratically operated firm – sometimes characterized in terms of PARTICIPATORY DEMOCRACY AND SELF-MANAGEMENT – and the labor theory of property. Central is cooperation as a principle of workplace organization. Organizational capital is seen to be essential to firm behavior to give human capital analysis a social dimension (see SOCIAL AND ORGANIZATIONAL CAPITAL). Critical perspectives toward contemporary firms have been developed in terms of the post-Fordist flexible work specialization (in Japan, North America and Europe), control

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and inefficiency in the capitalist firm and X-INEFFICIENCY in the tradition of Leibenstein. Labor-related themes include workweek and workday length, underemployment and overemployment, labor discrimination and earnings inequality.

### **The social nature of market relationships**

Social values – both with ethical overtones and as they reflect culture and custom – form a backdrop to market transactions that social economists emphasize for understanding those transactions. General perspectives on the nature of the exchange process include an emphasis on trust and personal relationships in contract formation and execution, workable competition, the social significance of externalities, markets as socially and institutionally-embedded, and exchange as a form of communication. At the same time, social economists have been particularly interested in the appearance of power in markets. Thus an examination of the monopoly-type firms and criticism of markets as atomistically competitive is standard. In connection with the former, attention is given to mark-up PRICING practices, the sales effort, the social control of business, and CORPORATE HEGEMONY. Another topic is how markets impose social stratification, especially in connection with employment relationships that lead to SEGMENTED AND DUAL LABOR MARKETS. Policy perspectives include AFFIRMATIVE ACTION and COMPARABLE WORTH, the corporate income tax, revisiting the Santa Clara Supreme Court decision treating corporations as individuals, and laissez-faire as an ideology.

### **Macroeconomic social policy issues**

Social economic research on the macroeconomy is especially focused on the current historical conjuncture, how it came about, and what the prospects are for a more humane economy. The “silent” depression, as both systemic malaise and as a result of conservative economic policy dating from Reagan, constitutes a shared perspective for most social

economists. Supply-side economics, monetarism and income redistribution toward the wealthy have all come in for critical examination. In addition, monopoly capital theory in the neo-Marxist surplus tradition has been used to explain the GREAT DEPRESSION and more recent experience. One specific focus has been the causes and consequences of the savings and loan crisis as they impact on the macroeconomy. More general themes include the social costs of macroeconomic instability, Schumpeterian innovation, the importance of COLLECTIVE SOCIAL WEALTH and public goods in growth, the status of the WELFARE STATE, poverty and income distribution, and the centrality of Keynesianism in understanding the macroeconomy. Increasingly, the relationship between the environment and the economy, BIOECONOMICS and the principle of sustainability have been given valuable attention. Specifically international issues include the transition from socialism to capitalism, development in poor nations, and international income inequality.

### **Methodology, normative themes, and history of thought**

Sorting out the relationship between ethics and economics, including explaining the nature of value judgments and the value-ladenness of economics, represent fundamental preoccupations for social economists. Normative values regularly stressed are equity and fairness, social justice, human dignity and the common good (see NORMATIVE AND POSITIVE ECONOMICS). There is also broad commitment among social economists to communitarianism, egalitarianism and the idea of a human-centered economy. Naive COST-BENEFIT ANALYSIS and Pareto efficiency analysis come in for criticism. Theoretically, social economists begin with a rejection of atomistic individualism, emphasize the whole person, and often use holistic forms of reasoning to explain the relationship between individual and society. Important empirical work is associated with analyzing the extent of poverty, and determining measures of QUALITY OF LIFE and well-being. Important

normative orientations are HUMANISTIC ECONOMICS, pragmatism, solidarism and deontological Kantianism. New methodological/philosophical strategies include discourse analysis, CRITICAL REALISM and postmodernism. Individuals whose thought has received particular attention from social economists, past and present, are (in no particular order) Herman Daly, Nicholas Georgescu-Roegen, Joseph SCHUMPETER, Kenneth Boulding, Adam Smith, Karl MARX, Amartya Sen, Joan Robinson, J.M. KEYNES, Mark Lutz, J.S. Mill, Amitai Etzioni, Bill Dugger, Charlotte Perkins GILMAN, Heinrich Pesch, Bernard Dempsey, David Ellerman, John M. Clark, Karl Polanyi, Thorstein VEBLEN, John Rawls, Alasdair McIntyre, Ron Stanfield, Alfred Marshall, Edward O'Boyle and Severyn Bruyn. Constituencies that have been active under the banner of social economics include institutionalists, humanists, feminists, solidarists, post-Keynesians, Marxists, radical political economists, cooperativists and behaviorists.

## Conclusion

The fluidity and dynamic character of social economics should be emphasized. Because social economics is co-extensive with the investigation of social value in its diverse respects in economic life, very different substantive orientations in economics incorporate social economic themes, and examine social economic issues. Also, because the development of human society continually generates new questions regarding social values, the ways in which different orientations in economics approach the interface between society and the economy is always changing. Neoclassical economics today may be identified by the closed character of its social value investigation. Social economics, in contrast, is by nature pluralistic. It defends as a necessity open discussion of social values, and presupposes intellectual tolerance. In an important sense, pluralism is the underlying method of social economics.

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## social fabric matrix

### Institutionalist concerns

The social fabric matrix is the tool-kit for articulating and integrating the various categories of concern to institutionalists for the study of real world contexts. The first set of categories of concern are those of (1) philosophy, (2) theory, (3) statistical and mathematical techniques and (4) policy. The social fabric matrix allows for the expression of a philosophical context that is holistic, normative, deontological and systemic. It is constructed to