

REFLECTIONS ON SOCIAL ECONOMICS IN A DIVERSE AND OPEN ECONOMICS

Author(s): Warren J. Samuels

Source: *Review of Social Economy*, Vol. 35, No. 3, Perspectives On The Nature Of Social Economics (DECEMBER, 1977), pp. 283-291

Published by: Taylor & Francis, Ltd.

Stable URL: <https://www.jstor.org/stable/29768884>

Accessed: 25-01-2022 14:26 UTC

JSTOR is a not-for-profit service that helps scholars, researchers, and students discover, use, and build upon a wide range of content in a trusted digital archive. We use information technology and tools to increase productivity and facilitate new forms of scholarship. For more information about JSTOR, please contact support@jstor.org.

Your use of the JSTOR archive indicates your acceptance of the Terms & Conditions of Use, available at <https://about.jstor.org/terms>



JSTOR

Taylor & Francis, Ltd. is collaborating with JSTOR to digitize, preserve and extend access to *Review of Social Economy*

REFLECTIONS ON SOCIAL ECONOMICS IN A DIVERSE AND OPEN ECONOMICS

By WARREN J. SAMUELS
Michigan State University

The objective of this symposium is to consider the nature of economic science, its relation to other disciplines, and its application to social problems and the reconstruction of society on a sound ethical and moral base, the latter reflecting the Association for Social Economics' concern with the validity and equity of economics and economic policy. The purpose of this paper is, first, to articulate a view of the economy and the pluralistic economics which it both permits and requires, including a social economics; and, second, to explore the limits of a social economics.

I. THE ECONOMY

There are certain fundamental points which, in my view, can be made about the economic system: The economy is functionally characterized by the three well-known basic economic problems, namely, resource allocation, income distribution, and income (and output, employment, and price level) determination. There also is a fourth basic economic problem: the organization and control of the economy, or the problem of the structure of power. In all these and other respects the economy is an artifact, a product of human choice, albeit both deliberative and nondeliberative, and, moreover is characterized by the problem of order, the necessity to resolve continually the conflicts of freedom with control, continuity with change, and hierarchy with equality. Pervading all these considerations are fundamental questions: Whose economy is it? Whose interests are to count? The utter complexity of these fundamental issues may be indicated by noting that every structure of freedom depends upon the system of (legal and non-legal) control required for its existence. Similar insight is garnered by recognizing that economic performance is a function of both market and institutions, with power (say, embodied in the institution of property) operating throughout. A quite different but not unrelated point is that every economy necessarily has problems in the pragmatic sense: The microeconomic concept of scarcity which yields the insight that all choices have their costs has

as its parallel the insight that national economic performance can not be idyllic by all criteria. Policies promotive of one goal may cause "problems" in that other goals are not fully achieved. These considerations suggest a further point, that any status quo is sufficiently complex and kaleidoscopic as to permit diverse interpretations depending in part upon differences in perspective.

The points made in the preceding paragraph deal, among other things, with power structure, interests, and values. In respect to these, I must make two further very important points. First, society may be and indeed should be interpreted as comprising a valuational process. This process involves the identification, assertion, confrontation, clarification and selection of values. All economic policies and perhaps all economic phenomena can be examined for their value significance. Perhaps, needless to say, such examination likely will permit diverse evaluations depending in part upon differences in perspective. My second point is related but different: There is a normative structure to society. It involves the normative content of the actual answer given to the question of whose interests are to count and correlatively the values implicit in power structure. In both respects there is the structure of realized values. Once again, different persons will identify these normative structures quite differently.

Although it is an artifact and therefore unlike the solar system, the economy extant in any place at any time does in fact exist and has to be reckoned with. Apropos of the study of such economy, I think that several points need to be made. First, economists (and others) should engage in positive, objective, neutral analysis of the economy so that all interested parties can have accurate understanding of what is in fact going on. Second, there must be moral, normative or valuational analysis of the economy so that the value premises and implications thereof can be understood. (I am under no illusions but that there will be a diversity of positive *and* normative analyses and that serious tensions and contradictions likely will emerge. I consider that situation to be healthy.) Third, positive and normative analyses should be differentiated from each other to the greatest extent possible. At the very least, inevitable normative elements in positive analyses should be identified. Fourth, a fundamental problem exists in that there likely will be normative consequences of positive analysis: The positive study will include material and variables which are made by man as he seeks to apprehend his reality and confer moral judgment upon it, and the very process of study thereof

will tend to influence the process by which that material and those variables are remade by man. Fifth, a conclusion which I draw from this predicament is that it is all the more important that the role and conduct of objective analysis be urged as a complement, indeed, as a predicate, of normative analysis. If positive analysis is likely to have normative consequences, then that positive analysis must be that much more carefully undertaken.

II. A PLURALIST ECONOMICS

Orthodox microeconomics has provided important knowledge of how markets work and of the nature and role of constrained maximization calculations of adjustment. Such study is clearly essential if we are to comprehend more fully the nature of our economic system, regardless of both the values which we may bring to its evaluation and the other variables and central problems which we might desire also to study.

Without implying that there is a positive microeconomics utterly devoid of valuational premises, normative microeconomics, especially its libertarian-Chicago School formulation, has attempted a defense or rationalization of the market system which neatly—perhaps too neatly—complements and is difficult often to separate from positive-descriptive microeconomics. Part of this normative formulation is ensconced in the presumptive optimality analysis grounded in Paretian welfare economics. The point which needs to be made is this: Normative microeconomics is a contribution to the value clarification and selection process. Comprising positive analysis channeled by normative premises, it is often presented as if it were absolute and ultimate, but, as with perhaps all valuational analysis it is conditional and problematic.

There is a necessity, then, for the neoclassical analysis of the market mechanism and for the libertarian variant thereof which urges the optimality of market solutions. But there also is a necessity for other forms of economic analysis. We need an institutional economics which explores the evolution of the system and the ramifications of the problem of organization and control, or the structure of power, and thereby the factors and forces which govern the realization and distribution of welfare, such as the interplay between technology and institutions. We need a political economy which, not unrelated to both neoclassical and institutional economics, explores the deep in-

terrelations between politico—legal and market processes and thereby the complexities of collective action and public choice. We also need an economics of organization and adaptive behavior. With regard to organizations we need to study the processes through which organizational goals are formed, private and group interests interact, and institutional performance is governed. We need to study similar topics with regard to individual and group behavior as preferences are learned and behavior revised, in part in response to the actions and experiences of the past and of others. In all respects we need to study the intricacies of structure, behavior and performance inasmuch as none of these is given and fixed. We further require a corpus of comparative economic system analysis which will incorporate all of the above in the study of different economic systems and render more comprehensible the similarities and differences between systems and thereby the notion of the economic system abstractly considered.

We require, then, several different economics: market, institutional, political, organizational, adaptive and comparative. Each of these will inevitably comprise blends of positive and normative work. They will also consist of theoretical, empirical and paradigm-level work. There is no more reason for there to be only one school, approach or type of work in each than for there to be one school of economics. The economy is so diverse, multifaceted and kaleidoscopic, and there are so many different questions which can be asked about it, that we should expect and demand a diverse and open economics.

Furthermore, there needs to be a radical economics, an economics which will, not necessarily in any homogenized fashion, present a critique and explanation of the system and its performance from the perspective of those whose interests are, in the view of the radical economists, not well represented. There is a social function to be performed by the explanation and defense of the status quo on its own terms, that is, likely on the terms of those who are its primary beneficiaries; and there is a social function to be performed by the explanation and critique of the status quo on quite different terms.

This brings me to two further distinctive types of work in economics. The first has to do with methodology, or epistemology, the study of the credentials by which knowledge is accepted as knowledge. Economists undertaking all manner of research and analysis need to learn to appreciate the conditions of meaningfulness and the inexorably related limitations of the work which they do. They also

have to be sensitive to the fact that methodological inquiry itself is not free of ideology and interest: Epistemological positions themselves are influenced by judgments as to the substantive results which the thinker desires to reach.

The second has to do with social economics, which I take to mean the serious inquiry into the valuational premises, implications and status of alternative modes of economic organization and policy. Social economics, although not independent of positive inquiry, would tend to specialize in the study of the ethical or moral dimension of economic organization, life and behavior. Needless to say, many conservative and radical economists in the past have felt obliged to consider directly and explicitly the questions of economic ethics qua ethics.

I believe that there are several factors inhibiting the development of a diverse and open economics. One is the relevant manifestation of the human tendency to differentiate oneself from others in a way that deprecates others: I think of the tendency of many persons to define economics only in terms of the work—subject matter and technique of analysis—which they do. Closely related is the seeming desire for an exclusivist, unitary system of economics based on a seeming belief that the economy permits only one set of central questions to which only one set of variables may be brought to bear and in only one manner. Also closely related is the deep normative character of the economy itself and thereby the emotional and material vested interests which we have to that version with which we come to identify. A complicating factor which pervades all of these considerations is the tension between our desire for a value and ideology free economics and the suspicion, generally well grounded, that it is not possible to have an economics devoid of values and ideology, a tension complicated by the view that we should not, even if we could, have such a value free economics.¹

III. ON THE LIMITS OF SOCIAL ECONOMICS

There is, then, an important and viable place for social economics. There must and should be those who concentrate (hopefully not to

¹ I think that there also will be, and probably must be, a practical or Machiavelian economics comprising the application of whatever knowledge is useful for the purposes at hand of economic actors—businessmen, government officials, union leaders, propagandists, and ordinary people—as they go about their business in the real world.

the exclusion of all else) upon the evaluation of the social valuational process and thereby make contributions of various sorts to its evolution. Given the fundamental importance of the social valuation process, the work of social economists, which is to say of all economists insofar as they deal with social values and valuation, cannot be gainsaid. The social economist, as I perceive the field, would both study the valuation process and self-consciously participate in it, with all the tensions which that would involve.

The social economist would endeavor to make explicit the value premises on which economic policies are based. He would attempt to trace the value and performance consequences of alternative policies. He would attempt thereby to make explicit the inevitable distributional consequences of private and public economic programs and policies. Furthermore, insofar as the social economist attempts to participate in economic policy discussion and/or decision making, he would also endeavor to make explicit the value premises and distributional consequences of his proposals. He would also encourage the introduction of policy views of members of the other social science disciplines: Economic policy is not and should not be considered a matter of economics alone.

But there are limits to, or constraints upon, the tasks of social economics. These limits represent both flags of caution as to possible errors or fallacies and indicators of opportunity for creative work. One limit is formed by the fact that there are paradoxes and dilemmas to the problem of order, which is perhaps the deepest analytical and social problem in all of economics as well as the other social sciences. While order can be defined in terms of but one of the dimensions of freedom, control, continuity, change, hierarchy and equality, it is my view that order is a process, not a condition, and necessarily encompasses *all* of the given dimensions. A system of freedom is not meaningful until one understands its correlative structure of control, and so on. Freedom for Alpha necessarily means exposure of Beta. Closely related are conflicts of what I consider to be principles of power, for example, the tension between the principle that power is necessary to realize desired ends and the principle that we seek to limit power in order to curb abuse of power. It immediately will be noticed that there is considerable room for selective and varying perceptions as to the desirability of ends and the use *vis-a-vis* abuse of power. A closely related paradox is that pluralization of power by

one criterion may involve concentration of power by another, a situation requiring the exercise of very careful and subtle normative premising.

Certain other limits are provided by well-known problems: the problem of the valuational status of the market and of the values induced by a pecuniary economy, a problem which encompasses more than capitalism *per se*; the problem of power in regard to the market, which involves the belief that markets are inherently diffusive of power *vis-a-vis* the belief or fear that large size and concentration may signify the capacity to dominate the market itself; the problem whether organizations, for example, are to be judged by criteria of structure (such that whatever performance is produced is deemed *a priori* optimal) or by criteria of performance (such that structure is evaluated by results) and so on.

The most important limits, however, are posed directly by the goal of providing a sound ethical and moral base for the reconstruction of society. To assert that we need and want a sound ethical and moral base is neither to have found it nor to have demonstrated that it exists. What if there is no such thing? If there is presumptive optimality reasoning in economics, by which structure or, more likely, performance is deemed optimal on the basis of some antecedent, usually implicit, premise as to whose interest should count, such reasoning likely is more abundant in the work of social ethicists. That is one problem and thereby a limit. Another problem is the perennial one of absolutism versus relativism in morals. My own and rather practical view is that whether one believes in absolute or relative morality, one nonetheless must choose between various morals each proposed as relative and between various morals each proposed as absolute. Another problem is that of grounding the subjective, technical, and circumstantial elements in the tradeoffs involved in such sets of alternatives as (1) efficiency and equity, (2) hierarchy and equality, (3) freedom and control, (4) continuity and change, (5) organization and control criteria and growth criteria, (6) market and government, (7) private and public, (8) competition, public ownership, and regulation, and, *inter alia*, (9) control of inflation and control of unemployment. The analysis is rendered more difficult by the fact that the dichotomies are neither perfect nor clear, for example, with regard to private versus public or market versus government. All these problems involve complex "moral" issues and the further problem, and constraint, that there are plural values which

may be brought to bear and thus necessitate choice and an even deeper level of required moral analysis.

Inasmuch as a sound ethical and moral base is required for the purpose of the reconstruction of society, it is not inapposite to point out that there are at least two relevant constraints. One is given by the question: How much can we control at any time and over time? The other is given by the question: How much deliberate change can society handle at any time and over time? The conservatives are clearly sensible with regard to their well-known responses to these queries. One can, of course, err too far the other way and underestimate the degree of fundamental change which can be brought about; indeed, the conservatives have their own schemes for social change. While one would not want to erect the caution into an overriding negativist principle of policy, the caution does constitute a limit, however ambiguous, to social economics. Another way to expressing the matter is to ask: How much deliberative confrontation with problems of choice, including that of the power structure itself, can society undertake? My own inclination (can it be more concrete than that?) is to opt for deliberative confrontation. I prefer open discussion rather than surreptitious decision making by elites. Yet, some of the latter is inevitable and possibly necessary, and too much of the former can be dysfunctional.

What strikes me is that economists always have been involved in the reconstruction or redirection of society, in part through their definitions of reality and of values. Yet, it is worth noting that economists never have been a leading force in economic evolution. Economists have been ideological high priests and chilling skeptics, in various combinations, but only indirectly have they led socioeconomic change. What can be said of morals and ethics also can be said of economists, namely, that their particular significance is typically if not always a function of forces and circumstances over which they have no control and with respect to which they are more dependent than independent variables. Let me be explicit: The study of the ethical and moral bases of society should be accompanied by the study of the social bases of ethics and morality.

Social economics must confront the world in which values exist. In my view, values are important precisely because man exists in a world of radical indeterminacy, a world which he makes largely by and for himself. Man must make of his existence what he can; he must work out tentative solutions to the problems of his existence.

In this process of coming to grips with the nature of his being and his existence, man seeks and uses conceptions of norms, that is, values, to enable himself to know the meaning of his existence. Recognition of the existential nature of reality is no denigration of ethical and moral values; rather, such recognition pinpoints the role and enormous importance of values in man's life. The anxiety consequent to that recognition is in part due to the tension between our desire for ultimates and for the confidence of knowing where and how to reconstruct society *and* our feeling that the world is what we make it willy-nilly.

What social economics must aspire to provide is not a conduit to absolute ethics and morality—we shall have to choose between different versions, and it will be “only” of psychic comfort (no small need) to pretend that our choice is the real absolute—but a vehicle for serious, thoughtful, and constructive moral reflection on the valuational premises and implications of economic arrangements and policies. Such moral reflection will be and should be diverse.

Perhaps one place to begin is with what Kenneth Boulding calls distributional impact statements. Such statements would attempt to identify the income, wealth and opportunity distribution consequences of potential government (and perhaps private and corporate) policies and programs. They would in effect enlighten us as to whose interests are being made to count, or whose interests are being given effect.² That would be a necessary first step. We would still have to make the normative determination as to whether the distributional impact of one program or its alternative(s) is preferred. It is at that point that ethical and moral contemplation is needed.

² No small amount of microeconomic analysis will be necessary in such work, for example, with regard to behavior adjustment and shifting-and-incidence type consequences. Evaluation using that analysis would have to specify explicitly the putative rights (or claims) in terms of which costs and benefits are reckoned.