THE NATURE OF SOCIAL ECONOMICS:
A PERSONAL COMMENTARY

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Abstract This article explores what is meant by social economics in a set of ten specific commentaries or interpretations that appear to be widely accepted by social economists. In brief those commentaries are organized and presented in the following manner. Social economics is: heterodox; evolutionary, revolutionary, and counter-revolutionary; a social science; a moral science; social economics because it addresses the social question; recognizes that the invisible hand does not protect the common good; anthropocentric; teleological; has vision; and has a three-part structure. This article tends toward simplicity and brevity, the better to set forth the essential nature of social economics. Social economics is more than just a subspecialty area within or a branch of the tree of conventional economic thought. Rather social economics is an entire body of thought, a different way of thinking about economic affairs. It resembles mainstream economics in the same way that one tree resembles another. But it is a separate tree, with its own life force supplied by the scholarly energies of those who identify with social economics.
… how little syllogisms have to do with the formation of opinion; how little depends on the inferential proofs; and how much upon those pre-existing beliefs and views, in which men either already agree with each other or hopelessly differ, before they begin to dispute, and that are hidden deep in our nature (John Henry Newman, 1947, p. 210).

… it is precisely at this point, in the selection of norms, that the rabbit gets into the hat. Therefore the process of selection of norms should be as explicit and as open as possible. The review of norms serves the additional purpose of revealing my personal value judgments (they have probably influenced my selection and arrangement of the data) so that anyone who disagrees with my judgments can the more easily pinpoint the disagreement and substitute his own set of values (Joseph M. Becker 1961, p. 10).

Perhaps nothing more forcefully differentiates social economics from mainstream economics, and makes it more difficult for the one to accept the other, than the distinction between normative economics and positive economics. This distinction is a routine part of the introductory chapter of virtually every mainstream principles textbook, and is hammered into students of economics from the beginning of their studies to the very end.

While no one is so rude as to state so openly, this distinction in the minds of mainstream economists not only subordinates social economics to the mainstream but also implicitly discredits social economics for failing to respect the distinction between value and fact, which is centrally important to the scientific method. In their minds, social economics is not science.

Oddly, social economists hold the very same view: mainstream economists typically do not admit to the values that direct their work, and for that reason their representation of economic reality typically is laced with those values. As Newman points out in our first epigraph, more often than not mainstream economists are not even aware of the ways in which their values have infiltrated their work. Thus, a statement like the one by Becker in our second epigraph simply does not occur to anyone schooled in mainstream thinking. They are reassured in these matters because for them using the scientific method means that ipso facto all values have been erased from their work. As a result, in the minds of many social economists, mainstream economics is not authentic science.

Even though it is difficult at times to completely separate value from fact, in the name of authentic scientific inquiry social economists and mainstream economists must find a way to reach agreement on the following professional (and we hope noncontroversial) obligation. All of us have a duty to explicitly address the value-fact distinction in all that we do whether teaching, research, or service, and to borrow from Becker’s own expression to call attention to any rabbits that we are putting into the hat off stage, so that our students, readers, and clients are not taken unawares when later on stage we pull those rabbits out of the hat.

We begin our essay with the value-fact distinction because, failing such agreement, the two schools of thought will continue to dismiss each other’s work out of hand, effectively sealing off any dialog between them. Plainly, economic affairs are so important, and problems such as poverty that are rooted in the economic order are so pervasive and devastating especially in the southern hemisphere, that it makes no sense for the profession that specializes in economic
affairs to continue to be split over who may speak knowledgeably about such matters. As a corollary to the duty to state one’s values as completely as possible, we re-affirm the following common-sense axiom. Truth is one and the same for all; it is not the exclusive domain of any one school of thought.

In what follows, we do not attempt to deal exhaustively with what is known from social economics. To do so is to risk getting lost in the details of the many differences between and among social economists regarding economic affairs.\(^1\) Rather, it is to explore what is meant by social economics in a set of ten specific commentaries or interpretations that appear to us to be widely accepted by social economists.

Our essay, therefore, tends toward simplicity and brevity, the better (we hope) to set forth the essential nature of social economics. It reflects the fact the author has been influenced by the personalism and writings of John Paul II, in turn, have powerfully shaped and formed the way he thinks about economic affairs. Additionally, the author’s experience is almost entirely in the United States and that experience also shaped and formed what follows. Quite probably a different professional experience would make for some differences in what he has to say about the nature of social economics.

**Social economics is heterodox economics**

One instructive way to think about the nature of social economics is in terms of the orthodox/heterodox dichotomy. Social economics is a type of heterodox economics, and because there is no heterodoxy without there first being an orthodoxy, social economics claims the same father – Adam Smith – as mainstream economics. Indeed, some years ago an entire issue of the *Review of Social Economy* was devoted to the social economics of Smith.\(^2\)

As economics has become more formalized and professionalized since the time of Smith, our understanding of economic affairs has evolved to the point where at least some of what was once heterodox today is regarded as orthodox. In this regard, take note, for example, of the work of Milton Friedman, that was received very differently during the golden age of Keynesian economics in the early 1960s than in more recent times. The lesson is that today’s heterodox thinking may become tomorrow’s orthodoxy.

To some extent, the work of social economists has become accepted into orthodox economics. To illustrate, Wallace Peterson in macro-economic policy, Walter Adams in industrial organization, and John Elliott in comparative systems, are widely respected in conventional circles. Significantly, all three are past presidents of the Association for Social Economics. Additionally, Joseph Becker for many years was regarded as the pre-eminent US scholar in the field of unemployment insurance. Becker is a charter member of the Association for Social Economics, and along with Peterson, Adams and Elliott, is a recipient of the Thomas Divine Award for lifetime contributions to social economics.

As with all heterodox economics, there is a twofold burden of proof that applies to social economics. First, to indicate what is wrong or flawed in orthodox thinking and, second, to offer something better in its place. This burden of proof is all the more difficult because of the barriers
to open dialog that have arisen over the years.

**Social Economics is Evolutionary, Revolutionary and Counter-Revolutionary**

Dissent is an inevitable part of any heterodox position, and manifests itself in one of three ways: evolution, revolution, and counter-revolution. Becker’s work in unemployment insurance is evolutionary, characterized first and foremost by much pick-and-shovel research in the trenches of field operations. On one occasion he stated that it took ten years to persuade state administrators to install the auditing procedures necessary in order to determine on a recurring basis the extent of abuse in unemployment insurance benefits. The evolutionary nature of dissent in social economics is evidenced by the fact that some of the members of the Association for Social Economics also belong to the Association for Evolutionary Economics. Indeed, at least two persons – Wallace Peterson and William Dugger – have served as president of both organizations.

Some of the dissent among social economists is better characterized as revolutionary. Two prominent social economists – Marx and Keynes – come to mind immediately. As with Adam Smith, the social economics of both of these men has been highlighted in special issues of the *Review of Social Economy*. Two contemporary social economists – William Dugger and Ron Stanfield – began as revolutionaries, and more than 25 years later still hold fast to certain ideas that some in social economics consider radical.

Other dissenters are counter-revolutionary. The Catholic solidarists, for instance, would replace the individualism of mainstream economics with the scholasticism originating in the Middle Ages. Others of like mind would restore the place of the concept “need” in contemporary economics [cf. Davis, 1994, p. xx] that over the past 50 years has been rooted out of mainstream economics. There is more on the concept of need toward the end of this essay.

**Economics is a Social Science**

Economics may be defined in terms of certain objects, such as wealth, goods, services, natural resources, or in terms of humans. In mainstream economics the dominant view is that economics is best defined in terms of things, a view that is reflected in and reinforced by the reduction of economic affairs over the past 50 years to things that are strictly quantifiable. Social economists hold the view that economics is mainly the study of human beings, particularly the economic circumstances of those in greatest need [cf. Dugger, 1977, pp. 299-310]. This difference between social economics with its emphasis on human beings and mainstream economics with its emphasis on things may account for the difficulty in fully incorporating resource economics into social economics. At the same time and precisely because of its central focus on humans, the rapidly developing field of feminist economics seems to fit much more naturally within the boundaries of social economics.

Marshall’s *Principles* opens unambiguously on this matter:

Political economy or economics is a study of mankind in the ordinary business of life; it examines that part of *individual and social action* which is most closely
connected with the attainment and with the use of the material requisites of wellbeing. Thus it is on the one side a study of wealth; and on the other, and more important side, a part of the study of man. For man’s character has been moulded by his every-day work, and the material resources that he thereby procures, more than by any other influence unless it be that of his religious ideals; and the two great forming agencies of the world’s history have been the religious and the economic (Marshall, 1948, p. 1; emphasis added).

A few pages later in his Principles, Marshall explicitly identifies economics as a “branch of social science” (Marshall, 1948, p. 15).

Even the long-standing, two-part division of economics – macroeconomics and microeconomics – testifies to the social-science character of economics. To explain, microeconomics centers on human individuality and individual action. Macroeconomics, on the other hand, is grounded in human sociality and social action.

Today, however, there is a tendency in economics to focus heavily on individual action, on microeconomics, to such an extent that many younger faculty seek to avoid teaching macroeconomics. Some even argue that “all economics is microeconomics.” They effectively deny both human sociality and the social-science nature of economics. Their position is the weaker because it rests on denial of the obvious – that humans are at once individual beings and social beings – and social economics is the stronger because it rests on acceptance of the obvious.

Put differently, in terms of how an economy is to be organized, mainstream economists see the Many side of the One-Many dichotomy, whereas social economists see both sides. And a large proportion of social economists lean strongly toward the One side of the dichotomy as the best way to organize economic affairs.7

**Economics is a Moral Science**

Because, as Marshall affirms above, economics deals with both individual and social action, and because human action in economic affairs frequently has ethical dimensions such as in hiring and promoting decisions in the workplace and in buying and selling real estate and securing mortgage loans in the marketplace, it follows that economics is also a moral science. Thus, at times moral judgments about human behavior in the economic order are necessary and unavoidable.

Some students of economics are attracted to social economics precisely because it incorporates questions with moral dimensions explicitly into the economic analysis, and are driven away from mainstream economics that excludes consideration of such questions on grounds that they are value-laden and for economics to be truly scientific it must be value-free.

As a consequence, properly defining and applying the virtue of economic justice is central to social economics. Indeed, for some it is the primary basis for their own working definition of social economics. To flesh out the meaning of justice and to apply it to economic
affairs, social economists necessarily borrow from social ethics because justice is properly within the scope of that discipline and not economics. In contrast, justice has been almost entirely eliminated from mainstream economics. Further, some in social economics reach into moral theology for additional understanding of moral good and evil, whereas no one schooled in orthodox economics would turn to that discipline for instruction, at least not at the explicit, conscious level.

It is **Social** economics Because it **Addresses the Social Question**

Since the end of the Keynesian period about 25 years ago, orthodox economic thought has been lacking in two critical attributes: “real-world applicability and centrality of focus” (Heilbroner and Milberg, 1995, p. 3). To elaborate, orthodox economics has no “vision” from which economics begins, and it lacks any relevance to real-world economic affairs. By calling this vision the “often unarticulated constructs” from which economists begin their work (pp. 2-4), Heilbroner and Milberg call attention to what Newman more than 150 years before called “pre-existing beliefs and views.”

We call it social economics because it deals with the so-called “social question,” the economic circumstances of the least fortunate in the real world. Dugger mentions this at the very beginning of his article on the nature of social economics:

An economist studying the problems of the disadvantaged and using his understanding to propose remedies is a social economist. And social economics itself is a holistic, ameliorative, value-directed approach to economics. The poverty of minorities, of broken families, of the aged, of the sick, of the unrepresented, and of the unorganized are chronic problems of social origin. Remedial programs are, therefore, social in nature. This is the first point to be examined if we are to understand the identifying badge of social economics (Dugger, 1977, p. 299).

Becker puts it more simply when he describes his own scholarly energies as having been devoted to “the alleviation of the scourge of unemployment” (Becker, 1984, frontpiece).

It is our opinion that real-world applicability no longer matters to mainstream economists because of rigid adherence to “publish or perish” in virtually all matters relating to hiring, promoting, and tenuring, that is driven by accreditation bodies and by a much greater concern within the profession for one’s own individual good versus the common good, as evidenced by the relative importance attached to service in the threefold duties of teaching, research, and service for the typical academic economist. And this lack of real-world applicability seems to account for why academic economists rarely any longer are sought out for their advice on real-world economic matters. Instead, the media routinely turn to economists working in positions in banking, securities trading, in private consulting, and to others who publicly represent themselves as economists.
Social Economists Recognize that the Invisible Hand Does Not Safeguard the Common Good

Social economics rejects the invisible-hand proposition from mainstream economics that the common good is served whenever each individual pursues his/her own economic self-interest. This proposition is attractive especially to the libertarians in mainstream economics because it effectively eliminates any need for social policy. Left alone, the market takes care of all of that.

Social economists object to that view for both concrete and abstract reasons. At the concrete level, the invisible hand does not square with economic reality. From time to time, markets fail, creating or compounding serious problems such as those enumerated above by Dugger. Those failures call for some type of collective action or intervention, such as deposit insurance, health care for the elderly and the indigent, compensation for injury on the job, discharge permits for industrial polluters, circuit breakers for stock exchanges, to cite several. For social economics, the issue is not whether there will be collective action, but where in the social order that action will originate.

At the abstract level, the invisible-hand proposition is child-like thinking in that, like a child, it pretends that there is a solution to every problem that is essentially effortless, that there is no need to be troubled because all problems disappear magically. The invisible-hand proposition is fantasy. At times it may even be a mantra. But it is not real. In truth, the common good is not the byproduct of the pursuit of individual good. It is served only by the collective action of such private organizations as neighborhood development councils, church mission boards, and trade associations and by such public organizations as local, state, and federal government agencies.

Further, it is the duty of each individual member of society to contribute to the common good, a duty that is spelled out in the principle of contributive justice. That is, to the extent that a person receives benefits from belonging to a given community, that person has an obligation to maintain and support that community. Mainstream economists contend that contributive justice is delivered by the invisible hand. Social economists know from human experience that contributive justice is served only by the visible and caring hand of mature human beings.

Social Economics is Anthropocentric

As we have just suggested, mainstream economics accords pre-eminence to wealth, goods, services, and natural resources, and through “the invisible hand” personifies the market, that in fact is not a person at all but a manner of speaking. As Marshall pointed out more than 100 years ago, economics aspires to a place among the physical sciences, that are admired for the increasing precision of their measurements, allowing physical scientists to speak with greater authority (Marshall, 1948, p. 31). Not surprisingly, economics has even borrowed terminology from those sciences. Indeed, Mirowski recently indicted neo-classical economics for “physics envy” (Mirowski quoted in Lipkes, 1997, p. 35).
Indicative of this leaning toward the physical sciences are words and terms such as “equilibrium,” “markets,” and “supply and demand,” that tend to obscure the real human beings—buyers and sellers, producers and consumers, employers and employees, resource holders and producers, creditors and borrowers, and entrepreneurs—who are working out their everyday lives providing for themselves and their dependants, building and investing in a business, saving for the future, creating something new at the same time destroying something old. Such language has the effect of hiding human behavior and conduct behind a veil of physical action and reaction.

This shift in focus away from human beings allows mainstream economists to more easily shape the discipline into a positive science where no account need be taken of the ethical dimensions of economic affairs, such as whether a price or wage is just or not, whether profits are excessive or not, whether interest rates are usurious or not, whether a class of borrowers is discriminated against or not. In other words, mainstream economists have erred not once but twice. They have personified the market, and objectified the very human beings who drive economic affairs and for whom economic systems are built. The recent emergence of feminist economics, for one, reflects and underscores the damage that has been done by an economics that in its pre-occupation with things simply disregards the living, breathing human beings who are the real subject of the discipline.

**Social Economics is Teleological**

Mainstream economics routinely defines economics as the study of the allocation of scarce resources among competing uses. Mainstream economics fixes attention finally on means rather than ends. This way of defining economics moves it further in the direction of a positive, value-free science because designating ends is normative, value-laden, and therefore a compromising of its foundations in the scientific method. The market economy is prized by mainstream economists because it accomplishes the allocation task with such efficiency. It was not always this way, however. For example, Paul Samuelson’s third edition says:

We must make sure that our economic resources are fruitfully employed in such a way as to be efficiently producing the goods and services that people really need and want (Samuelson, 1955, p. 4).

Marshall, for another, several times makes reference to need in his discussion of human wants and desires (Marshall, 1948, pp. 83-91). More to the point, there is no way other than in the context of human material need to construe Marshall’s “… attainment and … use of the material requisites of wellbeing” (Marshall, 1948, p. 1) that we cited previously.

Mainstream economists slip away from this question by separating consumer behavior from the issue of poverty, allowing mainstreamers to address consumer behavior in value-free fashion focusing entirely on human wants that are defined as unlimited. Lost in this separation is the fact that poverty or unmet human physical need clearly is a consumption question and unavoidably a normative issue. Lost, too, is Marshall’s assertion that “human wants … are generally limited and capable of being satisfied” (Marshall, 1948, p. 86).
Social economists, on the other hand, affirm that the primary goal of the economy, and therefore the principal subject of economics, is meeting human material need. The satisfaction of human wants, however, is not dismissed out of hand. Rather, wants are judged important but clearly subordinate to human material need. The challenge before social economists is to integrate poverty into the theory of consumer behavior.10

It follows that social economy is to social economics what the market economy is to mainstream economics. For that reason, social economists are especially attentive to the reconstruction of the economic order so that it better meets human needs and satisfies human wants. This attentiveness means for at least some social economists a genuine activism in economic affairs and policy.

**Social Economics has Vision**

The lack of vision in mainstream economics is not confined to “the unarticulated constructs” from which their work originates. It extends to the end point of the discipline as well, to economic policy. Increasingly, mainstream economics is driven again by the ideal of *laissez-faire*, reflecting the value attached to individual freedom by mainstream economists and in U.S. society as a whole. Individualism, libertarianism, utilitarianism, and hedonism reduce to a single vision (if indeed it can be called that): the solitary, autonomous, unfettered, glorified self.

Social economists see things much differently. Indeed, each one of the four major strands identified by Lutz – institutionalist, socialist, solidarist, and humanist – has its own vision driven by its own philosophy. The institutionalist school of social economics draws its vision from pragmatism. Marxist philosophy inspires much of the vision held by the socialists in social economics. Scholasticism serves as the philosophical foundation for solidarism, although very recently “personalist economics” is being substituted for the awkward “solidarist economics” and “personalism” for the medieval “scholasticism.” The philosophy of Immanuel Kant undergirds humanist economics.

As to vision, these four strands have at least two things in common. First, they all agree that the solitary, autonomous, unfettered, glorified self of mainstream economics is no vision at all. Rather, it is more nearly a nightmare, unacceptable as the foundation for an economics that sees humans as having a much greater intrinsic dignity. *Homo economicus* simply will not do.

Second, all four agree that every human being has a social side to his/her nature that is buried or disregarded by the individualism of mainstream economics. The social side of human nature means that competition alone is not sufficient to activate economic affairs because competition is the expression of human individuality. Cooperation, which gives expression to human sociality, is the second activating force that organizes economic affairs. A third organizing principle, intervention, is necessary to limit the two activating principles, helping prevent their various excesses such as suicidal price wars (that annihilate competition) and collusion (that victimizes the weaker party to a transaction).

No matter what type of social economics they may hold fast to, social economists understand at least instinctively that each of the three organizing principles rests on a unique
social value: competition on the social value of individual freedom, cooperation on the social value of teamwork or community, and intervention on the social value of equality. Along with a disposition to accept one another respectfully in spite of their differences, it is this common vision, blurred and incomplete though it may be, which as much as anything else holds social economists together.

**Social Economics is a Different Way of Thinking about Economic Affairs**

William Waters identified social economics as having three distinct domains: premises or philosophical presuppositions, description of economic reality, and social policy (Waters, 1988, pp. 113-14). By this Waters means that social economics is more than just a subspecialty area within or a branch of the tree of conventional economic thought. Rather social economics is an entire body of thought, a different way of thinking about economic affairs. It resembles mainstream economics in the same way one tree resembles another. But it is a separate tree, with its own life force supplied by the scholarly energies of those who identify with social economics.

To illustrate, the individual is centrally important in mainstream economics. In social economics, the central focus more likely is the person or the group. A single organizing principle, competition, actuates economic activity according to mainstream economics. Social economists recognize two organizing principles, competition and cooperation, as activating economic affairs, and reject the mainstream position that collusion is the inevitable outcome of cooperation between producers. Further, mainstream economists think in terms of marketplace equilibrium between the forces of supply and demand (things), whereas social economists likely think in terms of marketplace agreement between buyers and sellers (humans).

Heilbroner and Milberg, as noted previously, explicitly fault mainstream economics today for serious deficiencies in the first two domains. By implication, they also reprimand it for deficiencies in the third domain of social policy because policy follows from and is determined by one’s premises and one’s understanding of economic reality. In effect, they are saying that the tree of mainstream economics is dying for lack of adequate nourishment. And, in that sense, at this time at least social economics has more vitality and credibility than mainstream economics.

Even so, the tree of social economics is not flourishing. It is threatened principally by the widespread disdain for social economics and social economists in the academic world that increasingly closes off the mainstream journals of scholarship to the work of social economists, and means that on retirement senior social economists on the faculty are replaced by much younger men and women from the mainstream. These developments effectively shut down opportunities for graduate students to learn social economics and to elect a specialization in social economics. Since most of the demand for economists in academia is replacement demand, it follows that even if a graduate student has been adequately prepared in social economics, getting hired is even more difficult than for his/her mainstream peers in a market that for years has been a buyers’ market. In other words, the very same disease process that Heilbroner and Milberg diagnosed in the tree of mainstream economics is draining the life from the tree of social economics.
Final Words

Several years ago, William Waters pinpointed two broad areas of special interest in social economics: intra-firm cooperation and the role of the person in economics (Waters, 1990, p. 113). We would add four others. First, the full integration of resource economics into social economics by re-focusing resource economics on the person rather than the environment. Second, the reconstruction of the theory of consumer behavior to incorporate the pervasive problem of poverty throughout the world. Third, the role of cooperation at the inter-firm level (partnership) and at the supra-firm level (alliance). Fourth, the problem of economic security in a global economy wherein the pace of entrepreneurial change is heightened, thereby accelerating the rate at which established sources of economic security are destroyed. In addition, of course, there is the challenge to social economists to develop better tools for teaching social economics to the next generation. This task depends critically on improving our understanding as to how economic affairs are organized. We need better descriptions as to how the economy works and that means in turn greater clarity regarding the “often unarticulated constructs” from which the work of economics begins.

Finally, the center of inquiry for social economics is slowly disintegrating in the United States, as increasingly, social economists are being eased out of faculty positions and social economics is being muscled out of programs of study at the graduate and undergraduate level. Today, it is difficult enough to find an economics program to learn social economics. It is nearly impossible to find and keep a faculty position in social economics. The future of social economics, it appears, is less and less in the United States and more and more in Europe, Japan and, perhaps, Australia.

Notes

1. Cf. Mark Lutz’s Social Economics: Retrospect and Prospect (1990), for a recent review of the different “strands” (his word) within social economics. See, especially, the chapter by William Waters entitled “Evolution of social economics in America.”


3. This kind of hands-on work generally is necessary if a researcher is to play a role in shaping economic policy.

4. Private comment made to the author.


6. Lutz, for example, with apologies, leaves resource economics out of his coverage of social economics (Lutz, 1990, p. x).

7. Becker has an excellent discussion of the significance of the One-Many dichotomy in
organizing economic affairs (Becker, 1959, pp. 3-31).

8. Inevitably, justice comes up in matters relating to the distribution of the burden of taxes, but even there it can be avoided by defining the problem of the distribution of taxes as a matter primarily for the political order as opposed to the economic order.

9. Other words and terms include accelerator, liquidity trap, asymmetric information, ratchet effect, pump priming, and process ray, to enumerate several.

10. For instance, O’Boyle (1994).

References


“Doctor Joseph M. Becker, S.J., distinguished member of the Association for Social Economics” (1984), Review of Social Economy, April, frontpiece.


“Keynes symposium” (1991), Review of Social Economy, Fall (entire issue).


