

ECONOMIC STUDIES
DEPARTMENT OF ECONOMICS
SCHOOL OF BUSINESS, ECONOMICS AND LAW
UNIVERSITY OF GOTHENBURG
205

**The Place of Conventional Economics
in a World with Communities and Social Goods**

Rick Wicks



UNIVERSITY OF GOTHENBURG

ISBN 978-91-85169-67-2
ISSN 1651-4289 print
ISSN 1651-4297 online

**Printed in Sweden,
Kompendiet 2012**

This thesis can also be found in full text at: <http://hdl.handle.net/2077/29088>

**Dedicated
to the memory of**

my father **Alan E. Wicks**, MS in zoology
who, from an early age, taught me science:
chemistry, biology, physics, and experimental method

my mother **Dorothy Gleysteen Wicks**, a first grade teacher
who read to me daily when I was having trouble learning to read
and looked forward to having a “doctor” in the family again ¹

and

my first adult mentor, **Dr. Marie Doyle**
professor of counseling and community psychology ²
who always encouraged playfulness

with special thanks

to my wife **Ellinor Garbring** (and her family)
for their patience and support

and to our children **Linnéa and Hendrik**
who have never known anything else

¹ My paternal grandfather was an eye, ear, nose and throat doctor; my father attended medical school before doing cancer research; I studied “premedical sciences” (so-called in the U.S. system) after my undergraduate degree; and my daughter is now in medical school. But actually my sister is JD, doctor of law.

² At the University of Alaska–Anchorage, where I completed the courses for a master’s in counseling and community psychology. Marie later encouraged me to “get the PhD quickly so you can get out and do what you really want to do.” Clearly I didn’t take that advice.

Table of Contents ³

	page
The Inspiration for and Meaning of the Papers	i
Acknowledgements	ix
Paper 1	
Should Deliveries of Used Clothes to LDCs Be Supported?	
<i>Development Policy Review 14:4 (December 1996), with Arne Bigsten</i>	379-390
used by permission of the copyright © holder, John Wiley & Sons, Ltd.	
Paper 2	
A Model of Dynamic Balance Among the Three Spheres of Society – Markets, Governments, and Communities – Applied to Understanding the Relative Importance of Social Capital and Social Goods	
<i>International Journal of Social Economics 36:5 (2009)</i>	535-565
used by permission of the copyright © holder, Emerald Group Publishing, Ltd. ⁴	
Paper 3	
Assumption without Representation: The Unacknowledged Abstraction from Communities and Social Goods	
<i>American Economist 57:1 (Spring 2012)</i>	78-95
used by permission of the copyright © holder, The American Economist	
Paper 4	
Markets, Governments – and Communities!	
<i>Challenge 54:4 (July-August 2011)</i>	65-96
used by permission of the copyright © holder, M.E. Sharpe, Inc.	

³ Page numbers of papers refer to the original publications, reproduced herein. The caution in the next footnote should be assumed also for Papers 1, 3, and 4. Further distribution or online publication should first be cleared with the copyright holders.

⁴ Permission has been granted for this article to appear here and at <http://hdl.handle.net/2077/29088> as originally published. For this version to be further copied, distributed, or hosted elsewhere requires express permission from Emerald.

The Inspiration for and Meaning of the Papers

I have always loved markets – from individuals sitting on the ground in a village in India or Nepal selling fruit, to the Grand Bazaar in Istanbul, to the diamond dealers of Amsterdam, to the electronics stores that used to line Canal Street in Lower Manhattan, to shopping for the best airline fares on the Internet, to comparing prices among our local grocery stores. And I've always been good with math (e.g., GRE math score = 780).⁵ But, other than reading *The Wealth of Nations* and *Das Kapital* as an undergraduate in the 1960s, I had never studied economics academically until well over the age of 40.

I had long wanted to – but didn't – understand the macroeconomic issues discussed in the media, so I had toyed with the idea of trying to teach myself economics, even buying and starting to read an introductory textbook once when I came back from two years traveling in Asia and Europe – which is also when I met my (Swedish) wife in Bangladesh, and thus ended up here in Sweden some years later.

During that period, in the mid-1980s, I had been very concerned about the twin U.S. deficits – in trade and the federal budget – much of which seemed caused by massive defense spending at the height of the Cold War. While trekking in Nepal I came up with the idea of “union of the democracies” as a way to reduce defense expenditures and budget deficits (and trade deficits) – an idea which, I later discovered, I was only about 50 years late in inventing.⁶

Long before that, during the summer before college (and more recently too), because of my desire to understand and help to solve America's and the world's social-political-economic problems, I had read economic history. And even before that, in one of my first paid “jobs” outside the family – mowing a neighbor's lawn – I had naively but good-heartedly charged minimally so as to help keep inflation down (not a fierce economic competitor, one could say!

⁵ The Graduate Record Exam is the standard U.S. postgraduate evaluation tool, with maximum verbal and math scores of 800 each.

⁶ After Ellinor and I got married in Anchorage in 1986 we moved to Washington, DC, where I worked initially for the Association to Unite the Democracies, descended from an organization started by Clarence Streit, who – reporting from Geneva for the New York Times during the collapse of the League of Nations during the 1930s – proposed “federal union” of the democracies as a way to prevent World War II. People associated with Streit's movement – after the war – were instrumental in the founding of NATO, the OECD, and the EU as means for preventing future wars. I remain on the board of AUD's descendant, the Streit Council for a Union of Democracies.

But after college I focused first on sorting out my own emotional and spiritual problems, while supporting myself via an alternating dual career in, on the one hand, social-welfare work, and, on the other, bookkeeping.

Social-welfare work included teaching elementary school in a remote Athabascan Indian village (Nondalton, Alaska); working with severely autistic/schizophrenic children at Napa State Hospital in California; starting and managing Butterfly Children's (daycare) Center in Anchorage; and counseling Anchorage street alcoholics for the Salvation Army.

Bookkeeping jobs (which I undertook when I was burned out from social-welfare work or financially broke after extended traveling) included working a season as a professional tax-preparer and, later, working as full-charge bookkeeper, first for the daycare center, then for an international law firm and a title insurance company.

I have also worked – during high-school and college years, or just after (more or less chronologically):

- in healthcare and natural sciences: as a veterinary assistant and as a chemistry and physics laboratory assistant;
- in manufacturing: in a sawmill, a railroad-tie mill, and a cement plant;
- in services: as an elevator operator/tourist guide in the U.S. Senate; as a sailboat attendant and occasional sailing instructor on Chesapeake Bay; in a restaurant and a hot springs resort (Tassajara Zen Mountain Center);⁷ and in a real estate appraisal agency;
- in distribution: in retail and in the U.S. Post Office;
- in law enforcement: as a deputized patrol boat operator for the Alaska Department of Fish and Game in Prince William Sound; and
- in construction: in plumbing, carpentry, and electrical.

This great variety of employments has proved invaluable in helping me understand economics, including when editing economics papers for others. It also raised a variety of interesting economic questions, such as why some lawyers make as much as they do, and why social service organizations are so often so underfunded.

⁷ In terms of the tripartite classification of social reality described in the accompanying papers, my exploration of Zen (and of Buddhism more generally), a year at a Unitarian-Universalist theological school before that, and of course my family as well as genealogical research represent my involvement in the community sphere, while my activities for union of democracies, as well as with Democrats Abroad and in scores of letters to the editor of the Anchorage Daily News, represent my involvement in the political sphere; and of course all these employments represent my involvement in the market sphere.

My inspiration to actually start studying economics academically arrived when the two career strands (social-welfare work and bookkeeping) finally came together when I worked as manager/accountant of Boston Institute for Developing Economies (BIDE) – under management contract to Development Alternatives, Inc. (DAI) in Washington, DC – an international economic development consulting firm implementing a joint-venture USAID (U.S. foreign aid) project in Indonesia. The economists I worked with seemed like decent people (and they were willing to pay the tuition!) so I began with introductory economics courses at the University of the District of Columbia, then followed up with a few more at George Washington University. After our daughter Linnéa was born, we moved to Göteborg (where my wife's family lives) in 1992 and I jumped – still quite inadequately prepared in either economics or mathematics – into the graduate program here (our son Hendrik was born here two years later).⁸

Since I had traveled extensively in Asia and had been working with development economists, I was of course interested in international development issues, so I was naturally drawn to the development economics seminars in our department. Soon Arne Bigsten took me under his wing and offered me a job researching and writing up a study for Sida (the Swedish foreign aid agency) on the worldwide used-clothes trade, including Sweden's place in it.⁹ He then showed me how to craft that long report into something suitable for submission to a journal for publication. After much further rewriting to meet the journal's needs – while consulting extensively with Arne – that became **Paper 1**, *Should Deliveries of Used Clothes to LDCs Be Supported?*

I had not yet taken the graduate microeconomics course, so I learned a lot from working through Arne's analysis of new-clothes and used-clothes markets in the underlying Sida study, explaining and expanding the analysis. We concluded that markets work – even for used clothes (in which there is extensive worldwide trade) – and that, even in most emergencies, aid should not be in the form of used clothes. In other words, this is conventional economics. We did not consider the role of communities and social goods in the analysis. If we had done so, we might (for example) have considered the sense of meaning and solidarity inspired among volunteers in Sweden collecting used clothes and shipping them to poorer countries,

⁸ I was admitted to the doctoral program in 1998, having earlier been registered in something called PBU (similar to a master's program).

⁹ *Used Clothes as Development Aid: The Political Economy of Rags*, Stockholm: Sida (1996), with Arne Bigsten.

and perhaps among volunteers distributing them there as well. This would have usefully qualified our conclusions, but probably not changed them substantially.

My undergraduate economics courses in DC had been full of questioning students and receptive teachers using common-sense economics texts which clearly placed markets and economic analysis in a broader social context. When I began the graduate program here, I was shocked. Reading assignments weren't given out ahead of time, so no one had read them prior to class. Then, of course, no one dared to ask questions, which weren't really solicited either. If one asked a question it showed (as a Swedish student explained to me) that one hadn't prepared sufficiently: Otherwise, why would one need to ask? Or else the question insulted the professor: Hadn't they explained sufficiently? (A striking early exception, where questions were welcomed and discussion encouraged, was Torben Andersen's macroeconomics course; other exceptions were Bo Sandelin's course on methodology and the history of economic thought, and Arne Bigsten's on development economics.)

My undergraduate education – decades earlier – was based almost entirely on reading, questioning, and discussion. The overall spirit was: *follow the question*. So I was horrified at the non-questioning attitude – and continued to ask questions.¹⁰

As I started graduate studies here I had no familiarity whatsoever with econometrics, so I was totally over my head the first time I attended the course – and didn't bother with the exam – but instead worked to get a grounding while planning to take it again the following year. Then – knowing what was coming – I organized a small study

¹⁰ The St. John's College "Great Books" program seeks to teach not so much knowledge as skills – the liberal arts of language and mathematics (or more completely, the *trivium* of grammar, logic, and rhetoric and the *quadrivium* of geometry, arithmetic, astronomy, and music), and to merge them not only with reading great works – in philosophy and theology, history and political science, literature and psychology, economics, etc. – but also with the basic natural sciences: physics, chemistry, and biology. There are *no* lecture classes – all classes are run on student participation, questioning and discussion. There *are* lectures, but only as part of a special Friday night series – often with guest lecturers from other colleges and universities – followed by a vigorous question period. With few exceptions the program is entirely "required" – that is, virtually no elective courses. In addition to twice-weekly seminars on "the Great Books" (two "tutors" and about 20 students, all of whom have usually read the work and are prepared to discuss it) and mostly experimental science laboratories, the program is primarily organized into tutorials (classes of perhaps 10 students and a "tutor") in language, which study Greek and English during the first two years, French and English the last two; and in math, which start out with Euclid and work their way through Ptolemy to Copernicus and Kepler, Galileo and Newton (including calculus), Lobachevsky and Einstein (among others). There is also a music tutorial during one year. St. John's has two campuses, the original one in Annapolis, Maryland, and a newer one in Santa Fe, New Mexico. I started in Annapolis for two years, then graduated in Santa Fe in 1968.

group. We got Lennart Flood's excellent study notes ahead of time, tried to make sense of them before class, and, where we couldn't, prepared to ask intelligent questions – an effort which, despite the tight schedule and heavy load of material, Lennart seemed to appreciate.

Meanwhile, however, I had been in total despair over what I had gotten myself into: economics, which seemed to be taught like engineering, as though the truth were known, and we just needed to learn it and apply it. The overall feeling I got was that (with exceptions) markets worked – and we needed to understand the theory *why*. I came to believe, however, that for many purposes we would be better to adopt an opposite perspective, that although markets *can* work perfectly in theory, the theoretical conditions for “perfect markets” are never completely met in practice, so we need to understand all the ways in which markets can fail, and possible remedies.

Being a book reader, I went to the library after my first semester and printed out an alphabetical list of all the books that had the word “economics” in the title: over 3,000 books! The first one that caught my eye – thankfully, the author's family name started with B, not Z – was Kenneth Boulding's lively collection of essays, *Economics as a Science*. I liked the idea that economics might be a science – could perhaps be considered as a science – but, if so, had to justify itself as one (and couldn't just assume it, as we like to do about so many things in economics!). I started reading everything I could find of Boulding's, and that saved me. It convinced me that there was a world of economics into which I could fit.

One theme I ran across repeatedly in Boulding's work was the idea of the three spheres of society: communities, governments, and markets. When I later took the graduate microeconomics course – I had also “listened” to it once before, but now intending to pass it – I was immediately struck by the lack of non-monetary, non-marketable goods or services in the analysis (or even mentioned somewhere in the background) despite the pretence of dealing with universal markets and utility of all kinds (through revealed preferences).

Of course there was allowance for public goods provided by governments. And in some particular applications (e.g., by Gary Becker) communities were analyzed as though they *were* markets. But there seemed to be no awareness of communities functioning under principles of their own and producing social goods, nor of how communities and social goods might relate to or interact with markets and economics. (Yes, there was “social capital” in development economics, but no

theoretical awareness of the communities which produce them and the different principles on which they operate.)

When I started developing this theme, it seemed so off-the-beaten-path – and so complex – that I thought I would have to write a long monograph instead of individual papers in order to explain how it all fit together and why it is important. But I couldn't figure out where to start – all the parts seemed necessary in order to make sense of it.

That changed when I found anthropologist Alan Fiske's "relational models" (RM) theory and decided that I could understand the three spheres in those terms and could model interactions among the spheres. At that point I cut down the draft monograph I had been working on to what became **Paper 2**, *A Model of Dynamic Balance Among the Three Spheres of Society – Markets, Governments, and Communities – Applied to Understanding the Relative Importance of Social Capital and Social Goods* – still quite long (as you can tell from the title!), but leaving a few sections for other papers. I argued that social goods are more important than social capital – and enjoyed presenting the paper at a conference devoted to social capital.

In order for the reader to understand what it is about, **Paper 3** – *Assumption without Representation* – had to repeat a lot of the same information as in Paper 2, though in somewhat abbreviated form, before moving on to exploring the multitude of problems caused by *the unacknowledged abstraction from communities and social goods* (which is its subtitle) and to suggesting remedies, as well as benefits to be derived from applying those remedies.

Paper 4 – titled simply *Markets, Governments – and Communities!* – again needed to repeat a lot of the same (abbreviated) information for the reader to understand the context, before moving on to explore *how* the unacknowledged abstraction from communities and social goods had occurred, various ways in which it can be understood, and again (repeating) the multitude of methodological problems caused for economics, possible remedies, and benefits of remedial action.

Most of the non-conventional part of the thesis is thus in Paper 2, with a bit more in Paper 3, and a small bit more in Paper 4. I apologize for all the repetition in Papers 3 and 4, which of course wouldn't have been necessary if the papers were chapters in a monograph, but was necessitated – with the editors' full knowledge and approval –

by publishing in journals with different audiences and by my needing to include in each paper enough for readers to understand the issues and their implications.

The same Appendix (summarizing an Arrow paper) is attached to Papers 2, 3, and 4, repeated only because the papers are presented as published.

I sum up Papers 2-4 in this “elevator talk”:

Economic theory analyzes markets – but fails to consider communities. Society is made up not just of markets, and governments, but also communities – three “spheres” – all necessary, interacting, but operating on fundamentally different principles. Communities that people identify with – such as families, neighborhoods, and religious groups – affect markets, as in the recent bubble and crash, driven by crowd behavior. And markets affect communities, as when a big-box department store opens near a small town, and the town center dies. Economic theory also affects communities, by analyzing them as markets based on self-interest – which ignores and undermines the sense of identity, justice, and fairness that defines communities. I have been working on how communities and markets (and economic theory) interact.

The subject of these papers is communities of all kinds (kinship communities; geographical communities; and ideological or belief communities) and the social goods that they produce – including love, friendship, sense of identity, and many other things – which don't show up in normal economic analysis because they are not marketable and in fact, different from public goods, they disappear if it is attempted to market them. Yet communities and social goods provide a great deal of utility to us, and are affected by markets (as well as affecting them) and, as noted, are even affected by economic theory.

Courtesy of Fiske – who described four fundamental relationship models or modes at a micro level – there is a simple mathematical way to understand what communities are and how they relate to markets and economics (as well as to governments):

- The elements of a set constitute a community – who is in and who is out (i.e., identity and justice, whom we take care of and whom we don't).
- Ordering the elements of the set provides an authority ranking, *government*.
- Assigning units of distance between members of the set – for example, in debts – allows for a sense of equality (or not) and fairness, which are other aspects of *community*.
- Allowing debts of all kinds to be compared via ratios (and thus money) permits *markets*.

I offer a model – a moral or communitarian rather than deterministic or stochastic model – of how communities, governments, and markets interact with each other, imagined as three overlapping "donuts" subject to expansion or contraction for a variety of social (e.g., moral), political, and economic or "meta-economic" reasons (including changing psychologies and technologies).

I explore the ways in which very many methodological problems asserted about economics – including the alienation from economics that many non-economists feel – can be seen as manifestations of the unacknowledged abstraction from communities and social goods, and suggest how simple acknowledgement of communities and social goods could help to alleviate these problems.

I explore how the sphere of communities and social goods was left out of economics, which became a bigger problem (I believe and assert) as economics became more mathematical and "rigorous", producing a pretence of dealing with all utility via revealed preference.

I am now, finally, pursuing my original interests in macroeconomics, including monetary, fiscal, and financial policies, in an attempt to better understand what happened with the recent housing bubble, financial crash, and resulting depression, and what to do about it. Thus I am still trying to understand our economic system, especially the monetary part. But I believe that I now have a better foundation for that enterprise.

Acknowledgements

At some point as I worked on the communities and social goods papers, I sent a draft to a journal of methodology, or history of theory, or philosophy of economics (I don't remember which of those three I sent to first). They responded that the paper seemed more appropriate for either of the other two. When I sent it to another, they again said it seemed more appropriate for either of the *other* two. And the third said the same thing. Clearly the draft was "cross-disciplinary"!

Of course my drafts improved along the way as I kept rewriting them – partly in response to issues that journals raised – but there is a lot to be said for finding the right journal. Each of the three papers on communities and social goods – when finally sent to the journal which published it – accepted it virtually without change.

By that time the drafts had gone through perhaps 50 iterations, however – there is no guarantee that they would have been accepted earlier. I credit St. John's College and years of reading excellent writing – and a willingness to tear my own writing apart, outline it, and rewrite it time after time – for whatever fluency my own writing may have achieved. I would also like to acknowledge the role of my high school English teachers – Richard Arndt, Virginia Rehder, and Joan Baxter – in encouraging me to write.

When I sent draft papers to orthodox, conventional, neoclassical, "Samuelsonian" journals, the typical response (also received from many in our own department) was "We know all this. How does it affect the model?" But when I explain to heterodox economists – or to other social scientists or other educated, knowledgeable people concerned about economic issues – the typical response is "Right on! This is really important!" There seems to be a disconnect between the way that many conventional economists see economics and the way that many others see it.

As mentioned, Kenneth Boulding's books and papers saved me when I was despairing at what I'd gotten myself into. A second "salvation" occurred when I realized, sometime later, that I had a real problem with – a phrase occurred to me – *the rhetoric of economics*. Come to find out, Deirdre McCloskey had written papers and books on that topic, and I was again comforted to find out that I was not alone. Since Deirdre was in Iowa City (at least when she wrote many of those papers and books) – which is where I was born and lived until we moved to Alaska when I was in

6th grade – I felt doubly connected, and wrote to her for advice. I would like to especially thank Deirdre for her steadfast support ever since.¹¹

A Buddhist meal chant says “Innumerable labors brought us this food, we should know how it comes to us.” Of course this is also true for intellectual fare. I want to especially acknowledge and thank our many foreign friends who eased my transition into life and study in Sweden – in particular Zhao Zhigang, Daniela Chisiu Roughtsedge, Ladslous Mwansa, Damiano Kulundu Manda, Daniela Popa Andrén, Alvaro Forteza, Mkhululi (MK) Ncube, and Phineas Kadenge – as well as the many Swedes (Tomas Gabinus, Jonas Friberger, Karin Kronlid, and others too many to list) who have helped over the years, including many who participated in study groups with me, and all those (both foreign and Swedish) with whom I have shared many delightful “Friday fikas” (including especially Johan Lönnroth who organized the fika tradition at “the Free Republic of Södra Allégatan”).¹²

I want to thank my advisor, Bo Sandelin, for his unwavering support through this long process, and Arne Bigsten especially for his support for me when I arrived at the department – undereducated in both economics and mathematics – but, as noted, fresh from working as manager/accountant of an economic development consulting firm in DC. For that matter, I would like to thank Lee Jones, Gus Papanek, Dani Schydrowski, and David Wheeler for their examples as humane professional economists – and those at DAI as well – which led me to finally start studying economics in the first place.

As mentioned, my first published paper, dealing with the worldwide used-clothes trade, was written as a result of a project for Sida, whose financial support for that purpose I very much appreciated (as well as Arne Bigsten’s sponsorship of me for that task, and co-authorship of the paper). For assistance during used-clothes research I thank Eva von Oelreich of the Swedish Red Cross (Röda Korset); Göran Larsson of Practical Solidarity (Praktisk Solidaritet); Merete Schiøler of Development Aid from People to People (UFF); Arne Sjöberg of the Salvation Army (Myrorna/ Frälsningsarmén); and previous researchers Steven Haggblade, Karen Tranberg, and Robert Thompson. Magnus Lindell of Sida gave excellent guidance. Ellinor

¹¹ I had also written to Kenneth Boulding for advice, only to find out that he had died just days before I wrote.

¹² “Fika” is long-time Swedish slang (*coffee* pronounced backwards) for a coffee break with something sweet to eat.

Garbring translated sources in Swedish, proofread in English, and offered many helpful suggestions.

I have mostly supported myself financially during these many years by copy-editing hundreds of theses for doctoral candidates and journal papers, book chapters, and conference presentations for professors – many thousands of pages in all. I thank my clients – some of whom have appreciated my questioning, challenging, highly-intrusive and expensive style more than others, some even becoming quite loyal patrons.

Besides many clients in our own Economics Department and some at the Gothenburg Research Institute and Handelshögskolan's Department of Business Administration, I want to thank clients

- at Economics or Business Departments at the Universities of Linköping, Gävle, Umeå, Örebro, Dalarna, Jönköping, and Addis Ababa, as well as at the Royal Institute of Technology (KTH) in Stockholm;
- at the RATIO Institute and the Swedish Retail Institute (HUI), in Stockholm;
- at the Center for Research on Transportation and Society (CTS) and the Center for Transport Economics (CTEK) at Dalarna University in Borlänge;
- at the Swedish National Institute of Road and Transport Research (VTI) in Borlänge; and
- at Sahlgrenska University Hospital and the GU Departments of Surgery, Physiology, and Nursing.

Now that I am finishing this phase of my career – at the age of 65 – I hope that many of these clients and their colleagues will help to keep me similarly busy and generating a little income in the next phase!¹³

I thank the Economics Department of Göteborgs Universitet for two years of utbildningsbidrag (financial support) as well as the educational foundations Adlerbertska Stipendiestiftelsen, Stiftelsen Paul och Marie Berghaus, and Stiftelsen Siamon which financed my attendance at international conferences.

I very much appreciate that Wlodek Bursztyn, Wilfred Dolfsma, Alan Page Fiske, Olof Johansson-Stenman, Mats Lundahl, Jeff Madrick, Deirdre McCloskey, E.J. Mishan, Ed O'Boyle, Michael Pepperday, Daniela Roughsedge, and Timothy Taylor read and

¹³ My little *Stylebook: Tips on Organization, Writing, and Formatting* suggests how I work, what kinds of "problems" I seek to eliminate, etc.:

<http://gupea.ub.gu.se/bitstream/2077/9921/4/gunwpe0295corr.pdf>

provided very helpful comments on one or more drafts of the communities and social goods papers, which have also been presented (and comments gratefully received):

- at seminars at the Economics Department of Göteborgs Universitet (2000, 2003, and 2008);
- at the 10th World Congress of Social Economics organized by the Association for Social Economics (Cambridge, England, 2000);
- at the 3rd Nordic Workshop in Development Economics (Copenhagen, 2001);
- at a conference of the Association for Heterodox Economics (Dublin, 2002);
- at a conference of the International Confederation of Associations for Pluralism in Economics (Kansas City, 2003);
- at a conference of the Society for the Advancement of Socio-Economics held jointly with a Communitarian Summit (Washington, DC, 2004); and
- at a conference organized by the Social Capital Foundation on Social Capital: Definitions, Measurement, and Applications (Malta, 2005).

I also thank Kenneth Arrow, Dick Durevall, Amitai Etzioni, Lennart Flood, Mats-Ola Forsman, Bruno Frey, Paul Grimes, Johan Lönnroth, Karl Ove Moene, and Svante Ylvinger who have encouraged me in this work at various stages.

I thank

- our departmental administrative staff (Eva-Lena Neth, Eva Jonason, and many others) who have kept the department running and provided lots of personal support as well;
- the staff of the Economics Library (the late Maria Qvinth and many others) who over the years have not only facilitated my many book loans (including distance loans) but many times have also ordered books that I have suggested for purchase;
- our Handels computer-support staff (Hasse Ekdahl, Bengt Karlsson, and many others) who have kept our computers and network functioning and provided excellent technical advice; and
- all those in Vaktmästeriet (Elsa Greising and many others) who have kept our lights on, mail delivered, copies made, etc.

I would also like to thank the many heterodox newsletters I have read, and professors and other researchers with whom I have corresponded, from whom I have derived help and inspiration. Unfortunately I can't mention everyone personally, and may even have forgotten to mention some who helped greatly. My apologies if so.

My thesis is not conventional – not in the mainstream – but I believe it raises important questions. To honor "questioning" as an important part of the scientific process, I had hoped to print a Gary Larson (The Far Side[®]) cartoon here, but because of copyright restrictions I am unable to do so. The cartoon shows a classroom with a blackboard diagram of a cow – labeled COW – and a professor pointing to a student and saying: "Yes ... I believe there's a question there in the back." Under the cartoon I added the question: *What is economics about?*

If this were summertime I would have written this introduction at a wilderness cabin I helped my father build in 1965, and would thus sign off from

Question Lake, Alaska

However, since I am writing this in the spring, I will sign off from

Kransen 3, Göteborg
Sverige (Sweden)
1 April 2012

Paper 1

DEVELOPMENT POLICY REVIEW

VOLUME 14

NUMBER 4

DECEMBER 1996

NGO Accountability: A Conceptual Framework
Adil Najam

**Economic Policies and Forest Development
in China**
Aying Liu

**Used-Clothes Exports to the Third World:
Economic Considerations**
Arne Bigsten and Rick Wicks

**Foreign Creditors' Perception of Risks in
Lending to African Countries: Evidence from
Interest-Rate Spread**
M.O. Odedokun

**Positive Terms-of-Trade Shocks and Structural
Adjustment in Sub-Saharan Africa**
Martin Brownbridge and Jane Harrigan

Book Reviews

Editor
Sheila Page

Co-editors

John Farrington Adrian P. Hewitt Roger Riddell Jim Winpenny

Associate Editor
Margaret Cornell

Production
Peter Gee

Development Policy Review (ISSN 0950-6764) is published four times a year in March, June, September and December by Blackwell Publishers on behalf of the Overseas Development Institute, Portland House, Stag Place, London SW1E 5DP, UK.

Tel. +44 (171) 393 1600, fax +44 (171) 393 1699, email dpr@odi.org.uk

Director: John Howell

Information for Subscribers: New orders and sample copy requests should be addressed to the Journals Marketing Manager at the publisher's address below (or by email to jnlsamples@BlackwellPublishers.co.uk, quoting the name of the journal). Renewals, claims and all other correspondence relating to subscriptions should be addressed to the Journals Subscriptions Department, Marston Book Services, PO Box 270, Abingdon, Oxon OX14 4YW, UK. Cheques should be made payable to Blackwell Publishers. All subscriptions are supplied on a calendar year basis (January to December). 1997 subscription prices are as follows (prices for North America in US dollars):

	<i>Institutions</i>	<i>Individuals</i>
Subscriptions	£116 (\$183)	£44 (\$70)

Canadian customers/residents should add 7% for GST.

Back Issues: Single issues from the current and previous two volumes: Marston Book Services at the current single issue price. Earlier issues: Swets & Zeitlinger, Back Sets, Heereweg 347, PO Box 810, 2160 SZ Lisse, The Netherlands.

Microform: The journal is available on microfilm (16mm or 35mm) or 105mm microfiche from the Serials Acquisitions Department, University Microfilms Inc, 300 North Zeeb Road, Ann Arbor, MI 48106, USA.

US Mailing: Periodicals postage paid at Rahway, New Jersey. Postmaster: Send address corrections to *Development Policy Review*, c/o Mercury Airfreight International Ltd Inc, 2323 E-F Randolph Avenue, Avenel, NJ 07001, USA (US mailing agent).

Advertising: For details contact the Advertising Manager, Ludo Craddock, 15 Henry Road, Oxford OX2 0DG, UK. Tel. + 44 (1865) 722964, fax + 44 (1865) 790740.

Copyright: All rights reserved. Apart from fair dealing for the purposes of research or private study, or criticism or review, as permitted under the Copyright, Designs and Patents Act 1988, no part of this publication may be reproduced, stored or transmitted in any form or by any means without the prior permission in writing of the publisher, or in accordance with the terms of photocopying licences issued by the Copyright Licensing Agency, the Copyright Clearance Center, and other organisations authorised by the publisher to administer reprographic rights.

Printed and bound in Great Britain by Page Bros. Ltd, Norwich.

Development Policy Review is printed on acid-free paper.

Copyright © 1996 Overseas Development Institute, London.

All editorial correspondence should be addressed to:
the Editors, *Development Policy Review*, Overseas Development Institute,
Portland House, Stag Place, London SW1E 5DP, UK.

Development Policy Review Vol. 14 (1996) ISSN 0950-6764

Published by Blackwell Publishers, 108 Cowley Road, Oxford OX4 1JF, UK, and 238 Main Street, Cambridge, MA 02142, USA.

Contents

Volume 14

Number 4

December 1996

NGO Accountability: A Conceptual Framework
Adil Najam 339

*Economic Policies and Forest Development
in China*
Aying Liu 355

<i>Used-Clothes Exports to the Third World: Economic Considerations</i> Arne Bigsten and Rick Wicks 379
--

*Foreign Creditors' Perception of Risks
in Lending to African Countries:
Evidence from Interest-Rate Spread*
M.O. Odedokun 391

*Positive Terms-of-Trade Shocks and Structural
Adjustment in Sub-Saharan Africa*
Martin Brownbridge and Jane Harrigan 409

Book Reviews 429

For a list of books reviewed please see next page

Used-Clothes Exports to the Third World: Economic Considerations

Arne Bigsten and Rick Wicks*

Commercial trade in used clothes is growing rapidly worldwide, but has met stiff objections in some developing countries because of its perceived disincentive effects. An alternative practised in Sweden until recently is the subsidised export of used clothes by charitable non-governmental organisations as development aid. This article discusses the economic effects of the commercial and charitable export of used clothes from industrial to developing countries, in particular whether donors should subsidise charitable exports.

Food is the other 'surplus' commodity most often shipped to developing countries as development aid. Food aid has a long history of rich debate, whereas used-clothes exports have hardly been studied, even in their commercial aspects. But the two are quite different. Food is available for use as commodity aid only because it has previously been purchased by governments to raise market prices and agricultural incomes — the excess supplies are presumably dependent on such purchases — and thus it cannot be sold on the market without depressing those prices and incomes. If not destroyed, it can only be used as aid, either to the domestic or to the foreign poor. And even as aid, if it ends up in the local market or substitutes for food that would have been purchased in the local market, it must reduce prices and thus have a disincentive effect on local production. But it is not entirely clear that used-clothes exports have similar disincentive effects.

Used-clothes collections in industrial countries have also often been subsidised at least indirectly — where tax deductions are allowed for charitable contributions, as in the United States for instance, in order to support non-profit-making organisations. However, while such donations might decline somewhat if tax deductions were not allowed, it is hard to imagine that these subsidies have much effect in actually generating stocks of used clothes — and there is growing concern about waste disposal, because used clothes have to go somewhere.¹ Thus the used clothes that are available to NGOs for charitable

* Professor of Development Economics and Research Associate respectively, Department of Economics, Göteborg University, Sweden.

1. See, for instance, Statens Naturvårdsverk — the Swedish Environmental Protection Agency — (1995), which suggests that NGOs may need subsidised capital in order to increase their collection efforts.

export can also be traded freely on the world market, without much immediate political concern at least about the direct price effect, because any effect on world used-clothes prices will have little consequence for government policy in the (mostly industrial) source countries, which will probably be happy to get rid of them in this way.²

World trade in used clothes is well developed, with efficiently functioning used-clothes markets in most developing countries. Already in 1980 used clothes constituted large portions of certain clothes import markets, ranging from 10.8% (by weight) for developing countries in Asia to 33.8% for sub-Saharan Africa.³ Included in these averages were peaks of over 50% for Bangladesh, Zaire, Mali, and Tanzania. Even including domestic clothes production as well, Haggblade (1990: 509) calculated that 'second-hand apparel accounted for roughly 10% of all garments acquired in Bangladesh, Pakistan, and the Southern African Customs Union countries . . . [while] the used clothing share rose to 20–30% in Benin, Ghana, Togo, and Zaire, and it exceeded 50% in Haiti and Rwanda'. The total value of gross used-clothes exports has since risen rapidly, from US\$229 million in 1984 to US\$782 m. in 1993 (current prices, unadjusted).⁴ About 70% of these exports by value (and considerably more by weight) went to developing countries, with considerable employment generated thereby, much more than would be likely to be the case with increased food imports. The sorting of used clothes, which is first carried out by NGOs or commercial exporters in industrial countries, is carried many steps further in developing countries. The clothes are cleaned, repaired, restyled and even remade, and then distributed hither and yon according to highest market value.⁵

However, labour unions and textile- and garment-producer organisations in developing countries have reacted to increasing inflows of cheap used clothes by demanding high tariffs or outright bans.⁶ Popular alarms have been raised, not only about the disincentive effects of used-clothes sales on domestic textile

2. Recipient countries, of course, can restrict imports if they so desire, more or less effectively depending on the porosity of their borders; recent evidence is that most are not doing so to any high degree, however — the trend seems rather to be the other way; see Wicks and Bigsten (1996).

3. UN trade statistics, reported in Haggblade (1990).

4. UN trade statistics, SITC2 data; SITC1 data would give slightly higher figures, because some countries were not reporting SITC2 during all or part of the period. The total value of net exports increased proportionally, from US\$169 m. to US\$574 m.

5. See Hansen (1994) for evidence on the used-clothes market in Zambia, as well as Haggblade (1990) on Rwanda.

6. For instance, the International Textile, Garment and Leather Workers' Federation (ITGLWF), in solidarity with Third World workers, has taken a strong stand against commercial used-clothes sales, as has the Zimbabwe Clothing Council, a producers' association.

and clothes production, but also about the perceived dishonesty of selling, for profit, clothes which were originally donated to benefit the poor.⁷ The used clothes donated to NGOs by well-meaning individuals have often been collected and sorted by volunteer labour as well — in some cases, volunteers have even worked hard to repair or remake the clothes according to their ideas of what will be most serviceable in developing countries⁸ — and many donors and volunteers derive satisfaction from the knowledge (or belief) that ‘their’ used clothes are going directly to the poor. But many NGOs do in fact sell most of their used-clothes collections to the network of commercial exporters (the ‘rag merchants’).

Thus, although used clothes *can* be sold commercially without affecting any politically sensitive prices in their country of origin, doing so *might* have significant disincentive effects in developing countries (just like food aid), and is also objected to on the grounds that it distorts the donors’ and volunteers’ intentions. An acceptable alternative to commercial sale might be the subsidised delivery of used clothes to those in developing countries who are too poor to enter the market, ‘the poorest of the poor’. Sweden has long supported the efforts of NGOs to do just that, by subsidising freight and other costs. Charitable exports are a substantial proportion of total used-clothes exports worldwide, constituting roughly 20% of US used-clothes exports, for instance, according to Department of Commerce statistics for 1990–94. And the US alone is the source of about 25% of all gross used-clothes exports, and almost 40% of all net exports (UN trade statistics for the period 1984–93). But official questions have also come up concerning the effects of subsidised exports in both Sweden (see Wicks and Bigsten, 1996) and Denmark,⁹ for example, because of rising concern in the popular press in recent years about the used-clothes trade.

Vocal popular concerns about used-clothes imports, both in developing countries and elsewhere, cannot be ignored. To note a few contrary facts, however: As early as 1984 exports of textiles and (new) clothing *from* developing *to* industrial countries amounted to more than twice the reverse flow (UNCTC, 1987: 2) and developing country production and exports have continued to grow (ILO, 1995: 19). Total world trade in textiles and (new) clothing in 1993 was well over US\$100 billion (WTO, 1995: 2), while world trade in used clothes was less than 1% of that. Thus claims that used clothes of

7. For instance, *The New York Times* of 14 March 1996 quotes the spokesman for Kenya’s Ministry of Commerce as saying (presumably with some sense of outrage): ‘The original donor to a charity probably doesn’t know that, somewhere down the line, someone is making money.’ (p. A3 ‘Clothes You Gave Away are a Hot Item in Africa’, James C. McKinley Jr).

8. This is frequently the case with clothes donated to the Swedish Red Cross, for instance.

9. See Denconsult (1993), in which one of the issues was the appropriateness of allowing the use of public space for clothes-collection boxes, a common practice in Sweden as well.

industrial-country origin are flooding developing countries seem exaggerated.¹⁰ Furthermore, developing countries are by no means the only importers of used clothes. In 1990, for instance, 181 countries or trading territories imported used clothes, including all members of the European Union, the United States, Japan, Canada, Australia, New Zealand, Switzerland, Norway, and Iceland.¹¹ Conversely, 127 countries or trading territories exported used clothes, including many, if not most, developing countries.

Nevertheless, if it can be clearly shown, either theoretically or empirically, that commercial used-clothes imports are damaging to recipient Third World economies overall, then subsidising imports in a way that increases the damage should obviously be discouraged, while the possibility of alternative non-damaging subsidies could be explored. If it cannot be shown that commercial imports are damaging, then the effects of unsubsidised commercial trade need to be compared with the effects of subsidised delivery, to determine which is preferable. This will be done in the following three sections of this article. Alternative uses of the aid funds will then be considered, followed by an analysis of emergency situations. The final section summarises the findings and draws policy conclusions.

Theoretical impact of commercial imports

Under the initial assumptions of a competitive economy in internal equilibrium and external balance, the presence of a domestic clothing industry, and free importation of both new and used clothes — with used clothes assumed to be imperfect substitutes for domestic and imported new clothes — then, with no market distortions, the resulting market allocation, including the presence of used-clothes imports, can be shown to be welfare-maximising (see Wicks and Bigsten, 1996, for a fuller development of this and later analyses). However, several types of realistic conditions might cause less than optimal resource allocation, for instance unemployment due to poorly functioning factor markets — which also make resource reallocation difficult — or positive

10. Admittedly, it is generally *not* the *same* developing countries both exporting large quantities of new clothes *and* importing large quantities of used clothes, although there are major exceptions, such as Pakistan. The related points, however, are that *some* developing countries *are* exporting domestic clothes production, and others presumably could be doing so as well, while a large portion of the used clothes ending up in developing countries actually originated in *other* ldc's, not in industrial countries.

11. UN trade statistics, analysed in Wicks and Bigsten (1996). Price analysis indicates that many — perhaps most — industrial country imports are *not* for re-export, but rather fill a separate market niche.

externalities ('learning by doing') associated with clothes production — the infant-industry argument.

Under either of these conditions, fewer used-clothes imports might be desirable. However, another possible market distortion might be a positive externality on used-clothes sales to (and retail distribution by) the poor. If (as seems to be the case) used clothes are primarily retailed and purchased by the poor, then there might be positive distributional and growth effects, due both to the availability of cheap used clothes and resulting higher real incomes for the poor, and to increased opportunities for their productive employment, which might both directly and indirectly improve their productive capacity and, by reducing income inequalities, reduce social tensions and the risk of political instability. If those purchasing used clothes were primarily too poor to enter the market for new clothes, then the negative effects associated with decreased demand for new clothes would also be mitigated.¹² If exports of domestic new-clothes production are also possible because of comparative advantage, such negative effects might be eliminated entirely. Thus, the theoretical impact of used-clothes imports is not clear, but depends on: the extent of unemployment; the size of learning-by-doing externalities on clothing manufacture vs. those on used-clothes retailing;¹³ the extent to which those who actually purchase used clothes are too poor to enter the market for new clothes, and related distributional effects; and the extent to which exports of domestic clothes production are possible. All of these are empirical questions.

Empirical effects of commercial used-clothes imports

What are the actual effects of used-clothes imports? Unfortunately, few empirical estimates have been undertaken. The best study is Steven Haggblade's 1990 article 'The Flip Side of Fashion: Used Clothing Exports to the Third World', based primarily on his research in Rwanda before its recent civil war.¹⁴

Haggblade found that, at least in a country like Rwanda — a special case, with no domestic textile or ready-made apparel industries — employment gains in handling, cleaning, repairing, restyling, and distributing used clothes came very close to offsetting the related employment losses in tailoring and/or distributing new clothes. Further, a comparison of equal values purchased of

12. The 'separate markets' argument; see, for instance, Abrahamsson (1988) or Denconsult (1993).

13. Abrahamsson (1988) also identified an 'incentive effect' whereby rural residents outside the market economy might be stimulated to produce *for* the market by the presence of something *in* the market affordable to buy: used clothes. See also DAPP (1994).

14. Denconsult (1993) is another study that makes a serious attempt to calculate all the gains and losses related to the used-clothes trade.

used clothes, ready-made clothes, and tailored clothes revealed that national income was highest with used clothes, because of higher value added domestically. Moreover, these income gains meant that the relatively poor handlers, cleaners, repairers, restylers, and distributors of used clothes could earn roughly equal incomes in less time than the tailors who were (partly) displaced by used-clothing sales — in other words, there were 'higher returns to labour in used-clothing distribution' (p. 515).

At the same time, the government reaped higher revenues (due to higher tariffs on used clothes than on imported cloth),¹⁵ while the relatively rich used-clothes wholesalers also benefited. Low-income consumers also gained from the availability of cheaper, used clothes, as they were able to purchase more clothes for the same expenditure, or to buy the same quantity of clothes as before, plus something else. Since it is mostly the rural poor who buy used clothes, they were the ones who mostly benefited as consumers. In short, Haggblade found that used clothing generated maximum income per unit of sales, supplied consumers at the lowest cost, benefited the poorest consumers most directly, and generated nearly as much employment as small-scale tailoring.

As Haggblade pointed out, his calculations concerned only first-round effects. 'They do not take into account the multiplier effects of increased real income among used-clothes consumers and suppliers' (Haggblade, 1990: 516).

If there were a clear and strong empirical case for damage resulting from commercial used-clothes imports, subsidising imports could be ruled out in any situation which would be likely to add to that damage. But judging from Haggblade's study, it is not obvious empirically, in the case of Rwanda, that there is damage from imported used clothes. Perhaps there are some small employment losses, but there appear to be actual gains in productivity, income, and income distribution.

Commercial imports of second-hand clothes thus seem to result in a variety of empirical benefits, while there also seems to be at least a theoretical possibility of significant losses. Subsidised sales or deliveries targeted specifically to those too poor to enter the market for new clothes might have greater benefits, with less risk of losses. Thus in order to discover whether used-clothes deliveries to developing countries should be supported, we need to compare the above results with the effects of subsidies.

15. Haggblade pointed out that, if these tariffs were reduced, the other beneficiaries of used-clothing sales would benefit still more.

Effects of subsidising used-clothes imports

Some alternative subsidy schemes have been tried, such as sales by industrial-country NGOs directly in the recipient country (perhaps with the proceeds used to fund development projects), or transfer to local NGOs for sale as a way of supporting those in-country organisations. But despite the fact that they are being conducted by NGOs, these are, of course, simply commercial sales, and, as we have seen, there might be losses from commercial used-clothes sales, because of either positive externalities associated with textile or clothes production, or less than fully functioning factor markets and the resultant unemployment. If this is the case, subsidising such imports would increase the losses.

As the International Textiles and Clothing Bureau in Geneva points out, according to Dinora Diaz of that agency in a personal communication in June 1995, such subsidised sales constitute dumping. 'A subsidy to exports of used clothing for commercial purposes [is probably not] consistent with the Agreement on Subsidies and Countervailing Measures of the Uruguay Round' of GATT, because it represents unfair competition. Dumping itself is not necessarily anything to be worried about: If someone wants to sell us goods at prices below costs, it is generally to our advantage, provided that we can use our resources fully in other activities, and provided that the dumping is not a temporary move to knock out our industries, to be followed later by higher prices. While the latter possibility is not so likely in the case of used-clothes imports, it may be difficult, as already noted, for a typical developing country to find good alternative uses of resources, so that there might be substantial unemployment, as well as the possibility of lost positive externalities.

If there were no domestic textile or clothes production to start with, losses arising from unemployment or lost positive externalities would still not be eliminated, because increased used-clothes imports would reduce the likelihood of development in those sectors in the future.¹⁶ On the other hand, if an existing clothing industry were exporting, or if it happened that the people purchasing used clothes were simply too poor to enter the market for new clothes, so that their purchases had no effect on the new-clothes sectors, then both types of losses would be mitigated or eliminated.

Would it be possible to distribute used clothes through subsidised development projects in such a way as to guarantee that the clothes were being delivered *only* to those too poor to enter the market for new clothes? Would that guarantee that there was no effect on the new-clothes sectors? Two problems

16. Textiles and clothing are recognised as sectors where many developing countries may be competitive, and where relatively little capital is required to get started. For instance, Toyne et al. (1984: 4) noted that 'textiles is one of the first internationally competitive industries generally developed by developing countries'.

arise. First, it is very likely that precious commodities — which used clothes are — will be strongly subject to neglect¹⁷ and theft, as well as to corruption, if handled in this unbusinesslike way (see, for instance, Swedish Red Cross, 1992), and these are probably not results that donors wish to foster. Secondly, large portions of the clothes will very likely end up on the used-clothes market anyway,¹⁸ in which case they will have essentially the same effects on the new-clothes sectors that subsidised commercial imports would have had.¹⁹ In addition, such well targeted deliveries would probably raise the amount of the required subsidy considerably, because of identification and delivery costs which are not covered commercially. Consequently perhaps, most charitable used-clothes imports to developing countries seem to have been destined for — or almost immediately diverted to — sale on the market.²⁰

Alternative costs and best use of cash and clothes

Even if there are no losses caused by subsidised used-clothes deliveries, and even if there is a strong concern for poverty, on which subsidies would have a large impact, this would not necessarily imply that subsidies should be given. The cost of subsidies, and alternative uses of the available development funds, and, for that matter, of the clothes, must still be considered.

So far only the effects of subsidised used-clothes imports on the recipient country have been considered, ignoring the cost to the donor and the alternative cost to the recipient. As well as the directly negative welfare effects in the domestic and imported new-clothes sectors, the increased unemployment, and the loss of the positive externality that might be associated with clothes production, all possibly resulting from subsidised used-clothes imports, there is still the cost of the subsidy itself. For the sake of simplicity we assume in Figure 1 that the subsidy is so large that the used clothes can be given away

17. Neglect because, despite the fact that they are precious commodities, they may be perceived as 'free' goods by those entrusted to look after them, who may lack the incentive to store and account for them carefully.

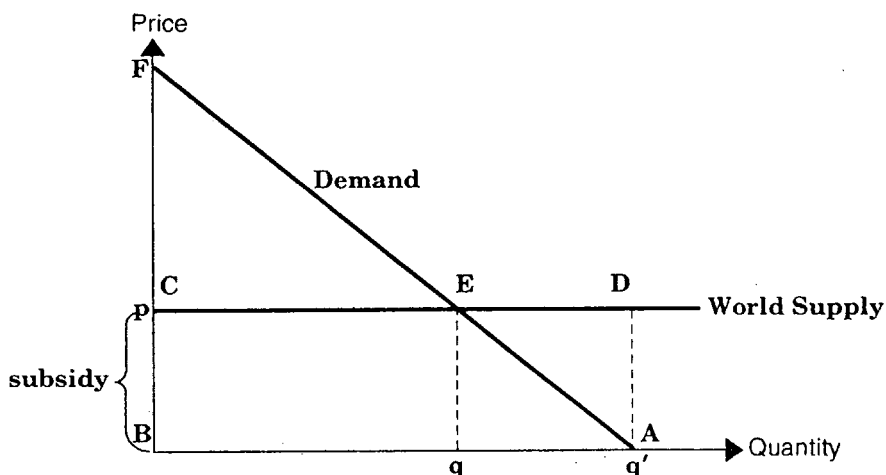
18. Haggblade reports: 'Because an enormous private distribution network exists in most African countries, any imported used clothes will probably end up sold at market price — as is the case with most food aid, incidentally, even the in-kind food-for-work I have recently been studying in Bangladesh.' — personal communication, July 1995.

19. But of course, as we have noted, used clothes are different from food; if purchases on the used-clothes market are primarily by those too poor to enter the new-clothes markets, so that there is no effect on the latter markets, then the object of subsidies has essentially been accomplished *without* subsidies.

20. In practice, many NGOs operating in developing countries seem to take the attitude that 'almost everyone is poor, so it doesn't matter who gets the clothes — *someone* benefits'.

free.²¹ Instead of importing quantity q at price p , the country now gets q' at a zero price. The cost of the subsidy needed to bring this about is $ABCD$, which is larger than the total increase in consumer surplus in the used-clothes market ($ABCE$), perhaps not even all of which would accrue to the poor.²²

Figure 1
Subsidy for imported used clothes, showing its cost and welfare gain



It would therefore be better to put cash directly in the hands of the poor, and then let them use it as they see fit, rather than using it to subsidise used-clothes imports. Such transfers would have all of (or more than) the distributional benefits of subsidising used-clothes imports, without the efficiency loss implied by the fact that the cost exceeds the consumer-surplus gain. If such cash transfers are not feasible, the funds could be used for efficient projects that benefit the poor. Those too poor to enter the new-clothes market need many things besides clothes; what they primarily need is income with which to meet their needs themselves.

A subsidy would not eliminate a market distortion, but rather would introduce one, in the form of distorted prices for used clothes. It should imply some direct

21. A smaller subsidy would also cost more than the resulting consumer-surplus gain; the advantage of using a larger subsidy in this example lies in facilitating comparison with (and use of the same diagram for) a later example.

22. This is probably still true, even if we consider some small welfare gain likely because of a shift of unemployed resources into production of other goods and services in response to increased real income. Any other efficient use of the funds for development purposes would probably have the same or larger income effect on production of other goods and services.

improvement for the recipient countries, but even without any possible negative secondary effects, it would not increase aggregate welfare as much as a direct transfer of cash, which would allow them to import whatever they most want and need. This conclusion does not change when distributional effects are taken into account. There are certainly better ways to help the poor directly, rather than doing it indirectly via the used-clothes market.

If it is clear that available development funds could be put to better use than for subsidies for used clothes, then it follows that the used clothes themselves can also be put to better use than in subsidised development projects. Commercial markets worldwide are willing to convert used clothes into cash, and the cash can then be put to good use in more efficient projects.

Where subsidies would be warranted

Are there any situations where subsidies for used clothes would be warranted? What about an emergency situation, where there is no alternative local supply, either of domestically produced new clothes, or of imported new or used clothes? In this case, there would be no negative side-effects of cheap used-clothes imports, while clothes supplies might be required for humanitarian reasons. Thus it is possible that there are in fact market failures which NGO projects could help to remedy with donor-subsidised used-clothes exports.

For purposes of analysis let us assume (in the diagram above) that there is a demand curve for used clothes, but initially no supply.²³ Now, if a subsidy enabled supply to be re-established, the welfare gain would equal the whole triangle ABF. The cost of this is again equal to the rectangle ABCD, but now this may be less than the gain (depending on the cost of transporting the goods to, and distribution in, the country in question). The difference between this and the former case is that there is now no initial commercial supply of clothes at all. Before, the subsidy only changed the *amount* of consumer surplus; now the subsidy accounts for all of it, because the existence of any supply at all is conditional upon it. Since this is assumed to be a crisis situation in which goods would not be available if they were not delivered by the donor, the cash transfer option would not exist as an effective alternative. Thus, in such a case the subsidy would be warranted, basically for humanitarian reasons.

The demand curve here is taken to show what people would be willing to pay for different quantities. In the case of a complete disaster, of course, people may well be destitute, and there might not be any market demand in spite of great need. The conclusion that transfers in kind would be called for would still

23. While world supply exists at the price level p , actual supply within the country has been interrupted by a catastrophe.

appear to be valid, although some value would then have to be assigned to the utility to the population of the clothes transferred.

Disaster relief is thus an example where people in desperate need of clothing may have no capacity to enter the market to satisfy those needs, not because they themselves are poor (although they may well be destitute), but because the markets and/or the production supporting them have disappeared. However, many major international NGOs prefer not to utilise second-hand clothes as part of emergency relief, when other types of supplies are available.

Policy conclusions

Used-clothes imports may cause economic damage in the presence of distortions and externalities; subsidising imports of used clothes for aid projects could increase this damage. Even in the case of targeting 'the poorest of the poor', who may have no effective demand for new clothes, more effective and better targeted aid projects are possible.

Given used-clothes markets throughout the Third World, used clothes can be shipped without subsidy, and the sales receipts will cover the costs. If used clothes are sold in developing countries directly by an exporting NGO, then that NGO's other projects or overheads get the financial benefit. If the clothes are sold on the market by some local governmental, quasi-governmental, or NGO counterpart organisation, then that organisation gets the benefit. In any case, clarity of accounting, and probably supervision as well, would be improved if the clothes were sold on the world market and the funds allocated directly to the NGO's overheads or its other projects, or to the recipient organisation involved.

In emergency situations where supply has broken down, there may be a need for subsidised imports of used clothes. Subsidies for used clothes should thus only be used within the framework of emergency aid, if no better and more immediate source of supply is available.

Although a general equilibrium model has not been used nor is it possible to analyse with certainty the long-term effects of policy choices, this article has attempted to take indirect effects on other sectors into account, and the introduction of a positive externality relating to clothing may be seen to reflect more long-term effects on production. The theoretical analysis could be extended, but it is probably further empirical analyses that are primarily required.

References

- Abrahamsson, Hans (1988) *The Naked Truth: Swedish Private Organisation's Clothing Aid to Mozambique and Its Effects on Local Textile Production*. Göteborg: Area Forecasting Institute.
- Denconsult (1993) *Effects of Second-Hand Clothes Sales in Developing Countries*. Ballerup, Denmark: DAPP.
- Development Aid from People to People (DAPP) [Uladnshjælp fra folk til folk i Danmark (UFF)] (1994) *Annual Report*. Ballerup, Denmark: DAPP.
- Haggblade, Steven (1990) 'The Flip Side of Fashion: Used Clothing Exports to the Third World', *Journal of Development Studies* 26(3), April: 505–21.
- Hansen, Karen Tranberg (1994) 'Dealing with Used Clothing: Salaula and the Construction of Identity in Zambia's Third Republic', *Public Culture* (6), June: 503–23.
- International Labour Organisation (1995) *Recent Developments in the Clothing Industry*. Geneva: ILO.
- Statens Naturvårdsverk (1995) *Textilier: Rapport till Kretsloppsdelegationen* (Swedish Environmental Protection Agency, *Textiles: Report to the Ecocycle Commission*). Stockholm: Statens Naturvårdsverk.
- Swedish Red Cross (1992) *In Need of Clothes: Second-hand Clothing for Uganda, Zimbabwe, Mozambique, Sierra Leone and Vietnam*. Stockholm: Red Cross.
- Toyne, Brian et al. (1984) *The Global Textile Industry*. London: George Allen & Unwin.
- United Nations Centre on Transnational Corporations (1987) *Transnational Corporations in the Man-made Fibre, Textile and Clothing Industries*. New York: UNCTC.
- United Nations Statistical Division, *International Trade Statistics Branch*. New York: United Nations.
- US Department of Commerce, Bureau of the Census, Foreign Trade Division, *Commodity Analysis Branch*. Washington, DC: USDC.
- Wicks, R., and Bigsten, A. (1996) *Used Clothes as Development Aid: The Political Economy of Rags*. Report of a study for Sida (the Swedish International Development Cooperation Agency). Stockholm: Sida.
- World Trade Organization (1995) *WTO Focus*. Geneva: WTO, January–February.

Paper 2

ISSN 0306-8293

Volume 36 Numbers 5 and 6 2009

International Journal of
Social Economics

www.emeraldinsight.com

Emerald

International Journal of Social Economics

Unlike mainstream economics, social economics stresses "needs", distinguishing them from wants, and the wellbeing of the community rather than the individual. *IJSE* presents the social-economic problems, as expressed by economists, philosophers, political scientists, historians and business academics, with their consequent ethical considerations.

EDITOR

Professor Leslie Armour
Department of Philosophy, Dominican University
College, Ottawa, Canada

DEPUTY EDITOR

Dr Frank Peddle

EXECUTIVE EDITOR

Professor John O'Brien

BOOK REVIEW EDITOR

Dr Peter Daniels

Faculty of Environmental Sciences,
Griffith University, Brisbane, Australia

PUBLISHER

Kelly Dutton

E-mail: kdutton@emeraldinsight.com

MANAGING EDITOR

Adam Smith

E-mail: ijse@emeraldinsight.com

ASSISTANT PUBLISHER

Matt Burton

E-mail: mburton@emeraldinsight.com

ISSN 0306-8293

© 2009 Emerald Group Publishing Limited

International Journal of Social Economics
is indexed and abstracted in:

Academic Search
Applied Social Science Index & Abstracts
Asian-Pacific Economic Literature (APEL)
Business Index
Cabell's Directory of Publishing Opportunities –
Economics and Finance
Current Contents: Social & Behavioural Sciences
EconLit online and CD-ROM
Emerald Reviews (formerly Anbar)
Geo Abstracts and GEOBASE
International Bibliography of the Social Sciences
International Development
International Labour Documentation
RePEc: Research Papers in Economics
Scopus
Unesco – World List of Social Science Periodicals
World Agricultural Economics & Rural Sociology Abstracts



Certificate number 1985

Awarded in recognition of
Emerald's production
department's adherence to
quality systems and
processes when preparing
scholarly journals for print

This journal is also available online at:

Journal information

www.emeraldinsight.com/ijse.htm

Table of contents

www.emeraldinsight.com/0306-8293.htm

Online journal content available worldwide

at www.emeraldinsight.com

Emerald Group Publishing Limited
Howard House, Wagon Lane,
Bingley BD16 1WA, United Kingdom
Tel +44 (0) 1274 777700
Fax +44 (0) 1274 785201
E-mail emerald@emeraldinsight.com



INVESTOR IN PEOPLE

Regional offices:

For Americas

Emerald Group Publishing Inc., One Millin Place, 119 Mount Auburn Street,
Suite 400, Harvard Square, Cambridge, MA 02138, USA
Tel +1 617 576 5982
E-mail america@emeraldinsight.com

For Asia Pacific

Emerald, 7-2, 7th Floor, Menara KLH, Bandar Puchong Jaya,
47100 Puchong, Selangor, Malaysia
Tel +60 3 8076 6009; Fax +60 3 8076 6007
E-mail asia@emeraldinsight.com

For Australia

Emerald, PO Box 1441, Fitzroy North, VIC 3068, Australia
Tel/Fax +61 (0) 3 9486 2782; Mobile +61 (0) 4315 98475
E-mail australasia@emeraldinsight.com

For China

Emerald, 7th Xueyuan Road, Haidian District, Room 508,
Hongyu Building, 100083 Beijing, People's Republic of China
Tel +86 10 8230 6438
E-mail china@emeraldinsight.com.cn

For India

Emerald, 301, Vikas Surya Shopping Mall, Mangalam Place,
Sector -3, Rohini, New Delhi - 110085, India
Tel +91 112 794 8437/8
E-mail india@emeraldinsight.com

For Japan

Emerald, 92-5 Makigahara, Asahi-ku, Yokohama 241-0836, Japan
Tel/Fax +81 45 367 2114
E-mail japan@emeraldinsight.com

For African enquiries

E-mail afica@emeraldinsight.com

For European enquiries

E-mail europa@emeraldinsight.com

For Middle Eastern enquiries

E-mail middleeast@emeraldinsight.com

Customer helpdesk:

Tel +44 (0) 1274 785278; Fax +44 (0) 1274 785201;

E-mail support@emeraldinsight.com

Web www.emeraldinsight.com/customercenter

Orders, subscription and missing claims enquiries:

E-mail subscriptions@emeraldinsight.com

Tel +44 (0) 1274 777700; Fax +44 (0) 1274 785201

Missing issue claims will be fulfilled if claimed within six months of date of
despatch. Maximum of one claim per issue.

Hard copy print backsets, back volumes and back issues of volumes prior to
the current and previous year can be ordered from

Periodical Service Company. Tel +1 518 537 4700;

E-mail psc@periodicals.com for further information go to

www.periodicals.com/emerald.html

Reprints and permission service

For reprint and permission options please see the abstract page of the specific
article in question on the Emerald web site (www.emeraldinsight.com), and

then click on the "Reprints and permissions" link. Or contact:

Copyright Clearance Center: Rightslink

Tel +1 877/622-5543 (toll free) or 978/777-9292

E-mail custservice@copyright.com

Web www.copyright.com

No part of this journal may be reproduced, stored in a retrieval system, transmitted in any
form or by any means electronic, mechanical, photocopying, recording or otherwise without
either the prior written permission of the publisher or a license permitting restricted copying
issued in the UK by the Copyright Licensing Agency and in the USA by the Copyright
Clearance Center. No responsibility is accepted for the accuracy of information contained in
the text, illustrations or advertisements. The opinions expressed in the articles are not
necessarily those of the Editor or the publisher.

Emerald is a trading name of Emerald Group Publishing Limited

Printed by Printheus Group Ltd, Scirocco Close, Moulton Park,
Northampton NN6 6HE

International Journal of Social Economics

ISSN 0306-8293

Volume 36
Number 5
2009

Editor
Professor Leslie Armour

Access this journal online	511
Editorial advisory board	512
Globalization and culture: four paradigmatic views <i>Kavous Ardalan</i>	513
A model of dynamic balance among the three spheres of society – markets, governments, and communities: applied to understanding the relative importance of social capital and social goods <i>Rick Wicks</i>	535
Early retirement for mothers in Greece <i>Ioannis A. Kaskarelis and Kyriaki Tsilika</i>	566
Union duopoly with heterogeneous labor: the effect of minimum wage regulation <i>Ana Paula Martins</i>	580

CONTENTS

C O P E | COMMITTEE ON PUBLICATION ETHICS
This journal is a member of and
subscribes to the principles of the
Committee on Publication Ethics

Access this journal electronically

The current and past volumes of this journal are available at:

www.emeraldinsight.com/0306-8293.htm

Find more articles from this journal and search through Emerald's
200+ journals at: www.emeraldinsight.com

See page following contents for full details of what your access includes





A model of dynamic balance among the three spheres of society – markets, governments, and communities

Applied to understanding the relative importance of social capital and social goods

Rick Wicks

*Economics Department, Handelshögskolan Göteborgs Universitet,
Göteborg, Sweden*

Importance
of social capital
and social goods

535

Received May 2008
Accepted June 2008

Abstract

Purpose – This paper revisits old questions of the proper subject and bounds of economics: does economics study “provisioning”? or markets? or a method of reasoning, self-interested rational optimization?

Design/methodology/approach – A variety of scholars and others in many fields make use of a taxonomy of society consisting of three “spheres”: markets, governments, and communities. It is argued here that this tripartite taxonomy of society is fundamental and exhaustive. A variety of ways of understanding this taxonomy are explored, especially Fiske’s (1991, 2004) “Relational models theory.” Then – after communities and their products, social goods, are defined more thoroughly – a visual model of interactions among the three spheres is presented.

Findings – The model is first used briefly to understand the historical development of markets. The model is then applied to understanding how economic thinking and market ideology, including the notion of social capital, can be destructive of communities and their production of social goods (and their production of social capital as well).

Research limitations/implications – It is not possible to measure these effects monetarily, so calculating precisely “how this affects results” in a standard economic model is impossible.

Practical implications – Nevertheless we could better prepare students for real-world analysis, and better serve our clients, including the public, if – whenever relevant, such as in textbook introductions and in benefit/cost analyses – we made them aware of the limitations of economic analysis with respect to communities and social goods.

Originality/value – The three-spheres model offered here, based on Fiske’s “Relational models theory,” facilitates this awareness.

Keywords Communities, Social capital, Meta-economic efficiency, Relational models theory, Social goods, Three spheres

Paper type Conceptual paper

1. Why the three spheres matter for economics

Society appears to be a fact just as does the organic world; yet it is actually more a product of patterned consciousness than it is some “thing” in itself (Crook, 1980, p. 353).

With reference to the domination of model-building in the *Journal of Economic Theory* – and to the domination of model-building in contemporary mainstream economics

JEL classification – A12, A13, B52, D20, H1, O3, P0, Z1



International Journal of Social
Economics
Vol. 36 No. 5, 2009
pp. 535-565

© Emerald Group Publishing Limited

0306-8293

DOI 10.1108/03068290910954022

more generally – Klein and Romero (2007, p. 241) ask, theory of what? The intention here is to explore what economics is fundamentally about. A tripartite taxonomy of “spheres” of society is presented, and the nature of their interactions is explored in a visual model. The model is then applied to understanding how economic thinking and market ideology, including the notion of social capital, can be destructive of communities and their production of social goods (as well as social capital). The model could also be used to understand the foundations of behavioral economics, though that is not the primary emphasis here.

The model is moral, not deterministic. Causality is explored as it originates in, or is channeled through, each of the three spheres. The ultimate point is situating (“embedding”) markets in their political and social milieu, and understanding that neither markets nor governments nor communities – each operating according to their own principles – can be analyzed thoroughly without understanding their dependence upon, and their effects upon, the others.

Communities are certainly recognized by contemporary mainstream economics – especially development economics and, now, behavioral economics – but only in an *ad hoc* way, as sources of *social capital*, without understanding their true nature. A risk of ignoring the true nature of communities in economic theory is that its credibility suffers with “normal people,” including students, because the theory presents itself as dealing with utility and preferences in general, yet ignores things we all know to be vitally important – communities and social goods.

It is not possible – and would not be desirable – to measure the value of communities and their production of social goods monetarily, because it is in the nature of social goods that they lose their value if one attempts to market them or evaluate them monetarily (more on this, including thorough definitions of communities and social goods, in Sections 4 and 5). However, simply acknowledging routinely the presence and relevance of the incommensurable sphere of communities and social goods – for example, in economics texts and in benefit/cost analyses – would have a beneficial effect on economics and on communities and, via social capital, even on markets.

2. Three interacting spheres: markets, governments, and communities

Three [spheres] seem to have virtually dominated philosophical speculation and social science thought [...]: the community, the market, and the state [...]. (Streeck and Smitter, 1985, p. 1).

While contemporary mainstream economic theory focuses almost exclusively on markets trading private goods, and on governments producing public goods, a widespread though generally unanalyzed taxonomy includes communities producing social goods (and social capital) as fundamental to, and exhaustive of, social space (Boulding, 1978, 1985, 1990; Boulding *et al.*, 1980). Social scientists – including economists – as well as journalists and others, often refer to “the economic, political, and social conditions” underlying any particular situation, but usually without any further analysis of what these terms imply, and how they relate to each other. Fiske’s (1991, 2004) Relational models (or modes) (RMs) theory provides a way to understand this tripartite taxonomy. But before looking at that connection, let us examine evidence (summarized in Table I) that indeed there is a community sphere alongside the market

<i>What institutions typify the economic, political, and community spheres?</i>	Government, governance, law, politics, polity, the state/states, statecraft, diplomacy, military, war, bureaucracy, regulations	Communities, family, unpaid labor, the care economy, neighborhoods, clans, morality, religion/religious groups, ethics, culture
<i>Who are the actors in the three spheres?</i>	Firms, corporations, employers, employees, workers, consumers	Individuals, family members, parents, children, relatives, neighbors, religious leaders, parishioners, activists
<i>What types of goods and welfare are produced in the three spheres?</i>	Private, market, economic	Social, religious, spiritual, ethical, community, family
<i>How are goods transferred in the three spheres?</i>	Mutual exchange, trade	Giving
<i>What are the distinctive guiding principles, motivations, or values in the three spheres?</i>	Dispersed competition, self-interest, mutual advantage, commercial provisioning	Spontaneous solidarity, identity, duty, prestige, ritual, "human"
<i>What are the "logics of action" or virtues in the three spheres?</i>	Utility, efficiency, prudence, liberty, freedom	Mutual support, benevolence, care, security, emergency aid, self-sacrifice
<i>What types of freedom are there in the three spheres?</i>	Freedom of exchange, free trade	Freedom of conscience and association
<i>What are the measures of success in the three spheres?</i>	Wealth, money	Fame, prestige
<i>What types of controls are there in the three spheres?</i>	Economic	Cultural, social, religious, moral
<i>What are the "oppressive powers" in the three spheres?</i>	Profits, capital	God, priests
<i>What "sins" are characteristic of the three spheres?</i>	Greed, avarice	Ignorance, delusion of self
<i>What social movements are there in the three spheres?</i>	Capitalism, socialism	Catholicism, Islamism, evangelism, secular humanism
<i>What activates the fault lines of Western culture among the three spheres?</i>	Science (Athens)	Monothelism (Jerusalem)
<i>What symbols represent the three spheres?</i>	Potatoes, purse, profits	Prayer, pulpit, altar
<i>What social sciences focus on the three spheres?</i>	Economics	Mother Teresa
		Sociology

Importance of social capital and social goods

Table 1. Attributes of society, by sphere (markets, government, or communities)

and government spheres, and that these three spheres are inherently different, and exhaustive of social space.

Among those who use this tripartite taxonomy, human interactions are typically classified into spheres – or *realms*, *domains*, even *facets* (Heilbroner, 1985, p. 79), the terms seem equivalent (Doifmsa *et al.* (2005) seem to use them randomly, plus *subspheres* and *subsystems*.) To avoid ambiguity, I will stick to the term *spheres*.

All three spheres are part of society, and thus social of course, so I will generally use the term “community sphere” rather than “social sphere,” though the adjective *social* is often used to refer to aspects of the community sphere, and will often be so used here as well. For example: what are the characteristic differences between economic, political, and social (i.e. community) interactions?

2.1 What is it that distinguishes the market, government, and community spheres from each other?

Economics typically deals with markets and mutual exchange: you do this for me, and I will do that for you. This self-interested behavior is of course, not confined to markets. Its analysis has often been used more generally, such as in the attempt to explain voting (“public choice”) in the government (political) sphere – but also, for example, in the attempt (*à la* Becker, 1976 and later) to explain the choice to marry and have children in the community sphere.

But mutual exchange does not exhaust the possibilities for modes of transfer. Even when we try to explain political decisions (e.g. to tax and spend) in terms of benefit/cost analysis by voters, raw power must still be recognized (do this or else, the threat of force). It is this very possibility of compulsion that makes it possible for public-goods provision to escape the free-rider problem. Force and threat also seem to be reflected in some internal behavior in a firm: do this or lose your job; or, do this or we will strike.

And even when we try to explain the “bequest motive” (Bernheim *et al.*, 1985) in terms of rational maximization of self-interest by parents, love or a sense of identity must still be recognized, in that parents want their children to do well even after the parents are gone. As McCloskey (1998, p. 302) comments: “I get utility because I love, not the other way around.” Love and identity also seem to be reflected in some internal behavior in a firm, for example in the teamwork that makes for profitability.

“Economic” thus generally refers to markets and the production of private goods, while “political” refers to power relations realized in governments which produce public goods (Johnson and Earle, 2000; Harris and Johnson, 2003). “Social” then refers to everything else, to interactions in all types of communities: in families, among neighbors, with co-religionists, etc.

Is there really any coherence to this “third” sphere of communities, or is it just a catch-all? Hopefully Section 4 will remove any doubt.

Boulding, who wrote mainstream economics textbooks – but also worked consistently at and beyond the edges of mainstream theory – was fond of seeing the differences between the three spheres in terms of modes of transfer: giving, taking, or exchanging (Boulding, 1978, 1985, 1990; Boulding *et al.*, 1980). Similarly, Jacobs (2000, p. 27) notes that “time and again, human groups must have differentiated *trading* from both *sharing* and *seizing*” (italics added here and hereafter unless otherwise noted). Citing Claiborne (1983, p. 80), she explains:

Possibly the very oldest economic generality is the practice of sharing [...] Old English had a verb meaning "to give" [and a phrase] meaning "to trade," which meant, literally, "to give with worth" – that is, to give for a price. Our word sell comes from [...] that phrase for trading.

Etzioni (1996, p. 122) speaks of "three different conditions: *paid*, *coerced*, or *convinced*"; Etzioni (1988) explores motivations in the community sphere at length.

Personalist economics, based on Catholic theology, also recognizes three organizing principles: *competition*, *intervention*, and *cooperation* (Jonish and Terry, 1999, pp. 465-6; O'Boyle, 1999, pp. 536-7; 2000, pp. 550-1).

Hirschman (1992) referred to three social mechanisms: exit, voice, and loyalty. Though all three can apply in varying ways to each sphere, exit refers primarily to the market sphere where, in a competitive situation, one has unlimited choice of buyers or sellers, so can "exit" from any one. *Voice* might refer primarily to the political sphere, where one can attempt to influence results by persuasion, and *loyalty* to the community sphere – though one could argue the other way as well.

Streeck and Smitter (1985, p. 1) refer to these "three basic mechanisms of mediation or control" (Ouchi, 1980) as spontaneous solidarity, hierarchical control, and dispersed competition.

Friedland and Alford (1991, p. 39) refer to three domains with different "logics of action": in the *marketplace*, we are more likely to base our actions on individual *utility* and *efficient* means; in the *polity*, on *democracy* and *justice*; and in the *family*, on *mutual support*.

van Staveren (2001, p. 24) asserts that "three values appear time and again in economic analysis: *liberty*, *justice*, and *care*. *Markets* tend to express *freedom*, *states* to express *justice*, and *unpaid labor* to express *care* among human beings." van Staveren (2001, p. 213) notes that Ayres (1961, p. 170) asserted a similar set of core human values: "*freedom*, *equality*, and *security*." van Staveren (2001, p. 203) also notes:

- the form that these values take: *exchange*, *redistribution*, and *giving*;
- the locations where they operate: *market*, *state*, and the *care-economy*; and
- the corresponding virtues: *prudence*, *propriety*, and *benevolence*.

She further asserts that there are "distinct emotions and forms of deliberation as well." She asks about policy implications (p. 207): "What value should development aid seek to further: *self-reliance*? *rights*? or *emergency aid*?" And she notes (p. 208) that the three spheres can be symbolized by *Lady Liberty*, *Joan of Arc*, and *Mother Teresa*.

2.2 More uses of the tripartite taxonomy

A variety of other observers use this same taxonomy, in varying orders. For example, Mackey (2002, p. 384) refers to "economic, political, and social problems" in Saddam's Iraq; elsewhere (p. 181) she uses a different order, referring to "the new political, social, and economic paradigm" (an order which Rothstein and Stolle, 2007, p. 1, also use); and yet elsewhere (p. 49) she notes that something "meant more socially, politically, and economically." The order of expression does not seem to matter, to Mackey or to most other authors, and one can easily find the other three permutations as well (Friedman, 2000, p. 131; Giddens and Pierson, 1998, p. 89; Sage, 2003).

But the community sphere is often ignored, and thus is sometimes considered third (Adaman and Madra, 2002). In political theory, the “Third Way” (Giddens, 1998) represents an alternative to either markets or governments, focused more on communities.

Apparent references to these three spheres pop up – in both popular and technical literature – almost everywhere. It can be a fun game, like “whack-a-mole” (analogy adapted from Hertzberg, 2004, p. 461):

- Where and how will the three spheres “pop up” in this or that text?
- And, given any set of three social attributes that do “pop up,” can they be seen in some way as representing the three spheres?

The New York Times’ Pulitzer Prize-winning journalist Friedman (2000, p. 202) describes:

corporate-led coalitions to create *commercial* value [...]; *government*-led coalitions to create *geopolitical* value [...]; [and] *activist*-led coalitions to create, or preserve, *human* values – such as worker rights, human rights, or environmental preservation.

Habermas (2001/2006, p. 156) notes “the internal tensions along the fault lines of Western culture. *Jerusalem, Athens, and Rome* [...] *monotheism, science, and the republican tradition.*” Waterman (1986, p. 123) asserts “three freedoms: *economic, political, and religious* (conscience);” and Hobson (1938/1976, p. 52) refers to “the democratic triad of *liberty, equality, fraternity.*”

As some of these examples illustrate, a wide variety of words are used to refer to the three spheres, as in the title of the book (Bennett, 1985) *Mexico: Catholicism, Capitalism, and the State*, or when:

- Mackey (2002, p. 217) discusses “*political, economic, and* [...] *cultural control.*”
- Bowles (1998, p. 105) refers to “*states, communities, and markets.*”
- Wright (2000, p. 211) refers to “*governance, moral codes, and markets.*”
- Mauss (1925/1967, p. 52) refers to the “*law, morality, and economy* of the Latins” and to “the distinction between *ritual, law, and economic interest.*”
- Yuengert (1999, p. 46) discusses “*free markets* circumscribed within a tight *legal framework*, and operating within a *humane culture.*”
- Polanyi (1997, p. 140), in discussing “*economic life,*” refers to “*freedom under law and custom*, as laid down and amended when necessary by *the State and public opinion.*”

In “The foundations of welfare economics”, Little (1949, p. 230) points out that “if a person argues that a certain change would increase *economic* welfare, it is open to anyone to argue that it would decrease *spiritual* or *political* welfare.”

This tripartite taxonomy has been used by economists since Smith (1759/1982), who of course, had first written *The Theory of Moral Sentiments* about communities and social goods, then *The Wealth of Nations* (Smith, 1776/1976) about markets, economics. But he was planning a third major work – which was never completed – on the political system (Smith, 1759/1982, p. 342 and “Advertisement” therein). Minowitz (1993) uses the same tripartite taxonomy twice (in varying order) in the title of his

book: *Profits, Priests, and Princes: Adam Smith's Emancipation of Economics from Politics and Religion*.

The English economist and theologian Philip Wicksteed referred to "*business, politics, and the pulpit*" in his book of sermons titled *Is Christianity Practical?* (Wicksteed, 1885/1920, referenced in Steedman, 1994, p. 83). In discussing Wicksteed's work, Steedman (1994, p. 99) also refers to "*potatoes, politics, and prayer*." Similarly, Hobson (1938/1976, p. 55) referred to "the *purse, power, and prestige* of the ruling classes in *business, politics, and society*." Success itself is often defined as "*wealth, fame, and power*" (Bogle, 2004, p. 1; Carey, 2006), or sometimes as "*money, status, and power*."

A similar tripartite taxonomy – perhaps Marxian – of *firms, social classes, and states*, can easily be seen as referring to the three spheres.

According to Trotsky (1957, p. 255), communism would demonstrate that the human race had "ceased to crawl on all fours before *God, kings, and capital*" (quoted by Minowitz, 1993, p. 240).

Another variation is expressed in the title of a conference paper (Ruccio, 2003): "*Socialism, Community, and Democracy*: a postmodern Marxian vision of (post-) capitalism." Here, *democracy* presumably refers to a mode of political organization, and *socialism* to a mode of economic organization. As Schumpeter (1943/1976) notes, however, socialism's "motivation is at least equally 'non-economic', i.e. *social*, based on concern for community (human) values perceived as violated under capitalism."

A more market-friendly – but still critical – voice using the tripartite taxonomy is Alan Greenspan (2000), the former US Federal Reserve Chairman (and thus agent of *government*), who said: "While recognizing the efficacy of *capitalism* to produce wealth, there remains considerable unease among some segments [...] about the effects of raw competition on *society*." It is not clear here which particular effects on society those "segments" might be concerned about – ethical and moral or something else – but it is clear that he's referring to the community sphere.

Father George Zabelka – who was the military chaplain for the crew that atom-bombed Hiroshima, to his later regret – noted how, at the time, "the whole structure of the *secular, religious, and military* society" made it seem right (cited by Myers, 2000, p. 283).

In Christianity, Cramp (1994, p. 189) notes that:

[...] hermeneutical reading of the Bible yields [in economics] the idea of human stewardship or trusteeship of resources provided by God for purposes (ends) ordained by God; in political matters, justice; in matters of extended family and (small) social groups the norm of truth (loyalty) [...]. People are workers but also citizens, and they belong to families and other social groupings.

Pope John Paul II referred in his opening address to the Puebla Bishops Conference (Gutierrez, 1983, p. 133) to "the product of *economic, social, and political* situations and structures."

One can also interpret the three Buddhist "sins" – often referred to as *greed* or *avarice; hate* or *anger*; and *delusion* or *ignorance* – as related to the three spheres (or to their primary underlying principles): *greed* can clearly relate to the profits of the market sphere, and *anger* to the sphere of power. *Delusion* might seem harder to classify, but it is usually understood as "delusion of self," which clearly has something to do with identity, and thus relates to the community sphere (as we will see).

The same tripartite taxonomy is also used in at least some non-English languages. A Swedish call-for-papers (*Nordisk Konferens i Idéhistoria och Vetenskapshistoria*, 2003) points out that "*krig, mission, och köpenskap hänger ofta nära samman*" (*war, evangelism, and trade often go together*). An advertisement for a book put out by Liber Ekonomi (Liber AB) says that one of its purposes is to show how basic concepts can be used for analyzing "*sociala, politiska, och ekonomiska*" problems.

The Universitat de Barcelona (Spain) has a division of *legal, economic, and social sciences*.

With all this evidence of widespread use of the tripartite taxonomy of society, it is not surprising that there are in fact three basic academic social sciences, typically reflected in university departments of *economics, political science, and sociology* (Steuer, 2003).

Steuer actually also identifies psychology (or social psychology) and anthropology as basic social sciences. But while humans certainly only exist in a social context, psychology deals with us primarily as individuals, and social psychology deals with us as we are affected by the three spheres. So for present purposes we can leave out psychology and social psychology. And as Steuer acknowledges, anthropology does not have an object of its own, but rather engages in the in-depth, personal, empathic study of distinct social groups, communities, or cultures – including their political and economic aspects, of course. So, since we are looking into the three spheres themselves, we can leave out anthropology, which might be thought of as considering the details and relationships of those spheres across cultures, just as history looks at them across time. This is not to say that psychology and social psychology, or anthropology and history, have nothing to tell us even in this context – merely that their defining characteristics do not identify additional spheres of society.

Thus, economics, political science, and sociology seem to represent quite well the way that both scholars and many others categorize – and sometimes (but rarely) theorize about – attributes of society. (I have not used the term *society* as the object of sociology because, as noted above, economics and politics are of course, also aspects of society, taken in a larger sense. Thus, for example Emmett (1994, p. 108), quotes Knight and Merriam(1947), referring to "business and politics and *other social relations*." An alternative – in fact a long-discussed goal of some – could be for sociology to be considered the overarching social science, with economics and political science as particular specialties.)

The tripartite taxonomy presented here is not meant to reinforce divisions among these three basic social sciences, but rather the necessity for understanding the interactions among their subjects, as exemplified in the model to be presented.

Table I summarizes the variety of attributes of the three spheres gleaned from the "random" selection of sources reported above.

As noted, the terms for the three spheres vary widely. For example, *war* is a power-relationship directed outwards, related to *politics* and *statecraft* in the famous expression of Clausewitz that "war is the continuation of diplomacy by other means." *Economics* need not only deal with *capitalism* and *corporations*, but could conceivably – at least in its "provisioning" aspect – deal with *potatoes*, regardless of whether they're produced for markets or not.

And authors do not always classify attributes of human interactions in threes: the title of Wicksell's (1909) book *Tronen, Altaret, Svärdet, och Pänningpåsen*

(*The Throne, Altar, Sword, and Purse*) uses four terms – though it is not difficult to see that throne and sword are two aspects of the political/government sphere, separated by Wicksell for his particular purposes in that work.

Dolfsma *et al.* (2005), analyze only in terms of “markets” and “society,” but (p. 348) “the polity” is also acknowledged as the only “subsphere” that they explicitly mention.

2.3 *The three spheres of society are fundamental and exhaustive*

A variety of sources also provide evidence of an apparently widespread belief that the three spheres are both fundamental and exhaustive of social space. Michael Novak refers to the “three mutually autonomous institutions: the state, economic institutions, and cultural, religious institutions” as “the doctrine of the trinity in democratic capitalism” (Abdul-Rauf, 1986, p. 175; Neuhaus, 1986, p. 517).

Dasgupta (1993, p. 104) notes “one overarching idea, that of citizenship, with its three constituent spheres: the civil, the political, and the socio-economic.”

Meyer *et al.* (1992, p. 12) assert that “individuals must acquire the means to participate effectively in the economic, social, and political life of the nation.” In the same work, Wong (1992, p. 141) makes it clear that these three spheres are considered exhaustive by referring to “all social domains [...] economy [...] polity [...] and [...] cultural system.”

Polanyi (1997, p. 158) describes the Russian Revolution and the Soviets’ “project for a new economic, political, and social system of mankind.”

Shadid (2001, p. 3) points out that “political Islam, or Islamism [...] suggests an all-embracing approach to economics, politics, and social life.”

Dicken (2007, p. 538) says that “corporate social responsibilities span the entire spectrum of relationships between firms [and] states, civil society, and markets.”

2.4 *Other logical underpinnings of the three spheres of society*

The three spheres thus seem fundamental and exhaustive of social space, but why? As noted, Boulding (1978, 1985, 1990) and Boulding *et al.* (1980) described three modes of transfer: gift due to love or sense of identification; seizure by force or threat; or mutual exchange. Try moving your hands while saying: “I can give to you; I can take from you; or we can trade.” There is a certain physical logic, which seems to cover the possibilities.

Douglas and Ney (1998, pp. 100-2) offer another way of understanding the three spheres. As I believe is usual in “grid-group” analysis (Douglas, 1982), theirs is actually expressed in terms of *four* different types of “agents” – resulting from a double bifurcation of social reality – but it is easy to see that *three* of the types also represent the three spheres.

Douglas and Ney graph the degree of “incorporation” horizontally and the degree of structure vertically, resulting in the four categories shown in Figure 1. Douglas and Ney (1998, p. 102) themselves characterize the *lower-left* quadrant as the home of pioneers showing individual initiative; the *upper-right* quadrant as the home of bureaucrats valuing tradition and order; and the *lower-right* quadrant as the home of holy men and protests. But we can recognize the type in the lower-left quadrant (competitive individualists) as corresponding to the market/economics sphere of mutual exchange, while the upper-right quadrant (hierarchies) corresponds to the political/military sphere of power. The lower-right quadrant (egalitarian enclaves or sects) then corresponds to

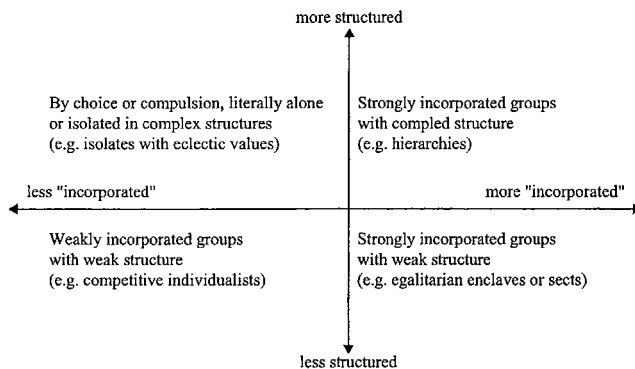


Figure 1.
Douglas and Ney's
"culture map"

the community sphere of identity and sharing. Douglas and Ney also note that "the adversary relationship of the[se] three [types] is the essence of democracy."

By definition, the fourth of Douglas and Ney's types (the *upper-left* quadrant, isolates) does not correspond to a sphere of society, but rather to isolated individuals, probably at the mercy, at least individually, of those primarily engaged in one or another of the three spheres. Thus, Douglas and Ney (1998, p. 104) note that "inevitably, the culture of the isolates is crowded out of the forum, because by definition it is not organized" – although it can possibly influence the three spheres, as poets and artists do, or even as simple social misfits may do, especially if their resentment can be mobilized by others and directed, perhaps toward some political goal.

Elsewhere I believe that Douglas also categorizes the three spheres of society in terms of:

- (1) Horizontal (exchange, markets).
- (2) Vertical (hierarchy, political).
- (3) Inside/outside (identity, communities).

Gudeman (1986, p. 32) points out a similar four-way analysis when he refers to "[Karl] Polanyi's reciprocity, redistribution, and market-haggling – plus autarchy" (where autarchy, of course, is not a "sphere"). Polanyi (1944/1968, pp. 57, 68) also refers to spheres of "market, authority, and gift-giving" (van Staveren, 2001, p. 62). Smelser and Swedberg (1994, p. 15) also cite Polanyi regarding exchange, redistribution, and a sense of reciprocal obligation.

In summary, then, the three spheres – markets, governments, and communities – seem fundamental and exhaustive of social space, with multiple logical underpinnings.

3. Fiske's four relational models or modes (RMs)

However, while analyses on two axes like Douglas and Ney's may seem persuasive, they beg the question why there are two axes rather than, say, three – or one. Sahlins (1965, pp. 147-9) produces a tripartite model from a "spectrum of reciprocities [...] defined by its extremes and mid-point" (Fried, 1967, p. 36). A variety of such spatial

analogies may help us understand the tripartite taxonomy of society, but something less arbitrary might be more convincing. Even the limited possibilities of hand-motions – movements which express giving, taking, and exchanging – might seem somewhat arbitrary.

And in fact Fiske (1991, 2004) and related researchers (Haslam, 2004) have discovered that all human interactions can be understood as manifestations, not of three, but of four “relational models” or modes – or of combinations thereof. As noted, economists of course, recognize the community sphere in practice and in personal life, but how communities differ theoretically from markets seems not to be deeply understood. Fiske’s four relational models provide a clear, mathematical way of understanding the difference. Fiske designates the four RMs as:

- (1) communal sharing (CS);
- (2) authority ranking (AR);
- (3) equality matching (EM); and
- (4) market pricing (MP).

These four RMs correspond to the basic scale-types in mathematics, and thus exhibit a unique progressive set of mathematical properties (Fiske, 1991, pp. 48-9; Turner, 1992, p. 127):

- (1) *CS*: a categorical/nominal scale, the elements of a set (i.e. who is recognized as *in* the community).
- (2) *AR*: an ordinal scale (linear ordering), a ranking of the elements of the set (i.e. who’s in charge, the “pecking order”).
- (3) *EM*: an interval scale, keeping track of how much one is ahead or behind (i.e. fairness or equality, e.g. referring to debts of a particular type).
- (4) *MP*: a ratio scale, allowing ratios which facilitate exchange (e.g. as money equilibrates between types of debt).

These four RMs have also been shown to develop spontaneously in children, regardless of the emphasis in the surrounding culture; in the same order; and at about the same ages: CS during infancy; AR by age 3; EM soon after turning 4; and MP while 8 (Fiske, 1991, pp. 48-9). It seems likely that the four RMs developed evolutionarily in the same sequence, and may well represent stages of brain development, and even specific structures and circuits in the brain. (Fiske (2004) explores possible evolutionary mechanisms, and discusses experiments relating the RMs to neural functioning.)

Fiske makes clear that real human interactions are complex, typically utilizing more than one of the four RMs, sometimes all of them. Nevertheless, it seems obvious that the sphere of politics and government – the arena of authorities exercising power – can be identified primarily with AR, while the economic sphere of markets can be identified primarily with MP. That leaves two RMs: CS and EM.

Although Fiske found the *four* distinct RMs when analyzing micro-transactions in society, it seems likely that, at the macro-level, the community sphere, taken as a whole, can be primarily identified with *both* CS (taking care of those who are identified as being in the community) and EM (a sense of equality with, and fair play towards, those in the community). (The characterization of communities here is not intended to

deny the possibility that those in a community may treat those outside of it quite badly – per Schermer, 2003 – or the possibility that AR may override the sense of equality even within the community).

But if we take CS as *defining* community, then perhaps it is the case that communities can additionally transfer resources through *any* of the other RMs. Since in modern society AR has generated a “separate” political sphere of governments, and MP has generated a “separate” economic sphere of markets, what remains, underlying the community sphere, is a mixture of CS and EM. We do not seem to have evolved a separate sphere primarily characterized by EM. (However, Fiske – personal communication, September 22, 2008 – points out that “in every culture nearly all the constitutive rules of most games, sports, and gambling are structured by EM,” so that they could perhaps be considered a separate sphere. EM can also be associated with the other RMs, as in the notion of political equality, or of fairness in the marketplace. We will return to the issue of how separate the spheres really are, which is why that qualifier is in quotation marks above).

While the proper balance between markets and governments is often contested both theoretically and politically, the proper balance between markets and communities is not so widely questioned – despite, for example, the frequent expression of concern for “family values” in American political debate.

But cultures and societies are known to use different combinations and emphases of the four RMs in what might seem to others to be the same situation. Thus, the choice of which RM to apply in particular cases might be either “right” or “wrong,” depending on what culture and society one is in. Using RMs inappropriately, i.e. for interactions which “properly” belong to another sphere, tends to cause cognitive and emotional dissonance which can undermine the “proper” sphere. Fiske (1997, p. 256) discusses this issue in detail, summed up in his statement that “to compare is to destroy” (when comparison, an MP characteristic, is inappropriate).

Cultures and societies have presumably not finished evolving, so can change the combinations and emphases of the four RMs they use in any particular situation, perhaps in response to some sort of “meta-economic” optimization. Thus, the spheres of markets, governments, and communities are somewhat flexible. We will come back to this point after more thoroughly defining communities and the social goods that they produce.

4. Communities defined

Just as the characteristic economic institution is markets, and the characteristic political institution is governments, the characteristic social institution is communities. (Private enterprises – firms – are essentially treated as individuals in basic economic theory, i.e. as political, top-down, command-organizations, not as markets – nor as communities. Principal-agent theory attempts to open up this “black box” of the firm through the marketing of employer-employee contracts. The community aspects of firms are generally ignored in economic theory, probably much less so in business theory).

In his classic sociological study *The Quest for Community*, Nisbet (1953/1970, p. 47) wrote about “the primary associative areas of society,” for example “the family, neighborhood, and church” (p. 49) “based [in a different order] on kinship, faith, [and] locality” (p. 54).

More abstractly, Bell (1993, pp. 14, 118, 170, 174) defines three types of “constitutive communities”:

- (1) Psychological communities, where we experience trust, cooperation, and altruism in face-to-face interactions (including Nisbet’s “kinship”), such as families, church groups, small towns, work units, long-lasting civic associations, etc.
- (2) Communities of place (Nisbet’s “locality”), such as the places where we were born and grew up, attend or attended school, live and work, etc.
- (3) Communities of memory, strangers with whom we share a “morally significant” history (like Nisbet’s “faith”), such as linguistic, national, and religious groups, as well as “interest groups” of any kind.

Etzioni and Etzioni (1999, p. 241) describe communities as having two characteristics:

- (1) *Bonding*: “a web of affect-laden relationships that encompasses a group of individuals – relationships that crisscross and reinforce one another, rather than simply a chain of one-on-one relationships.”
- (2) *Culture*: “commitment to a set of shared values, mores, meanings, and a shared historical identity.”

These complex characteristics of communities also apply to Nisbet’s and Bell’s descriptions. We will take communities, then, to be *complex groups of people with which individuals identify, based on kinship, location, or belief*:

- Families and ethnic groups are communities based on *kinship*.
- Villages, neighborhoods, and cities are communities based on *location*.
- Religious or political groups are communities based on *belief or ideology*.

A single community could represent all three possibilities, as for example an *ethnic group* living in a *common area* and professing a *common religion*. And in fact – since communities consist of individuals who *identify* with that community – belief or ideology plays a fundamental role in all three types of communities: we have to *believe* in the importance of our kinship, or *recognize* the importance of our common location, for those factors to be a basis for community. The mere facts of kinship and common location have heretofore not been sufficient for many of the people of the world to recognize themselves as one community. But as we come to recognize the human race as one – based on kinship, common location, or belief in our common future – that tends to generate a “world community.”

5. Social goods defined

Of course, economic production (e.g. of food and shelter) and political production (of some level of public order) are necessary for survival, and thus the indirect contributions of communities to those types of production, via social capital, are undeniably important, even crucial. But communities also contribute *directly* something even more emotionally and psychologically important, which – analogously to private goods and public goods – I call *social goods*. (Becker and Murphy, 2000, usefully call attention to social phenomena hitherto unexplained in economics, but in asserting on p. 9 that

“social capital” affects utility functions – not production functions – they seem to confuse the metaphor of capital, and thus miss the point being made here).

Today, when individuals might seem able to survive without closely identifying with any particular group – and even to reproduce without much concern beyond family, if that – why should we care about communities themselves? The simple answer is that humans, like other primates and other mammals, are not reptiles. In terms of MacLean’s (1990) triune-brain theory, it is not the large and sophisticated rational neocortex in humans which matters so much, nor the primitive self-centered brainstem we share with reptiles, but the intermediate “limbic brain” we share with all mammals. Mammals nurse their young and take care of their families; and such limbic connections, i.e. close emotional interactions nurtured in communities, remain essential for proper brain functioning, and hence for life-long well-being, including basic mental health and continued human development (Schwartz, 1995; Lewis *et al.*, 2000; Konow and Earley, 2008). Cory (1999) even explains the tripartite taxonomy of society in terms of this triune-brain theory. Even after we grow up, emotional connections to other people – in communities of all kinds – are essential for our psychological, and thus physical, survival. As even Landsburg (1997, p. 160) notes, “other people – our friends and our children, and sometimes even *strangers* who do us unexpected kindnesses – are among the luxuries that make life worth living.” Even if we had not included those strangers in any of *our* communities, they must have included us in *theirs*.

Thus, we have a deep mammalian need for communities and social goods, even though it may not always seem “rational” to invest in them. Many aspects of traditional culture seem to have co-evolved in order to guarantee satisfaction of these needs, despite their apparent “irrationality” (Chwe, 2001). And people – when we are not blinded or confused by ideological commitment to MP values, as we sometimes are – tend to mostly value communities for the social goods they produce directly.

But what specifically are social goods? Communities produce a sense of *security* and *identity* (Nisbet, 1953/1970, pp. 50, 53); in fact identity was used above to define communities. A sense of identity is a social good (Buchanan, 1978, p. 366; Bell, 1993, pp. 7-8; Akerlof and Kranton, 2000; Cowen, 2002, pp. 131, 136), and – as social capital – underlies the long-term research program on implications for economic behavior to which Akerlof (2006) refers. With identity comes:

- *meaning* and *purpose* (Iannaccone, 1998, pp. 1480-1);
- feelings of *kindness*, *friendship*, *companionship*, and *love* (Bell, 1993, pp. 7-8; Lewis *et al.*, 2000; Lane, 2000, p. 9);
- the sense of *affirmation*, *recognition*, and *power* that may accompany entrepreneurship or government (Triglia, 2002, p. 43); and
- *community spirit*, *social cohesion*, and *stability* (Bell, 1993, pp. 7-8; Seabright, 2004).

Needs for *self-expression* – and even for intellectual and esthetic *satisfaction* – also seem to express preferences for social goods (Maslow, 1954; Wallach and Wallach, 1983, pp. 130-2; Wilson, 1991, pp. 242).

If the preferences of entrepreneurs – who are also consumers – include such social goods, then it seems we must open up the whole notion of “profit” and what motivates

economic activity. For example, it seems unlikely that Bill Gates is motivated to earn more financial profits solely in order to purchase more private goods in the market; he has said as much himself, and demonstrated it with his philanthropy.

I call all these products of communities “social goods,” a formulation with which economists are familiar, in order to stress that communities provide something which enters our utility functions directly and *positively* (which is why we call them *good*; Streissler, 1990, p. 43). It thus seems that any complete economic analysis – of revealed preference and utility as a whole, not just of utility derived from private (market) goods, or even from public goods – must acknowledge social goods, even if it cannot strictly account for them in terms of money.

Myrdal (1969, p. 42) noted a trend towards “scientism,” of social scientists increasingly using “strange terminology,” with which Varian (2001, p. 133) apparently concurred: “I hate to say it, but economist terminology is terrible.” The term “social goods” has previously been used – quite inappropriately, in my opinion – for what are now more appropriately referred to as “public goods” (Bowen, 1943; Musgrave, 1969, 1986). There have been other well-known usages of the term “social” as well – for *collective* welfare (as in “social welfare” and the ubiquitous “social welfare function”), or for *comparison* goods (Durkin, 1999) – which also have not reflected the full meaning of the term. I suggest that the usage advocated here does so, and is thus more appropriate. Otherwise, as Mirowski (1994, p. 54) says: “What is so ‘social’ about social science?” It seems better, when possible, to let words mean what they normally mean: “social” refers to our life in society, in communities.

Some social goods may exhibit non-excludability or non-rivalrousness, and – like the “mutual sympathy and consideration among citizens” that Dasgupta (1993, p. 106) refers to – may have positive (or negative) externalities, and to that extent may also be considered public goods (or “bads”). Some, but certainly not most, are even providable by government.

But while certain social goods have public-good characteristics – and some, such as love and friendship, have private-good characteristics – their distinguishing characteristic, besides the fact that they are produced by communities rather than by markets or governments, seems to be their inherent non-marketability, not because of non-excludability and resulting property-rights problems, but simply because they disappear, i.e. their character and value are changed unrecognizably, if one attempts to market them or evaluate them monetarily.

This presents a problem for economics: if social goods cannot be marketed or evaluated monetarily, it is impossible to measure their importance in any normal economic application. It may be that awareness and acknowledgement of this problem is the best we can do; but that is no excuse for ignoring social goods theoretically.

Incidentally, political and economic institutions may *also* be communities, insofar as people identify with them and they produce social goods. Government agencies and private firms, and even markets, undoubtedly provide a sense of identity, meaning, and purpose, for many of their employees or participants. Small agencies, firms, and markets, allowing personal interaction, can even facilitate the production of kindness, companionship, and love among their employees or participants, though these social goods are not as fundamental to their being as they are, for example, for families.

6. A model of dynamic balance among the three spheres of society

Let's see how the community sphere interacts with the economic and political spheres over time. (Dolfsma *et al.* (2005), offer an alternative way to visualize some of the interactions discussed here).

In the model below (Figure 2), the economic sphere is designated "Markets," the political sphere "Governments," and the social sphere "Communities." For each sphere we'll assume that there is some irreducible core (here in white, the inside of each "doughnut") representing essential interactions that appear spontaneously and would remain, or return, even if, for example, efforts were made to completely eliminate that sphere.

Thus, Smith (1776/1976, I.ii.2:25) famously referred to humankind's natural "propensity to truck, barter, and exchange one thing for another." Markets emerge because they can handle some types of scarcities more efficiently – and perhaps more harmoniously – than simple community traditions, or authority relations. Markets appeared far back in prehistory, very early in socio-economic development, in fairly primitive societies – with physical commodity-markets generally appearing first, then labor- and credit-markets, and finally land and land-rental markets (Pryor, 1977, p. 148). And black markets emerged even in the Soviet bloc under communist regimes ideologically dedicated to eliminating them, because markets could accomplish things of which the command economy was incapable. Thus, markets appear spontaneously, and could not be eliminated in favor of governments.

And even the most egalitarian consensus-minded communities and cultures seem to find that some political structure of hierarchy and authority also emerges (Fried, 1967, p. 229) – and has done so throughout pre-history, probably even before the emergence of explicit markets – while economists have long recognized that the market sphere also could not function without secure property rights established and guaranteed by the authority of government; this is part of the point of Dolfsma *et al.*'s (2005) Figure 2, showing markets enabled by society, which economic thinking and market ideology in turn can jeopardize (as we will discuss). Thus, again, governments appear spontaneously, and could not be eliminated in favor of markets.

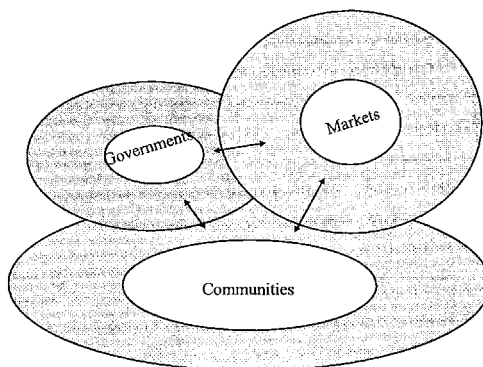


Figure 2.
A dynamic model of the three spheres of society, showing essential cores and potential areas of expansion ↔ contraction

And finally, it would be hard for either markets or governments – or even for both together – to provide completely for human reproduction and child-rearing, the perhaps quintessential community functions. So communities also cannot be eliminated.

Markets, governments, and communities are thus all natural and essential. The examples given of core activities are of course, illustrative, not exhaustive. And to repeat, it is *not* being asserted that core activities in any sphere are necessarily “pure” (a point emphasized regarding markets in particular by Hodgson, 1999, pp. 124-30): for example, that human reproduction and child-rearing could be, or should be, carried out totally without authority or exchange.

While we can accept that all four RMs may be involved to some extent in each of the three spheres, we thus assume that there are some necessary interactions which essentially require communities (based on CS and EM); others which are inescapably political (based on AR) and tend to elicit governments; and still others which naturally involve exchange (based on MP) and thus elicit markets. Corner solutions – with *none* of one or more of the spheres – are thus ruled out.

While comparing the sizes of the three real-life “spheres” is undoubtedly problematic, they were drawn here to reflect both the common perception that most of us, at least, live in a “market society” – so markets are drawn quite large, and in front – and the fact that both governments and markets have taken over many functions formerly performed by families and other communities, which are thus drawn behind. This also reflects the fact that contemporary mainstream economics takes markets as given – and governments to some extent as necessary – but less often even recognizes communities, let alone acknowledging them as a separate sphere organized according to different principles. Nevertheless, communities seem primordial and inherently most essential, so are drawn largest. Reflecting long-standing political convention, governments are drawn to the left, and markets are drawn to the right. But nothing in what follows depends on the relative sizes or positions of the “spheres.”

The shaded areas in the figure indicate potential areas of contraction of each of the spheres, which can also expand, as indicated by the double-headed arrows. So we assume some flexibility in allocating the space between the cores, which – because the three spheres are believed to be exhaustive of social space – must be allocated to one sphere or another.

The spheres are represented as regular ovals totally for convenience; no implication should be drawn that expansion of one sphere necessarily implies *equal* contraction of each of the other spheres. For example, shifting the boundary between markets and governments in dealing with, say, the physical environment, would not necessarily impact communities very much – though it might.

So we have a model of society made up of three spheres in tension with each other, an inward expansion of one implying a contraction of (at least *one* of) the others. Beyond the minimal core area of each sphere, its size may be influenced by many factors, including: government decision (i.e. political evaluation); which may be based upon persuasion and ideological commitment (moral or communitarian evaluation); which may in turn be based upon the perceived efficiency of one or another sphere in dealing with any particular type of interaction (an economic or “meta-economic” evaluation). Presumably the (perceived) efficiency of social-space allocations among the three spheres can be influenced by technology, not only physical but also information-technology, and even – or perhaps especially – social (or organizational)

technology – perhaps even “psychological technology.” Thus, for example, advertising can contribute to the commodification (commercialization) of many aspects of life formerly reserved to communities (McKendrick *et al.*, 1982; Heilbroner, 1985, p. 118).

So this is clearly not a “deterministic” model in which one can plug in initial values and have *certain* – or even stochastic – results fall out. Instead it is a “moral model,” for the same reason that economics was originally called a “moral science” (Boulding, 1969), with genuinely uncertain results (Toulmin, 2001, p. 210 and throughout). Within limits, the outcome depends on human will and choice, in evaluating uncertain information about those technologies, and on the meta-economic efficiency of various sphere-allocations – including, for example, possible differences in the preferences of cultures and societies for private, public, and social goods, just as individuals might choose consumption-bundles based on differing individual preferences.

7. Historical development of the three spheres of society

In the long run, meta-economic evaluation of efficiency – taking into account needs and desires for private, public, and social goods – may thus assign some types of interactions to the market sphere, others to the political sphere, and may leave (or return) others to the community sphere.

It seems clear that all types of social interactions were originally in the community sphere, with morality and tradition the original primordial “default setting” for determining the appropriate RM for any particular type of interaction. However, under the influences just mentioned, some types of interactions (those most strongly AR and MP) gradually became open to overt political and economic evaluation, then coalesced into separate (or at least separately-conceivable) spheres which hived-off from the originally all-embracing community sphere – “governments” first, markets later, as one would predict from RM theory. Eventually, more explicit, comprehensive, and differentiated governments and markets led to the increasing social complexity which we call “development.” The overall allocation-mechanism probably long remained essentially communitarian (morality and tradition), albeit with some perception of meta-economic efficiency underlying it, reflected also in some political debate and decision.

Thus, for example, the first great historical task of academic, theoretical economics, in the time of Smith’s *Wealth of Nations* (1776), was to help in the intellectual and moral (ideological, communitarian) debate – focused in political struggle – to push back the political sphere, and the community sphere too, in order to create more space for markets, and thereby more marketable wealth. (Dolfsma *et al.* (2005), discuss this process in terms of their Figure 2, markets embedded in and controlled by society, at some cost.) And this struggle over proper sphere-boundaries continues, reflected, as mentioned, in the concern with “family values” in US political debate (i.e. concern for maintaining the integrity of communities – and for the best ways to use governments, and perhaps markets, to support them).

The cultural historian Plumb (1972/1988) argues that we are now at the “end of an epoch,” the Neolithic, and that our basic social structures – family, cities, religion, schools, government – which have lasted since the development of agriculture and then civilization, 10,000 to 5,000 years ago, are now collapsing. Following philosopher Karl Jaspers, theologian Karen Armstrong argues that – at least with regard to religion – we are actually at the end of the epoch inaugurated by the “Axial Age,” c. 800-200 B.C.E., when the world’s great confessional faiths began (Roemischer, 2005-2006). Both Plumb

and Armstrong argue that recent changes in science and technology – driven by and reflected in the growth of markets since Smith – have called basic social structures into question. That there are alternatives besides collapse – such as transformation in some way – is devoutly to be hoped for, and presumably to be worked for as well.

We are now at the point where social organization has become largely conscious – or, put another way, where the proper sphere for more types of interaction than ever before is up for grabs – so that we feel the possibility (or the necessity) of deciding for ourselves – which is both exhilarating and scary. As Mishan (1967/1993) points out, there are “costs of economic growth” far beyond the simple opportunity-costs involved in market choices, affecting, for example, both our social and our physical environment.

Without perfect information, however, it seems that real (non-probabilistic) uncertainty about the future means that historical experiments will continue to be required to discover what is truly most meta-economically efficient at any given time and place. Deductive (*a priori*) speculation – not to mention revelation at far different times and places – can only go so far. And with all types of technology continually changing, there may be no *lasting* long-run equilibrium-allocation of social space at all – no “end of history” – but rather continuing technological development, continuing moral and political struggle, and continuing social change. Thus, interactions among the three spheres constitute not an equilibrium system, but – like markets themselves – more likely a self-organized critical system (Bak, 1997) in which “avalanches” of all intensities and durations can occur (e.g. the Bolshevik Revolution), largely limited perhaps by the conservative (community) forces of morality and tradition.

Given the repeated attempts in recent history to return to an earlier age of certainty – under Communists, Nazis, and now Islamic (as well as Christian and Jewish) fundamentalists (Armstrong, 2000) – the similar recent attempt of market fundamentalists was not surprising, though apparently equally doomed. As Mishan (1986, p. 283) says, anyone who believes in optimization understands that there can be too much or too little. It is up to us to seek the ever-changing optimal balance between the three spheres of society which is most appropriate for our changing technology and preferences.

8. The effect of economic thinking and market ideology on communities

We started with the question, what is economics about? Clearly mainstream economics focuses on markets, but also on economic (MP) thinking wherever it may arise, or be construed as arising. But there are non-market spheres operating primarily according to non-market principles – CS and EM in the community sphere, AR in the political sphere – yet interacting heavily with markets, and with economic thinking and market ideology. For us to understand the effects of economic thinking and market ideology (and even of markets themselves) will require us to also understand those other spheres and principles.

Without specifically highlighting communities as a separate sphere, Hirschman (1982) analyzed four possible interactive possibilities between markets and the rest of society: positive or negative, either way. Hirschman thus clearly recognized the positive influence of markets on communities, as does McCloskey (2006). But negative effects on communities and social goods – not just of markets, but also of economic thinking and market ideology (Hillinger, 2007) – have also been widely recognized by market skeptics, including many feminist economists recently, as well as.

Polanyi (1944/1968), Weisskopf (1955, pp. 140-2), Mishan (1967/1993), especially book two, *The Social Consequences*; Burenstam Linder (1970), Plumb (1972/1988), Hirsch (1976), especially Part II on commodity bias and commercialization bias; Bell (1976), Fufeld (1985, p. 50), Bowles (1991, pp. 12-3; 1998, p. 105), Etzioni (1993), Simons (1995, xvii, Chapter 3), Putnam (1995, 2000, p. 187), Goodwin *et al.* (1997), Giddens (1998, p. 15), Frank (1999, p. 88), Fukuyama (1999, pp. 5-6, 250-2), Johnson and Earle (2000, pp. 251, 376), Lane (2000, pp. 326, 336), Myers (2000), Ciscel and Heath (2001), Kamarck (2001, pp. 26, 84, 99), Harris and Johnson (2003, p. 322), Stiglitz (2002, pp. 56, 74, 247; 2003, pp. 293, 303, 319), Roccas and McCauley (2004, pp. 269-70); and of course, Marx (1887/1986, pp. 457-8) (Simons, 1995, Chapter 3, also discusses Marx in this regard).

To call these people “market skeptics” is not to say that they are all opponents of markets – only that they are not market fundamentalists. They see problems as well as benefits with markets – in particular, problems that economic thinking and market ideology can cause for communities and their production of social goods.

All this criticism of the effect of economic thinking and market ideology on communities and social goods can now be better understood using Fiske’s RM theory. Using RMs inappropriately (i.e. for interactions which “properly” belong to another sphere, whether in the core, or simply by settled tradition) tends to cause cognitive and emotional dissonance which can undermine that sphere – causing it, in terms of the model above, to shrink back towards, or even temporarily into, its core. As noted earlier, Fiske (1997, p. 256) discusses this issue in detail, summed up in his statement “to compare is to destroy” (when comparison is inappropriate). For example, Skidelsky (2008) points out that the “particular motive for action” which the market system relies upon – which, as he mentions, Keynes called “love of money” – “tends to undermine moral teaching.” Skidelsky continues: “The paradox of capitalism is that it converts avarice, greed, and envy into virtues” – and thus, while producing more marketable wealth, it undermines the sphere of communities and social goods, as well as the sphere of government and public goods (Mishan, 1967/1993; Plumb, 1972/1988; Bell, 1976; Etzioni, 1988; Kamarck, 2001, p. 104, notes its corrosive effect on governments).

Comparison may be appropriate, for example if technologies have changed, so that a corresponding change in the balance between the spheres will be meta-economically efficient. But paradoxically, even acknowledging that could tend to undermine communities as well – at least if the full relationship between the spheres is not explored and understood.

Seeing *everything* as markets – that is, using MP exclusively in social analysis (“economics imperialism,” *à la* Becker, 1976; Elster, 1989; Coleman, 1994; Baron and Hannan, 1994; Iannaccone, 1998) – can undermine the practice of CS and EM on which communities depend (Marwell and Ames, 1981; Wallach and Wallach, 1983; Schwartz, 1987, p. 52; Cohen, 1991, pp. 269-70; Frank *et al.*, 1993; Stiglitz, 2002, pp. 220-1). And the production of social goods (and social capital) – on which we all depend – then suffers as well.

9. Focusing on social capital undermines communities and social goods

Economic theory takes labor, land, and physical capital as factors (inputs) into the production of two fundamental types of goods, private, and public (Boadway and Bruce, 1984; Jha, 1998; Arrow, 1977/1983, summarized in Appendix). Analogously to physical capital, *social capital* – produced by communities – can also be understood as a factor of production, of either private or public goods (Granovetter, 1985; Platteau, 2000). For example, a sense of social responsibility and trust, produced in

families and other communities, makes it easier for governments to maintain some essential level of public order, and for private firms to produce and market their goods.

To the extent that families and other communities are dealt with in contemporary mainstream economic theory, they are generally treated as markets (Becker, 1976, 1991; Cornes and Sandler, 1996; Elster, 1989; Coleman, 1994; Stark, 1999; Bergstrom, 1997; Iannaccone, 1998; Becker and Murphy, 2000; Platteau, 2000). Thus, although mainstream economic theory recognizes social capital, it has not heretofore recognized the true nature of the communities that produce it.

Seeing everything as markets, which undermines communities and their production of social goods, can thus also even undermine the production of private and public goods, because that production depends on social capital which is also produced in those communities. Recognizing communities only as sources of social capital – not as sources of social goods – mainstream economic theory has contributed to undermining those communities, and the social capital they produce. Paradoxically, in order to support the production of social capital, we have to recognize communities – operating on their own motivational principles (CS and EM) – primarily as producers of social goods. Thus, social goods – and the communities that produce them – are more fundamental than social capital, even for markets and government.

10. Summary: valuing communities only for social capital undermines them

We need to re-establish the core balance between our markets, ethics, and regulations (Friedman, 2008).

Though the community sphere is largely unrecognized in economic theory for its own sake or in its own true nature, it is different from the economic and political spheres, yet heavily intertwined with them. It is this sphere which, besides producing social goods, also creates social capital. The same values which make *communities* productive can also be used to make *markets* and *governments* productive, because they are also communities, and are attempting to provide services to the larger community, society as a whole.

Viewed merely as the source of social capital – a factor of market or government production – communities would be considered only instrumentally, only for their indirect value in the production of private and public goods. But dealing with things instrumentally is an MP characteristic, and this presents a problem for communities, which are constituted by and depend on CS and EM. As Fiske (1997) has pointed out, “to compare is to destroy” – that is, in this case, treating communities as though they were based on MP values tends to undermine the CS and EM values that actually underlie them. And this is what contemporary mainstream economic theory seems to do (Titmuss, 1970; Marwell and Ames, 1981; Frank *et al.*, 1993).

Understanding the importance of *markets* and *private goods* for modern societies thus also implies understanding the importance of *communities* and *social goods*, the interactions among the three fundamental spheres of society, and the inherent limits of economic theory and the risks associated with economic thinking and market ideology.

This is not to deny the possibility of negative effects of communities, often due to a lack of tolerance, both internally and externally. But since we cannot live without communities, it would seem desirable to find ways to ameliorate those problems by increasing respect for internal and external diversity, while maintaining and strengthening communities.

But as first the political sphere of governments, and then the economic sphere of markets, differentiated themselves from the primordial all-encompassing community sphere, what remains has been overlooked – especially in economic theory. An attempt has recently been made to emphasize its importance as the source of social capital, but – paradoxically – if we are to gain the benefits of social capital for the economic and political spheres, we must learn to value communities in themselves for the social goods they produce directly.

Just as communities contribute, via social capital, both to the profitability of firms and their production of private goods, and to the soundness of governments and their production of public goods, so presumably can both the economic and the political spheres – besides their other uses – be harnessed to contribute to the welfare of communities and their production of social goods. It would be helpful towards this end if economic theory – just as it recognizes the reality and importance of the political sphere (and the reality and importance of the environmental sphere) – were also to recognize the reality and importance of the community sphere, and the value of its production of social goods, and thus the desirability of “optimization” between markets, governments, and communities. Doing so would be good not only for communities, and for markets (via social capital), but also for economics itself.

Acknowledgements

I would like to thank Bo Sandelin for consistent support as I’ve developed this theme, as well as Kenneth Arrow, Arne Bigsten, Dick Dureval, Amitai Etzioni, Lennart Flood, Mats-Ola Forsman, Bruno Frey, Johan Lönnroth, Karl Ove Moene, and Svante Ylvinger who have encouraged me at various stages. I also very much appreciate that Wlodek Bursztyn, Wilfred Dolfsma, Alan Page Fiske, Olof Johansson Stenman, Mats Lundahl, Jeff Madrick, Deirdre McCloskey, E.J. Mishan, Ed O’Boyle, Michael Pepperday, Daniela Roughsedge, and Timothy Taylor have read and provided very helpful comments on this and/or one or more possibly very different earlier drafts, which have also been presented (and comments gratefully received):

- at seminars at the Economics Department of Göteborgs Universitet (2000, 2003, 2008);
- at the 10th World Congress of Social Economics organized by the Association for Social Economics (Cambridge, England, 2000);
- at the 3rd Nordic Workshop in Development Economics (Copenhagen, 2001);
- at the Association for Heterodox Economics conference (Dublin, 2002);
- at the International Confederation of Associations for Pluralism in Economics conference (Kansas City, 2003);
- at the conference of the Society for the Advancement of Socio-Economics held jointly with the Communitarian Summit (Washington, DC, 2004); and
- at the conference on Social Capital: Definitions, Measurement, and Applications, organized by the Social Capital Foundation (Malta, 2005).

Financial support has at various times been gratefully received from the Economics Department of Göteborgs Universitet; Adlerbertska Stipendiestiftelsen; Stiftelsen Paul och Marie Berghaus; and Stiftelsen Siamon.

Naturally, only I am to blame for the results.

References

- Abdul-Rauf, M. (1986), "Comment on Imad Ahmad, Islamic social thought", in Block, W. and Hexham, I. (Eds), *Religion, Economics, and Social Thought*, Fraser Institute, Vancouver, pp. 500-8.
- Ackerman, F. (2008), "The economics of collapsing markets", *Real-World Economics Review*, Vol. 48 No. 6, pp. 279-90, available at: www.paecon.net/PAERReview/issue48/Ackerman48.pdf (accessed December 30, 2008).
- Adaman, F. and Madra, Y.M. (2002), "Theorizing the 'third sphere': a critique of the persistence of the 'economic fallacy'", *Journal of Economic Issues*, Vol. 36 No. 4, pp. 1045-78.
- Akerlof, G.A. (2006), "The missing motivation in macroeconomics", Preliminary Draft: Presidential Address, American Economic Association, available at: www.aeaweb.org/annual_mtg_papers/2007/0106_1640_0101.pdf (accessed March 6, 2008).
- Akerlof, G.A. and Kranton, R.E. (2000), "Economics and identity", *Quarterly Journal of Economics*, Vol. 115 No. 3, pp. 715-53.
- Armstrong, K. (2000), *The Battle for God: Fundamentalism in Judaism, Christianity, and Islam*, Harper Collins, London.
- Arrow, K.J. (1977/1983), "The organization of economic activity: issues pertinent to the choice of market versus non-market allocation", in Haveman, R.H. and Margolis, J. (Eds), *Public Expenditure and Policy Analysis*, Houghton Mifflin, Boston, MA, pp. 67-81.
- Ayres, C.E. (1961), *Toward a Reasonable Society: The Values of Industrial Civilization*, University of Texas Press, Austin, TX.
- Bak, P. (1997), *How Nature Works: The Science of Self-organized Criticality*, Oxford University Press, Oxford.
- Baron, J.N. and Hannan, M.T. (1994), "The impact of economics on contemporary sociology", *Journal of Economic Literature*, Vol. 32 No. 3, pp. 1111-46.
- Becker, G.S. (1976), *The Economic Approach to Human Behavior*, University of Chicago Press, Chicago, IL.
- Becker, G.S. (1991), *A Treatise on the Family*, Harvard University Press, Cambridge, MA.
- Becker, G.S. and Murphy, K.M. (2000), *Social Economics: Market Behavior in a Social Environment*, Belknap, Cambridge, MA.
- Bell, D. (1976), *The Cultural Contradictions of Capitalism*, Heinemann, London.
- Bell, D.A. (1993), *Communitarianism and Its Critics*, Oxford University Press, Oxford.
- Bennett, J.C. (1985), "Overview", in Block, W., Brennan, G. and Elzinga, K. (Eds), *Morality and the Market: Religious and Economic Perspectives*, Fraser Institute, Vancouver, pp. 547-66.
- Bergstrom, T.C. (1997), "A survey of theories of the family", Chapter 2, in Rosenzweig, M.R. and Stark, O. (Eds), *Handbook of Population and Family Economics*, Elsevier, Amsterdam.
- Bernheim, B.D., Shleifer, A. and Summers, L.H. (1985), "The strategic bequest motive", *Journal of Political Economy*, Vol. 93 No. 6, pp. 1045-76.
- Boadway, R.W. and Bruce, N. (1984), *Welfare Economics*, Basil Blackwell, Oxford.
- Bogle, J.C. (2004), "The right kind of success", remarks by the founder and former chairman of the Vanguard Group on receiving the honorary degree of Doctor of Humane Letters, Pennsylvania State University, available at: www.vanguard.com/bogle_site/sp20040515.html (accessed May 11, 2007).
- Boulding, K. (1969), "Economics as a moral science (presidential address to the American Economic Association, December 1968)", *American Economic Review*, Vol. 59 No. 1, pp. 1-12.

- Boulding, K. (1978), *Ecodynamics, A New Theory of Societal Evolution*, Sage, Beverly Hills, CA.
- Boulding, K. (1985), *The World as a Total System*, Sage, Beverly Hills, CA.
- Boulding, K. (1990), *Three Faces of Power*, Sage, Newbury Park, CA.
- Boulding, K., Boulding, E. and Burgess, G.M. (1980), *The Social System of the Planet Earth*, Addison-Wesley, Reading, MA.
- Bowen, H.R. (1943), "The interpretation of voting in the allocation of economic resources", *Quarterly Journal of Economics*, Vol. 58 No. 1, pp. 27-48.
- Bowles, S. (1991), "What markets can – and cannot – do", *Challenge*, July/August, pp. 11-16.
- Bowles, S. (1998), "Endogenous preferences: the cultural consequences of markets and other economic institutions", *Journal of Economic Literature*, Vol. 36 No. 1, pp. 75-111.
- Buchanan, J.M. (1978), "Markets, states, and the extent of morals", *American Economic Review*, Vol. 68 No. 2, pp. 364-8.
- Burenstam Linder, S. (1970), *The Harried Leisure Class*, Columbia University Press, New York, NY.
- Carey, B. (2006), "The fame motive", *The New York Times*, August 22.
- Chwe, M.S.-Y. (2001), *Rational Ritual: Culture, Coordination, and Common Knowledge*, Princeton University Press, Princeton, NJ.
- Ciscel, D.H. and Heath, J.A. (2001), "To market, to market: imperial capitalism's destruction of social capital and the family", *Review of Radical Political Economics*, Vol. 33 No. 4, pp. 401-14.
- Claiborne, R. (1983), *Our Marvelous Native Tongue*, Times Books, New York, NY.
- Cohen, G.A. (1991), "Incentives, inequality, and community", The Tanner Lectures on Human Values, delivered at Stanford University, May 21, 23, available at: www.tannerlectures.utah.edu/lectures/documents/cohen92.pdf (accessed January 4, 2007).
- Coleman, J.S. (1994), *Foundations of Social Theory*, Belknap Press, Cambridge, MA.
- Cornes, R. and Sandler, T. (1996), *The Theory of Externalities, Public Goods, and Club Goods*, Cambridge University Press, Cambridge.
- Cory, G.A. (1999), *The Reciprocal Modular Brain in Economics and Politics: Shaping the Rational and Moral Basis of Organization, Exchange, and Choice*, Kluwer Academic, New York, NY.
- Cowen, T. (2002), *Creative Destruction: How Globalization is Changing the World's Cultures*, Princeton University Press, Princeton, NJ.
- Cramp, A.B. (1994), "Mappings of (economic) meaning: here be monsters", in Brennan, H.G. and Waterman, A.M.C. (Eds), *Economics and Religion: Are They Distinct?*, Kluwer Academic, Boston, MA.
- Crook, J.H. (1980), *The Evolution of Human Consciousness*, Clarendon, Oxford.
- Dasgupta, P. (1993), *An Inquiry into Well-Being and Destitution*, Clarendon, Oxford.
- Dicken, P. (2007), *Global Shift: Mapping the Changing Contours of the World Economy*, 5th ed., Guilford Press, New York, NY.
- Dolfsma, W., Finch, J. and McMaster, R. (2005), "Market and society: how do they relate, and how do they contribute to welfare?", *Journal of Economic Issues*, Vol. 39 No. 2, pp. 347-56.
- Douglas, M. (1982), "Cultural bias", *In the Active Voice*, Routledge, London, pp. 183-254.
- Douglas, M. and Ney, S. (1998), *Missing Persons: A Critique of the Social Sciences*, University of California Press, Berkeley, CA.
- Durkin, J.T. (1999), *Market Size, Optimal Variety and the Gains from Trade in a Model of Monopolistic Competition with Social Goods*, Mimeo, New York, NY.

- Elster, J. (1989), *The Cement of Society: A Study of Social Order*, Cambridge University Press, Cambridge.
- Emmett, R.B. (1994), "Frank knight: economics versus religion", in Brennan, H.G. and Waterman, A.M.C. (Eds), *Economics and Religion: Are They Distinct?*, Kluwer Academic, Boston, MA, pp. 103-20.
- Etzioni, A. (1988), *The Moral Dimension: Toward a New Economics*, The Free Press, New York, NY.
- Etzioni, A. (1993), *The Spirit of Community: Rights, Responsibilities, and the Communitarian Agenda*, Simon & Schuster, New York, NY.
- Etzioni, A. (1996), *The New Golden Rule: Community and Morality in a Democratic Society*, Basic Books, New York, NY.
- Etzioni, A. and Etzioni, O. (1999), "Face-to-face and computer-mediated communities: a comparative analysis", *The Information Society*, Vol. 15 No. 4, pp. 241-8.
- Fiske, A.P. (1991), *Structures of Social Life: The Four Elementary Forms of Human Relations*, The Free Press, New York, NY.
- Fiske, A.P. (1997), "Taboo trade-offs: reactions to transactions that transgress the spheres of justice", *Political Psychology*, Vol. 18 No. 2, pp. 255-97.
- Fiske, A.P. (2004), "Relational models theory 2.0", Chapter 1, in Haslam, N. (Ed.), *Relational Models Theory: A Contemporary Overview*, Lawrence Erlbaum Associates, Mahwah, NJ.
- Frank, R.H. (1999), *Luxury Fever: Why Money Fails to Satisfy in an Era of Excess*, The Free Press, London.
- Frank, R.H., Gilovich, T. and Regan, D.T. (1993), "Does studying economics inhibit cooperation?", *Journal of Economic Perspectives*, Vol. 7 No. 2, pp. 159-71.
- Fried, M.H. (1967), *The Evolution of Political Society: An Essay in Political Anthropology*, Random House, New York, NY.
- Friedland, R. and Alford, R. (1991), "Bringing society back in: symbols, practices, and institutional contradictions", in Powell, P. and DiMaggio, P. (Eds), *The New Institutionalism in Organizational Analysis*, University of Chicago Press, Chicago, IL, cited in DiMaggio, P. (1994), "Culture and economy", in Smelser, N.J. and Swedberg, R. (Eds), *The Handbook of Economic Sociology*, Princeton University Press, Princeton, NJ, Chapter 2.
- Friedman, T.L. (2000), *The Lexus and the Olive Tree*, Harper Collins, London.
- Friedman, T.L. (2008), "The great unraveling", *The New York Times*, December 17.
- Fukuyama, F. (1999), *The Great Disruption: Human Nature and the Reconstitution of Social Order*, The Free Press, New York, NY.
- Fusfeld, D.R. (1985), *Economics: Principles of Political Economy*, 2nd ed., Scott, Foresman, Glenview, IL.
- Giddens, A. (1998), *The Third Way: The Renewal of Social Democracy*, Polity Press, Cambridge.
- Giddens, A. and Pierson, C. (1998), *Conversations with Anthony Giddens: Making Sense of Modernity*, Polity Press, Cambridge.
- Goodwin, N.R., Ackerman, F. and Kiron, D. (Eds) (1997), *The Consumer Society*, Island Press, Washington, DC.
- Granovetter, M. (1985), "Economic action and social structure: the problem of embeddedness", *American Journal of Sociology*, Vol. 91 No. 3, pp. 481-510.
- Greenspan, A. (2000), "Considerable unease (other comment)", *International Herald Tribune*, September 5.
- Gudeman, S. (1986), *Economics as Culture: Models and Metaphors of Livelihood*, Routledge & Kegan Paul, London.

- Gutierrez, G. (1983), *A Theology of Liberation*, Orbis Books, Maryknoll, NY, cited in Arrington, C.E. (1990), "Comment", in Samuels, W.J. (Ed.), *Economics as Discourse: An Analysis of the Language of Economics*, Kluwer Academic, Boston, MA, pp. 90-100.
- Habermas, J. (2001/2006), *Time of Transitions*, Polity Press, Cambridge (edited and translated by C. Cronin and M. Pensky).
- Harris, M. and Johnson, O. (2003), *Cultural Anthropology*, 6th ed., Allyn and Bacon, London.
- Haslam, N. (Ed.) (2004), *Relational Models Theory: A Contemporary Overview*, Lawrence Erlbaum Associates, Mahwah, NJ.
- Heilbroner, R.L. (1985), *The Nature and Logic of Capitalism*, W.W. Norton, New York, NY.
- Hertzberg, H. (2004), *Politics: Observations and Arguments, 1966-2004*, Penguin, New York, NY.
- Hillinger, C. (2007), "Science and ideology in economic, political, and social thought", Economics Discussion Paper No. 43, available at: www.economics-ejournal.org/economics/discussionpapers/2007-43 (accessed April 28, 2008).
- Hirsch, F. (1976), *Social Limits to Growth*, Harvard University Press, Cambridge, MA.
- Hirschman, A.O. (1982), "Rival interpretations of market society: civilizing, destructive, or feeble?", *Journal of Economic Literature*, Vol. 20 No. 4, pp. 1463-84, also published as "Rival views of market society", in Hirschman, A.O. (1992), *Rival Views of Market Society and Other Recent Essays*, Harvard University Press, Cambridge, MA, Chapter 5.
- Hirschman, A.O. (1992), "Exit and voice: an expanding sphere of influence", *Rival Views of Market Society and Other Recent Essays*, Harvard University Press, Cambridge, MA, Chapter 4.
- Hobson, J.A. (1938/1976), *Confessions of an Economic Heretic: Autobiography*, Harvester Press, Brighton.
- Hodgson, G.M. (1999), *Economics and Utopia: Why the Learning Economy is Not the End of History*, Routledge, London.
- Iannaccone, L.R. (1998), "Introduction to the economics of religion", *Journal of Economic Literature*, Vol. 36 No. 3, pp. 1465-95.
- Jacobs, J. (2000), *The Nature of Economics*, Modern Library, New York, NY.
- Jha, R. (1998), *Modern Public Economics*, Routledge, London.
- Johnson, A.W. and Earle, T. (2000), *The Evolution of Human Societies: From Foraging Group to Agrarian State*, 2nd ed., Stanford University Press, Stanford, CA.
- Jonish, J.E. and Terry, N. (1999), "The social economics of labor: work decisions in the short run and long run", in O'Boyle, E.J. (Ed.), *Teaching the Social Economics Way of Thinking*, Edwin Mellen, Lewiston, NY, pp. 455-90.
- Kamarck, A.M. (2001), *Economics for the Twenty-first Century: The Economics of the Economist-Fox*, Ashgate, Aldershot.
- Klein, D.B. and Romero, P.P. (2007), "Model building versus theorizing: the paucity of theory in the Journal of Economic Theory", *Econ Journal Watch*, Vol. 4 No. 2, pp. 241-71.
- Knight, F.H. and Merriam, T.W. (1947), *The Economic Order and Religion*, Kegan Paul, London.
- Konow, J. and Earley, J. (2008), "The hedonistic paradox: is homo economicus happier?", *Journal of Public Economics*, Vol. 92 Nos 1/2, pp. 1-33.
- Landsburg, S.E. (1997), *Fair Play: What Your Child Can Teach You about Economics, Values, and the Meaning of Life*, The Free Press, London.
- Lane, R.E. (2000), *The Loss of Happiness in Market Democracies*, Yale University Press, New Haven, CT.

- Lewis, T., Amini, F. and Lannon, R. (2000), *A General Theory of Love*, Random House, New York, NY.
- Liber Ekonomi (Liber AB), advertisement for S. Dobson and S. Palfreman, *Grundläggande Nationalekonomi (Elementary Economics)*, Stockholm.
- Little, I.M.D. (1949), "The foundations of welfare economics", *Oxford Economic Papers (New Series)*, Vol. 1 No. 2, pp. 227-46.
- McCloskey, D. (1998), "Bourgeois virtue and the history of P and S", *Journal of Economic History*, Vol. 58 No. 2, pp. 297-317.
- McCloskey, D. (2006), *The Bourgeois Virtues: Ethics for an Age of Commerce*, University of Chicago Press, Chicago, IL.
- McKendrick, N., Brewer, J. and Plumb, J.H. (1982), *The Birth of a Consumer Society: The Commercialization of 18th-Century England*, Europa Press, London.
- MacLean, P.D. (1990), *The Triune Brain in Evolution: Role in Paleocerebral Functions*, Plenum Press, New York, NY.
- Mackey, S. (2002), *The Reckoning: Iraq and the Legacy of Saddam Hussein*, W.W. Norton, New York, NY.
- Marwell, G. and Ames, R. (1981), "Economists free ride, does anyone else?", *Journal of Public Economics*, Vol. 15 No. 3, pp. 295-310.
- Marx, K. (1887/1986), *Capital: Volume 1: A Critique of Political Economy*, Progress Publishers, Moscow.
- Maslow, A. (1954), *Motivation and Personality*, Harper & Row, New York, NY.
- Mauss, M. (1925/1967), *The Gift: Forms and Functions of Exchange in Archaic Societies*, W.W. Norton, New York, NY (translated by I. Cunnison).
- Meyer, J.W., Kamens, D.H., Benavot, A., Cha, Y.-K. and Wong, S.-Y. (1992), *School Knowledge for the Masses: World Models and National Primary Curricular Categories in the 20th Century*, Falmer Press, Washington, DC.
- Minowitz, P. (1993), *Profits, Priests, and Princes: Adam Smith's Emancipation of Economics from Politics and Religion*, Stanford University Press, Stanford, CA.
- Mirowski, P. (1994), "What are the questions?", Chapter 4, in Backhouse, R. (Ed.), *New Directions in Economic Methodology*, Routledge, London.
- Mishan, E.J. (1967/1993), *The Costs of Economic Growth*, Weidenfeld & Nicolson, London.
- Mishan, E.J. (1986), *Economic Myths and the Mythology of Economics*, Wheatsheaf, Brighton.
- Musgrave, R.A. (1969), "Provision for social goods", in Margolis, J. and Guitton, H. (Eds), *Public Economics: An Analysis of Public Production and Consumption and Their Relations to the Private Sectors, Proceedings of a Conference held by the International Economic Association, Biarritz*, Chapter 6.
- Musgrave, R.A. (1986), *Public Finance in a Democratic Society, I: Social Goods, Taxation and Fiscal Policy*, Wheatsheaf, Brighton.
- Myers, D.G. (2000), *The American Paradox: Spiritual Hunger in an Age of Plenty*, Yale University Press, New Haven, CT.
- Myrdal, G. (1969), *Objectivity in Social Research*, Pantheon Books, New York, NY.
- Neuhauser, R. (1986), "Discussion of Imad Ahmad, Islamic social thought", in Block, W. and Hexham, I. (Eds), *Religion, Economics, and Social Thought*, Fraser Institute, Vancouver, pp. 512-23.
- Nisbet, R.A. (1953/1970), *The Quest for Community*, Oxford University Press, Oxford.

- Nordisk Konferens i Idéhistoria och Vetenskapshistoria 2003 (Nordic Conference on the History of Thought and History of Science 2003)*, available at: www.ling.gu.se/~ankid/konferens/konferens2003.htm (accessed May 24, 2003).
- O'Boyle, E.J. (Ed.) (1999), *Teaching the Social Economics Way of Thinking*, Edwin Mellen, Lewiston, NY.
- O'Boyle, E.J. (2000), "Personalist economics: moral convictions, economic realities, and social action", *Review of Social Economy*, Vol. 58 No. 4, pp. 539-52.
- Ouchi, W.G. (1980), "Markets, bureaucracies, and clans", *Administrative Science Quarterly*, Vol. 25 No. 1, pp. 129-41.
- Platteau, J.-P. (2000), *Institutions, Social Norms, and Economic Development*, Harwood Academic, Amsterdam.
- Plumb, J.H. (1972/1988), "The end of an epoch", *Collected Essays, Vol. I, The Making of an Historian*, University of Georgia Press, Athens, GA, pp. 310-21, first published in *Horizon*, Vol. 14 (Summer 1972).
- Polanyi, K. (1944/1968), *The Great Transformation: The Political and Economic Origins of our Time*, Beacon Press, Boston, MA.
- Polanyi, M. (1997), *Society, Economics, and Philosophy: Selected Papers*, Transaction Publishers, New Brunswick, NJ.
- Pryor, F. (1977), *The Origins of the Economy: A Comparative Study of Distribution in Primitive and Peasant Economies*, Academic Press, New York, NY.
- Putnam, R. (1995), "Bowling alone: America's declining social capital", *Journal of Democracy*, Vol. 6 No. 1, pp. 65-78, first presented in Uppsala, Sweden.
- Putnam, R. (2000), *Bowling Alone: The Collapse and Revival of American Community*, Simon & Schuster, New York, NY.
- Roccas, S. and McCauley, C. (2004), "Values and emotions in the relational models", in Haslam, N. (Ed.), Chapter 9, *Relational Models Theory: A Contemporary Overview*, Lawrence Erlbaum Associates, Mahwah, NJ.
- Roemischer, J. (2005-2006), "A new axial age: Karen Armstrong on the history – and the future – of go", *What is Enlightenment Magazine*, available at: www.wie.org/f31/armstrong.asp (accessed December 10, 2007).
- Rothstein, B. and Stolle, D. (2007), "The quality of government and social capital: a theory of political institutions and generalized trust", Quality of Government (QoG), Working Paper No. 2, Department of Political Science, Göteborgs Universitet, Sweden.
- Ruccio, D.F. (2003), "Socialism, community, and democracy: a postmodern marxian vision of (post-)capitalism", paper presented at the ICAPE (International Consortium of Associations for Pluralism in Economics) Conference on The Future of Heterodox Economics, Kansas City, MO, June.
- Sage Publications (2003), *New at Sage in 2003 (Advertisement)*, Sage, London.
- Sahlins, M. (1965), "On the sociology of primitive exchange", *The Relevance of Models for Social Anthropology*, Association for Social Anthropologists Monograph 1, Praeger, New York, NY, pp. 139-236.
- Schermer, M. (2003), "The domesticated savage", *Scientific American*, Vol. 289 No. 3, p. 40.
- Schumpeter, J.A. (1943/1976), *Capitalism, Socialism and Democracy*, George Allen & Unwin, London.
- Schwartz, B. (1987), *The Battle for Human Nature: Science, Morality, and Modern Life*, W.W. Norton, New York, NY.

- Schwartz, T. (1995), *What Really Matters: Searching for Wisdom in America*, Bantam, New York, NY.
- Seabright, P. (2004), *The Company of Strangers: A Natural History of Economic Life*, Princeton University Press, Princeton, NJ.
- Shadid, A. (2001), *Legacy of the Prophet: Despots, Democrats, and the New Politics of Islam*, Westview Press, Boulder, CO.
- Simons, R.G. (1995), *Competing Gospels: Public Theology and Economic Theory*, E.J. Dwyer, Alexandria.
- Skidelsky, R. (2008), "The moral vulnerability of markets", *Project Syndicate*, March, available at: www.project-syndicate.org/commentary/skidelsky3 (accessed May 9, 2008).
- Smelser, N.J. and Swedberg, R. (Eds) (1994), *The Handbook of Economic Sociology*, Princeton University Press, Princeton, NJ.
- Smith, A. (1759/1982), *The Theory of Moral Sentiments*, Liberty Classics, Indianapolis, IN.
- Smith, A. (1776/1976), *An Inquiry into the Nature and Causes of the Wealth of Nations*, Clarendon, Oxford.
- Stark, O. (1999), *Altruism and Beyond: An Economic Analysis of Transfers and Exchanges within Families and Groups*, Cambridge University Press, Cambridge.
- Steedman, I. (1994), "Wicksteed: economist and prophet", in Brennan, H.G. and Waterman, A.M.C. (Eds), *Economics and Religion: Are They Distinct?*, Kluwer Academic, Boston, MA, pp. 77-102.
- Steuer, M. (2003), *The Scientific Study of Society*, Kluwer Academic, London.
- Stiglitz, J.E. (2002), *Globalization and Its Discontents*, W.W. Norton, New York, NY.
- Stiglitz, J.E. (2003), *The Roaring Nineties: A New History of the World's Most Prosperous Decade*, W.W. Norton, New York, NY.
- Streeck, W. and Smitter, P.C. (1985), "Community, market, state – and associations? The prospective contribution of interest governance to social order", in Streeck, W. and Schmitter, P.C. (Eds), *Private Interest Government: Beyond Market and State*, Sage, London.
- Streissler, E.W. (1990), "The influence of German economics on the work of Menger and Marshall", Vol. 22 No. 1, pp. 31-68, in Caldwell, B.J. (Ed.), *Carl Menger and his Legacy in Economics*, the Annual Supplement to *History of Political Economy*, Duke University Press, Durham, NC.
- Titmuss, R.M. (1970), *The Gift Relationship: From Human Blood to Social Policy*, George Allen & Unwin, London.
- Toulmin, S. (2001), *Return to Reason*, Harvard University Press, Cambridge, MA.
- Trigilia, C. (2002), *Economic Sociology: State, Market, and Society in Modern Capitalism*, Blackwell, Malden, MA.
- Trotsky, L. (1957), *Literature and Revolution*, Russeli & Russell, New York, NY.
- Turner, J.H. (1992), "Overcoming humanities-babble: searching for universal types of human social relations", *Contemporary Sociology*, Vol. 21 No. 1, pp. 126-8.
- Universitat de Barcelona (2007), available at: www.ub.edu/homeub/en (accessed June 27, 2007).
- van Staveren, I. (2001), *The Values of Economics: An Aristotelian Perspective*, Routledge, London.
- Varian, H.R. (2001), "What I've learned about writing economics", *Journal of Economic Methodology*, Vol. 8 No. 1, pp. 131-4.
- Wallach, M.A. and Wallach, L. (1983), *Psychology's Sanction for Selfishness: The Error of Egoism in Theory and Therapy*, W.H. Freeman, San Francisco, CA.

- Waterman, A.M.C. (1986), "Christian political economy: Malthus to Margaret Thatcher", in Block, W. and Hexham, I. (Eds), *Religion, Economics, and Social Thought*, Fraser Institute, Vancouver, BC, pp. 99-124.
- Weisskopf, W.A. (1955), *The Psychology of Economics*, Routledge & Kegan Paul, London.
- Wicksell, K. (1909), *Tronen, Altaret, Svärdet och Pänningpåsen (The Throne, Altar, Sword, and Purse)*, Ungsocialistiska Partiets Förlag, Stockholm.
- Wicksteed, P.H. (1885/1920), *Is Christianity Practical?*, Lindsey Press, London.
- Wilson, J.O. (1991), "Human values and economic behavior: a model of moral economy", in Etzioni, A. and Lawrence, P.R. (Eds), *Socio-Economics: Toward a New Synthesis*, Sharpe, Armonk, NY, Chapter 14.
- Wong, S.-Y. (1992), "The evolution and organization of the social science curriculum", in Meyer, J.W., Kamens, D.H., Benavot, A., Cha, Y.-K. and Wong, S.-Y. (Eds), *School Knowledge for the Masses: World Models and National Primary Curricular Categories in the 20th Century*, Falmer Press, Washington, DC, pp. 124-38.
- Wright, R. (2000), *Nonzero: The Logic of Human Destiny*, Pantheon Books, New York, NY.
- Yuengert, A.M. (1999), "The uses of economics in papal encyclicals", in Dean, J.M. and Waterman, A.M.C. (Eds), *Religion and Economics: Normative Social Theory*, Kluwer Academic, Boston, MA, pp. 33-50.

Appendix. While asserting generality, welfare analysis with a perfectly competitive market-equilibrium (Arrow, 1977/1983) does not explicitly abstract from social goods, yet ignores them

The basic set-up and results

Arrow (1977/1983, p. 69) offers this classic summary of the conditions for a perfectly competitive market-equilibrium:

- households, possessed of initial resources, possibly including claims to the profits of firms, choose consumption-bundles to maximize utility at a given set of prices;
- firms choose production-bundles so as to maximize profits at the same set of prices; and
- the chosen production- and consumption-bundles must be consistent with each other in the sense that aggregate production plus initial resources must equal aggregate consumption.

As Arrow makes clear, it is assumed in this definition:

- that households and firms have full knowledge of all prices;
- that households and firms take the prices "as given", not alterable by their own actions;
- that prices are the same for all households and firms; and
- that no resources are used in the act of changing prices.

Certain further assumptions are often used in equilibrium analysis, including:

- convex indifference curves for the households;
- convex production possibility sets for the firms; and
- the universality of markets.

Arrow (1977/1983, p. 70) defines universality of markets to mean that "the consumption-bundle which determines the utility of an individual is the same as that which he [sic] purchases at given prices subject to his budget constraint [...]" In other words, all sources of utility are purchasable

in the market, "everything that matters is a marketable commodity with a meaningful price" (Ackerman, 2008, p. 280).

Pointing out that convexity is not necessary for this step, Arrow then states the First Fundamental Theorem of Welfare Economics as: "If [universality of markets] holds, [then] a competitive equilibrium is Pareto-efficient." Pareto efficiency, of course, means that no one can be made better off without making someone else worse off.

If we add convexity – and some assumption of equality or justice in original resource-endowments (which Arrow recognizes) – then we seem to have arrived at the best of all possible worlds: If everything of value is purchasable in perfectly competitive markets, then we're all as well off as we can possibly get.

Relaxing the universality-of-markets assumption

Of course we do not have equality in original resource-endowments (and, many would argue, not justice either). It may also be that, rather than taking prices "as given," some economic agents can influence prices by their own actions. And certainly we do not each have full knowledge about all prices. (Another assumption – which Arrow did not find necessary to mention, but which often is not fulfilled – is clearly-defined property-rights, which would seem to be a special case of the failure of universality of markets, though quite different from the one discussed here.) And there are public goods which, for one reason or another, cannot be sold in markets. But all these aspects have been explored elsewhere at some length, and need not detain us here. (Besides the theoretical literature addressing these issues, practical political action has been taken – to greater or lesser extent – to correct the problems. Thus, we may have income-transfers of various sorts to the poor, or the not-so-poor; regulation or creation of monopolies; agencies devoted to information-collection and -dissemination; and government-provision of public goods).

Relaxing the assumption of universality of markets has also been explored somewhat. As Arrow (1977/1983, p. 72) says, "the bulk of meaningful future transactions cannot be carried out on any existing present market, so [the] assumption [of] the universality of markets is not valid." Nevertheless, this problem is commonly taken to have been overcome – at least in a theoretical way – by the assumption of Arrow-Debreu asset-markets, for which actual asset-markets can give a reasonable approximation. The impossibility of markets for social goods – and thus the non-existence of such markets – has not been explored theoretically, nor even explicitly recognized.

Corresponding author

Rick Wicks can be contacted at: rick.wicks@economics.gu.se

Paper 3

the american economist

Journal of
THE INTERNATIONAL HONOR SOCIETY IN ECONOMICS
Omicron Delta Epsilon

Volume LVII

Spring 2012

Number 1

ARTICLES

- Does AP Economics Improve Student Achievement?* Christopher Clark, Benjamin Scalidi, and John R. Swinton
- From Cholera Outbreaks to Pandemics: The Role of Poverty and Inequality* Nejat Anbarci, Monica Escaleras, and Charles A. Register
- Social Choice Theory in 10,000 Meters: Examining Independence and Transitivity in the NCAA Cross-Country Championships* Franklin G. Mixon, Jr. and Earnest W. King
- Jolting Joe and Charlie Hustle: The Immediate Economic Impact of an Extended Hitting Streak* Ira Horowitz and Jim Lackritz
- Does Player Mobility Lead to Higher Earnings? Evidence from the NHL* Claude Vincent and Byron Eastman
- The Long-Run Impact of Age Demographics on the U.S. Divorce Rate* John M. Nunley and Joachim Zietz
- Assumption without Representation: The Unacknowledged Abstraction from Communities and Social Goods* Rick Wicks
- Creating Quality Undergraduate Research Programs in Economics: How, When, Where (and Why)* Stephen B. DeLoach, Elizabeth Perry-Sizemore, and Mary O. Borg
- An Essay on the Art and Science of Teaching* Dennis L. Weisman
- Book Review*
- Heterodox Analysis of Financial Crisis and Reform: History, Politics and Economics* Kevin S. Bracker
- Chapter Roll

<http://www.americaneconomist.org>
American Economist Website
<http://www.omicrondeltaepsilon.org>
Omicron Delta Epsilon Website

OMICRON DELTA EPSILON

International Honor Society in Economics

INTERNATIONAL EXECUTIVE BOARD

Joseph M. Santos, **President**—South Dakota State University, Brookings, SD 57007
Katherine A. Nantz, **President-Elect**—Fairfield University, Fairfield, CT 06824
Tina Das, **Vice President**—Elon University, Elon, NC 27244
Alan Grant, **Vice President**—Baker University, Baldwin City, KS 66006
Ali Zadeh, **Vice President**—Susquehanna University, Selingsgrove, PA 17870
Robert Rycroft, **Past President**—University of Mary Washington, Fredericksburg, VA 22401
Mary Ellen Benedict, **Past President**—Bowling Green State University, Bowling Green, OH 43403
Paul W. Grimes, **Editor-in-Chief, *The American Economist***—Pittsburg State University, Pittsburg, KS 66762
Farhang Niroomand, **Executive Secretary-Treasurer**—University of Houston-Victoria, Victoria, TX 77901

BOARD OF TRUSTEES

Mary Ellen Benedict, **Vice Chair, Past President**—Bowling Green State University, Bowling Green, OH 43403
Robert Rycroft, **Chair, Past President**—University of Mary Washington, Fredericksburg, VA 22401
George Akerlof—University of California, Berkeley, CA 94720
Kenneth J. Arrow—Stanford University, Stanford, CA 94305
William Baumol—New York University, New York, NY 10012
James M. Buchanan—George Mason University, Fairfax, VA 22030
Angus Deaton—Princeton University, Princeton, NJ 08544
Avinash K. Dixit—Princeton University, Princeton, NJ 08544
Martin Feldstein—National Bureau of Economic Research, Cambridge, MA 02138
Dale Jorgenson—Harvard University, Cambridge, MA 02138
Robert Lucas—University of Chicago, Chicago, IL 60637
Rachel McCulloch—Brandeis University, Waltham, MA 02453
Daniel McFadden—University of California, Berkeley, CA 94720
Thomas S. Sargent—New York University, New York, NY 10003
Thomas Schelling—Harvard University, Cambridge, MA 02138
Robert Solow—Massachusetts Institute of Technology, Cambridge, MA 02139

PAST PRESIDENTS

Mary Ellen Benedict, Bowling Green State University—2010–2012
Robert S. Rycroft, University of Mary Washington—2008–2010
Robert R. Ebert, Baldwin-Wallace University—2006–2008
James Bradley, Jr., University of South Carolina—2004–2006
Kristine L. Chase, St. Mary's College of California—2002–2004
Shirley Johnson-Lans, Vassar College—2000–2002
Patrick B. O'Neill, University of North Dakota—1998–2000
Charles F. Phillips, Jr., Washington & Lee University—1996–1998
Stanley I. Brue, Pacific Lutheran University—1994–1996
Harold F. Williamson, Jr., University of Illinois—1992–1994
Alex Kondonassis, University of Oklahoma—1990–1992
Louise Nelson, Davidson College—1988–1990
G. Randolph Rice, Louisiana State University—1986–1988
David A. Martin, State University of New York-Genesee—1984–1986
Alan Brown, University of Windsor—1982–1984
Egon Neuberger, State University of New York-Stony Brook—1980–1982
Charles F. Phillips, Jr., Washington & Lee University—1976–1980
Sylvia Lane, University of California-Davis—1974–1976
E. Bryant Phillips, University of Southern California—1972–1974
Erving K. Zingler, University of Houston—1966–1972
Robert E. Hill, Kent State University—1963–1966

PAST EDITORS-IN-CHIEF

Michael Szenberg, Pace University—1975–2011
John D. Guilfoil, New York University—1968–1974
Daniel E. Diamond, New York University—1966–1968
Geza de Feketekuty, Princeton University—1963–1966

THE AMERICAN ECONOMIST

VOLUME LVII SPRING 2012 NUMBER 1

<i>Articles</i>	<i>Page</i>
Does AP Economics Improve Student Achievement? Christopher Clark, Benjamin Scafidi, and John R. Swinton	1
From Cholera Outbreaks to Pandemics: The Role of Poverty and Inequality Nejat Anbarci, Monica Escaleras, and Charles A. Register	21
Social Choice Theory in 10,000 Meters: Examining Independence and Transitivity in the NCAA Cross-Country Championships Franklin G. Mixon, Jr. and Earnest W. King	32
Jolting Joe and Charlie Hustle: The Immediate Economic Impact of an Extended Hitting Streak Ira Horowitz and Jim Lackritz	42
Does Player Mobility Lead to Higher Earnings? Evidence from the NHL Claude Vincent and Byron Eastman	50
The Long-Run Impact of Age Demographics on the U.S. Divorce Rate John M. Nunley and Joachim Zietz	65
Assumption without Representation: The Unacknowledged Abstraction from Communities and Social Goods Rick Wicks	78
Creating Quality Undergraduate Research Programs in Economics: How, When, Where (and Why) Stephen B. DeLoach, Elizabeth Perry-Sizemore, and Mary O. Borg	96
An Essay on the Art and Science of Teaching Dennis L. Weisman	111
<i>Book Review</i>	
Heterodox Analysis of Financial Crisis and Reform: History, Politics and Economics Kevin S. Bracker	126
Chapter Roll.....	130

ASSUMPTION WITHOUT REPRESENTATION: THE UNACKNOWLEDGED ABSTRACTION FROM COMMUNITIES AND SOCIAL GOODS

by Rick Wicks

Abstract

We have not clearly acknowledged the abstraction from unpriceable “social goods” (derived from communities) which, different from private and public goods, simply disappear if it is attempted to market them. Separability from markets and economics has not been argued, much less established. Acknowledging communities would reinforce rather than undermine them, and thus facilitate the production of social goods. But it would also help economics by facilitating our understanding of – and response to – financial crises as well as environmental destruction and many social problems, and by reducing the alienation from economics often felt by students and the public.

Keywords: assumptions, communities, general equilibrium, separability, social goods.

JEL: A12, A13, B52, D20, Z13.

All theorems of economics are necessarily valid in every instance in which all the assumptions presupposed are given. Of course, they have no practical significance in situations where these conditions are not present. von Mises (1963:66)

I. The importance of acknowledging the assumptions

Those of us who believe that economics is reality-based – i.e., a science intending to have some objective grounding in and bearing on the real world – may feel insulted when economics is referred to

- as a game that economists play (Fisher 1989; Bloor and Bloor 1993:158,164; McCloskey 2002:37-48);
- as pure mathematics (Rosenberg 1994a) or as mathematical politics (Rosenberg 1992, 1994b);
- as ideology (Ward 1979; Solow 1994; Klamer 2001:70); as mythology (Perelman 2006); as theology (Benton 1990; Nelson 1991; Boli 1995; Simons 1995); or as religion (Dunbar 1995:161);
- as autism (Devine 2002; and the Post-Autistic Economics Network more generally);
- or as a form of brain damage (Hazel Henderson, quoted by Streeten 2004:2).

We maintain that the assumptions underlying economic analysis can be used for determining the boundary conditions of a model (Dunbar 1995:99), as diagnostic tools for counteracting discrepancies of reality from theory, i.e., for correcting market imperfections (Sutton 2000). Samuelson and Nordhaus (1995:30-37), among many others, use this diagnostic approach to explore the appropriateness of particular government interventions in markets. But how can we be sure that we have identified and analyzed all the important market imperfections, if we haven't clearly specified all the fundamental assumptions? And the problem extends beyond that. As Weintraub (1991:1) notes,

If the [general equilibrium] theory has defects, then the centerpiece of neoclassical economics may be flawed, and the larger enterprise may be suspect.

II. We get utility from social goods derived from communities

Landsburg (1997:160) notes that “other people – our friends and our children and sometimes even strangers who do us unexpected kindnesses – are among the luxuries that make life worth living,”

Economics Department, Handelshögskolan, Göteborgs Universitet, Box 640 SE-40530 Göteborg, Sverige (Sweden). int+46-31-218743. Rick.Wicks@economics.gu.se

and McCloskey (1998:302) says “I get utility because I love (not the other way around).” My specific concern here is with this utility that Landsburg implies, and McCloskey refers to.

Feminist economists have recently directed attention to this issue again, though the fact that economics overlooks the social fabric of human relations has been pointed out for well over a century. There is an entire category of producer organizations in “civil society” that economic theory largely overlooks, and an entire category of goods that they produce: *Communities* (social groups based on kinship, location, or belief, such as families, neighborhoods, and religious groups) provide utility directly (unmediated by markets or governments) to their members (those who identify with and participate in them) via unpriced, unpriceable (untradeable) *social goods* (Wicks 2009).

Social goods include

- a sense of identity (Buchanan 1978:366; Akerlof and Kranton 2000; Bendle 2002; Cowen 2002:131,136);
- meaning and purpose (Iannaccone 1998:1480-81);
- love and companionship (Lewis, Amini, and Lannon, 2000; Lane 2000:9 and Part III);
- the sense of affirmation, recognition, and power that accompany entrepreneurship (Trigilia 2002:43);
- social cohesion and stability (Seabright 2004);
- social sustainability more broadly, for example through the birthing and nurturing of children (King 2003); and even
- feelings of belonging, esteem, self-expression, and intellectual and esthetic satisfaction (Maslow 1954:chs. 5 and 8; Wallach and Wallach 1983:130-2; Wilson 1991:242).

Social goods are thus clearly valuable – by revealed preference – to those who expend time, energy, and money in developing and maintaining membership in communities in order to obtain them (Ackerman *et al.* 1997; Bakshi 2004). So it’s obvious that social goods affect behavior, though not primarily *market* behavior (cf. Prasch 2003).

And if the preferences of entrepreneurs – who are also consumers – include social goods (as they must), then we must even re-explore the whole notion of profit and what motivates entrepreneurs in the first place (Bakan 2003). It seems unlikely that Bill Gates, for example, is motivated to earn more financial profits solely in order to purchase

more in the market; he has said as much himself, and has demonstrated it with his philanthropy.

Of course, besides social goods, communities also produce social capital, which facilitates markets (and governments). For Putnam (1995, 2000) social capital refers to civic engagement and trust, whereas in labor economics it seems to refer more to information resources available through personal networks. *Ethos* (an aspect of social capital) is – somewhat similarly to social goods – an “unpriced, untraded input into *production*” (Cowen 2002:49, italics added). Becker and Murphy (2000:9) take a different approach, in which – somewhat anomalously, given the analogy to physical capital – social capital affects the *utility* function directly. But Becker’s and Murphy’s focus is on “*market* behavior where *social* interactions are important” (p. 6, italics added), rather than – as here – on *social* behavior where *market* interactions (and market theory) are important.

The value of social goods far exceeds just the indirect, instrumental contribution of communities (via social capital) to the functioning of markets and governments. How much would you have to be paid to live in a world without communities (no families, no neighbors, no fellow believers, etc.), even if – magically – markets (and government) still worked? Would you want to argue that what Iannaccone (1998:1475) calls “economically important social behavior” – such as criminal activity; drug and alcohol consumption; physical and mental health; and marriage, fertility, and divorce – are *only* economically important? That is, that these behaviors are *only* important because of their impact on markets and on utility derived from market (or even public) goods? (Definitions of “economics” will be discussed more below.)

All this is not to say that communities – which produce social goods (and social capital) – are themselves always good, or can’t produce “social bads.” Bauman (2001:4,5,20), for example, stresses that the security provided by communities comes at a cost of freedom. In-group cooperation also often comes at a cost of destructive out-group competition (Shermer 2003). Nevertheless, without commoditizing love and kindness (Anderson 1990), we might grant that, even if we were totally self-interested, we could (paradoxically) still derive utility from social goods produced in communities.

The term “social goods” has also been used – quite inappropriately, in my opinion – for what are

now more generally referred to as “public goods” (e.g., Bowen 1943:27-8; Musgrave 1969, 1986; Lindbeck 1972:680). And there have been other usages of the term “social” – for *collective* welfare (as in “social welfare” and the ubiquitous “social welfare function”), or for *comparison* goods (Durkin 1999) – usages which also haven’t reflected its full meaning. The usage here does so, I suggest, and thus seems more appropriate.

Otherwise, as Mirowski (1994:54) says: “What is so ‘social’ about social science?” Myrdal (1969:42) noted a trend towards “scientism,” of social scientists increasingly using “strange terminology.” And Varian (2001:133) admits, “I hate to say it, but economist terminology is terrible.” It seems better, when possible, to let words mean what they normally mean. As Hahn (1984:8) says,

There are . . . those who believe that definitions and language do not much matter as long as they are consistently employed, [but] definitions . . . have an immediate and potent influence on the analysis which follows, and language has enormous potential for good or ill.

III. Communities are the “third sphere” of society

Communities producing social goods are the fundamental social sphere out of which governments and markets sprang and which they both serve (Boulding 1969:10, 1978, 1985, 1990; Boulding, Boulding, and Burgess 1980; Inglehart 1997; Lane 2000:332; see also Pepperday 2009). Whether communities could be formed or maintained solely as a result of the rational maximization of self-interest – as imagined by Becker (1976, 1991), Elster (1989), Stark (1999), Bergstrom (1997), Iannaccone (1998), and Platteau (2000) – has not been demonstrated (Ferber and Nelson 2003:45-8), and doesn’t actually seem possible.

Many (such as Boulding, 1969) have thus argued that economics is wrong to focus only on rational maximization, but should instead embrace a “multiple-utility conception” (Etzioni 1986), including a “moral utility” or what Sen (1977) calls “commitment,” that underlies the “heroic, altruistic, or even irrational” deeds which Baumol (1970:23) believes can shape history. Fiske (1991, 2004)

explains how “market pricing” (economic) motivation fits into this larger and more humane set of motivations. Wicks (2009) relates Fiske’s four motivations – which Fiske calls relational models or modes (RMs) – to the three spheres of society: markets, governments, and communities; and to their production of, respectively, private, public, and social goods.

As is well known, prior to publishing *The Wealth of Nations* in 1776, Adam Smith had devoted an entire earlier work – *The Theory of Moral Sentiments* (published in 1759) – to the social sphere of communities and social goods. Smith’s intended (but unfinished) third major work, on the political system – mentioned in Smith (1984:342 and the *Advertisement* therein) – would have completed his trilogy on this tripartite social-economic-political world in which we live. Minowitz (1993) explores Smith’s understanding of this tripartite system. Commons (1990:55-69) analyzed economic transactions (the transfer of ownership rights) in terms of three similar types and principles. Dasgupta (1995:105) is one of many modern economists who find the same fundamental tripartite classification of social reality useful, as does

- Temin (2006:137,149) in analyzing the economy of the early Roman empire;
- Duby (1980) in understanding feudal society;
- Esping-Andersen (1999) in analyzing the social foundations of postindustrial economics;
- Steiner (1922) in predicting the future of society; and even
- Mithen (1996:54) in understanding the prehistory of the mind.

Adaman and Madra (2002) also used the term “third sphere” for communities, although their focus is more on tradeables given as gifts, rather than, as here, on untradeable social goods.

IV. Social goods are different from private and public goods, but are un-analyzed

Tetlock, McGraw, and Kristel (2004) explain why the things that Arrow (1997) calls “invaluable goods” *shouldn’t* be sold, but there seems to have been no theoretical discussion of goods – such as love and companionship and the other social goods listed above – which, though they provide private benefits, *disappear* (or change unrecognizably) if

marketed or even evaluated monetarily, and are thus inherently unpriceable and *can't* be sold and are thus radically different from true private goods.

Frey and Eichenberger (1996:192) and Frey (1997) got close to social goods without categorizing them theoretically, nor did Johansson-Stenman (1998). England and Folbre (2003:65-74) discuss a variety of contracting problems – including missing and incomplete markets due to missing agents or externalities; monitoring and enforcement problems; and endogenous preferences – but even they never discuss social goods *per se* as discussed here. All these careful analysts are certainly aware of social goods, as is any normal human being (McCloskey 2000a also explores them descriptively) – but social goods seem to be too obvious to have elicited theoretical attention.

Though social goods have some private-good characteristics, they cannot be produced for markets like true private goods (Fiske 1997:256: “to compare is to destroy”), but social goods are also different from public goods or even club goods (Cornes and Sandler 1996): Though they may well have public-goods aspects (such as externalities), they have primarily private benefits, and thus have not been analyzed in public economics (e.g., Myles 1995). Communities – and thus social goods – also cannot be adequately provided by governments, which most discussions assume at least implicitly of public goods (e.g., Jha 1998:Parts II-IV).

V. *The Wealth of Nations* began the treatment of social goods as separable from economics

What is economics (Mäki 2001a:4-9)? This question is “a lot less banal than it seems, for the ways in which we answer it will profoundly affect the method[s] thought to be appropriate for economists to use” (Kristol 1981:203). “The specification of what it is that precisely constitutes the economy is not so abstract or removed from practical consequences” (Mirowski 1994:70).

Can economic analysis be empirically relevant if it doesn't include things as fundamental as communities and social goods? It would seem that – to be thorough and honest – it would at least need to abstract from them by clear, explicit assumption. There is no theoretical justification for treating communities and social goods as totally separable –

outside the disciplinary boundaries of economics – without discussion.

Adam Smith addressed “sympathy” (what we would now more likely call empathy) in *The Theory of Moral Sentiments*, as noted above. When he later focused on economics in *The Wealth of Nations*, he took the social sphere of communities as given, for the most part, because the “blowback” effects of markets – and economics – on communities were not yet clear (though he famously pointed out the destructive effects of specialization on workers). Thus social goods have been implicitly treated as separable from market goods – and ignorable in economics – ever since *The Wealth of Nations*.

But Walras, who originated the general-equilibrium approach, actually intended to deal with “social wealth”: The subtitle of his *Elements of Pure Economics* (1954) is in fact *The Theory of Social Wealth*, by which Walras (p. 65, original italics) meant “all things, material or immaterial... that are *scarce*, that is to say, on the one hand, *useful* to us and, on the other hand, only available to us *in limited quantity*.” Nevertheless Walras left out social goods, which – though immaterial – are both useful to us, as we've discussed, and scarce. His economics was thus “devoid of any serious empirical content” (Mirowski 1990:193). Walras' analysis might have lacked serious empirical content even if he had included communities and social goods, but at least he would then have provided a more complete (i.e., a more *general*) framework on which to hang empirical details.

But since Walras, only private and public goods have been included in economic welfare-analysis (e.g., Boadway and Bruce 1984). Stiglitz (1997: Parts I and II; 2010:241) gives an introduction to the general-equilibrium assumptions underlying welfare analysis, while Arrow (1983) – *summarized in the attached Appendix* – gives a careful technical presentation, but neither Stiglitz nor Arrow includes communities and social goods. As noted earlier, Samuelson and Nordhaus (1995:30-37) discuss many types of market imperfections, also with no mention of communities and social goods. (An introductory text that is much more aware of communities and social goods is Stretton, 1999.) Moss (1973) recognizes social goods empirically, especially the chapter by Juster and the one by Ruggles and Ruggles, though none address the theoretical issues raised here.

VI. Separability has not been established, nor even argued

Social goods are omitted (without acknowledgment) in the fundamental assumptions of partial equilibrium analysis – and thus their implications have not been analyzed in basic microeconomic theory at all – but the omission of social goods shows up most clearly in general equilibrium analysis, when we claim to be discussing *all* sources of utility. Of course the omission of social goods would be justifiable if they are entirely separable (Leontief 1947) from markets and from the broader concerns of economic analysis – that is, if social goods didn't affect markets, and markets didn't affect them – but that case hasn't been established, in fact it hasn't even been argued.

Pigou (1962:12) recognized this potential problem when he pointed out generally that

there is no guarantee that the effects produced on the part of welfare that can be brought into relation with the measuring rod of money may not be cancelled by effects of a contrary kind brought about in other parts or aspects of welfare; and if this happens, the practical usefulness of our conclusions is wholly destroyed.

But this caveat has not been followed up. What are those “other parts or aspects of welfare”? (Should we compare them to the monetarily-measurable ones, and how would we measure them, if so?) Thus those parts or aspects have been largely ignored. Pigou's insight has not been expressed in the fundamental assumptions of microeconomics, nor has it been incorporated into welfare economics, nor discussed in the conclusions of general or partial analyses based upon them.

Hirschman (1982) analyzed possible interactions between markets and society – positive or negative, either way – though he didn't specifically highlight communities and social goods as the “third sphere” of society. Of course communities – through social capital, often via ritual (Chwe 2001) – can help to solve collective-action (coordination) problems of markets (and of governance), as already discussed. But there are also contrary effects, of markets, economics, and market ideology on the social sphere of communities and social goods.

Markets can certainly have positive effects on communities and social goods, for example by increasing the possibilities for travel and communication over distances previously unimagined. I'm from Alaska, and I met my wife, who is Swedish, in Bangladesh – thanks, among other things, to commercial communications systems and airlines. Commercial social networking sites are now ubiquitous on the Internet.

But despite thus facilitating communities and social goods, the development of markets and the production of private goods for them might also damage communities – at least relative to what those communities could otherwise be – and might thus reduce the production of social goods. Or so, at any rate, all these recent observers would have us believe:

Weisskopf 1955:140-42; Polanyi 1968; Burenstam Linder 1970; Hirsch 1976, especially Part II on commodity bias and commercialization bias; Bell 1976; Fufeld 1985:50; Etzioni 1988; Plumb 1988; Bowles 1991:12-13, 1998:105; Mishan 1993, especially Book Two, *The Social Consequences*; Simons 1995: xvii, ch. 3; Putnam 1995, 2000:187; Goodwin, Ackerman, and Kiron 1997; Giddens 1998:15; Frank 1999:88; Fukuyama 1999:5-6, 250-52; Johnson and Earle 2000:251, 376; Lane 2000:9; Myers 2000; Ciscel and Heath 2001; Kamarck 2001:26, 84, 99; Stiglitz 2002:56, 74, 247; 2003:293, 303, 319; Harris and Johnson 2003: 322; Roccas and McCauley 2004:269-70; and of course Marx 1986:457-8.

That advertising can contribute to the commodification (commercialization) of many aspects of life formerly reserved to communities is well known (McKendrick, Brewer, and Plumb 1982; Heilbroner 1985:118; Fine and Leopold 1997) – with both positive and negative effects. Even the *study* of economics can damage communities and thus the production of social goods (Marwell and Ames 1981; Wallach and Wallach 1983; Schwartz 1987: 52; Cohen 1991:269-70; Frank, Gilovich, and Regan 1993; Stiglitz 2002:220-21; Marglin 2007).

Whether such negative welfare-effects of markets and of economics itself on communities and the production of social goods (however those effects might be measured) outweigh the positive effects, or vice-versa, is not the question here.

Markets (or economics) are certainly not inherently or even predominately bad. But amelioration of their negative effects will only be possible once those negative effects are recognized. McCloskey (2000b) is justifiably concerned with “oomph,” but it thus suffices here that negative effects are possible; that many careful observers believe they are substantial; and that we might be able to ameliorate them without substantially injuring markets. The question is not markets or no markets (nor is it economics or not), but markets and economics while recognizing only economic thinking, or markets and economics while also recognizing other relational modes – in particular, those fostering communities and the production of social goods (Wicks 2009).

VII. The unacknowledged abstraction from communities and social goods causes many methodological problems

The spirit of economics “consists in looking not merely at the immediate but at... longer effects... and consists in tracing... consequences... not merely for one group but for all groups” (*Economics in One Lesson*, Henry Hazlitt 1946, cited by Simon and Simon, 1993:24). This spirit is violated by the unacknowledged abstraction from communities and social goods.

[There is] a kind of hypocrisy of the discourse that leads important issues... to appear in only covert ways. The official style of contemporary economics seems to exclude a wide range of ... traditional moral, social, and policy questions about economic choices. ... [T]hese excluded forms of discourse have not vanished; they have just become hidden, making their discussion fragmentary and insufficient. Bazerman (1988:279)

Many are concerned with *equilibrium* (as in general equilibrium), but my concern is whether – when it leaves out communities and social goods – analysis is sufficiently *general*. If economics were only about prices, productivity, and profits, etc., why do textbooks typically start by discussing maximization over preference sets very generally – choice under conditions of scarcity – “human behavior as a relationship between ends and scarce

means which have alternative uses” (Robbins 1932:15)? Does economics intend to be general (as in general equilibrium)? Even when people are in “economic mode,” deciding on marginal investments of money, time, and energy, one of the choices (paradoxically) is to devote more to communities and the production of social goods.

“Good theories avoid harmful falsehoods” (Mäki 2001b:384), and “the claims of community have to be taken seriously” (McCloskey 1990:159). Abstracting from social goods without clear explanation is “unjustifiably narrow” (Mäki 2001b:373), it’s not “the way the world works” (371), it is “unrealistic in a wrong way” (372). It cuts reality in the middle of a “bone” (utility) while pretending to cut at a joint (markets, or market thinking more generally). “Walrasian analysis is [thus] partial” (Mäki 1994:243), not *general*.

Of course all modeling is unrealistic in some way, and it might not even be possible to make explicit every single thing which is abstracted from. But what’s being expressed here is an “engineering attitude”: To be useful in practice, models must acknowledge important elements which are being ignored. Communities and social goods are important elements, yet economic theory ignores them without acknowledging that fact clearly and thoroughly.

When we abstract from social goods and the communities from which we derive them, we have thus not thoroughly represented our fundamental assumptions. We’ve been practicing “assumption without representation.” And consequently we haven’t analyzed – haven’t even identified – communities and social goods as possible sources of “market imperfections.” (It’s odd to refer to “the presence of communities and social goods” as a market imperfection – as though we would be better off without them – but that’s how our theory works.) If effects on communities and social goods haven’t been considered as market imperfections, how can we devise policies to optimize welfare?

The problem has become more acute as mainstream (“neoclassical”) economic theory – “the general equilibrium approach” or “neo-Walrasian research program” (Weintraub 1985) also known as “Samuelsonian economics” (McCloskey 2006: ch.6) – has become more mathematicized, abstract, and “rigorous.” Revisiting the problem is important for honest teaching as well as for accurate public understanding of both economic theory and

economic results, especially benefit/cost analyses. There are methodological problems with

- advocacy versus objectivity (Furner 1975; Ferber and Nelson 2003:vii);
- theoretical rigor and completeness (an “internal critique,” Hodgson 2004:9);
- truth versus precision (Mayer 1993);
- and even intellectual honesty.

Compared to machines which physically block interfering forces and thus do “honest toil,” theoretical models – which simply (but explicitly) abstract from unwanted influences – have “the advantages of theft” (Dupré 2001:317). How honest then would be an unacknowledged abstraction – an assumption without representation? We have been dishonest with our students – unintentionally, no doubt – as well as with our public-policy clients, and with the public itself.

VIII. Acknowledging the abstraction from communities and social goods

Specifying that we’re only dealing with *private* goods wouldn’t make the abstraction from social goods clear, because many of them (as noted) have private-good characteristics, though often with externalities (and they’re not marketable in any case). It would be better to specify that we’re only dealing with marketable goods, but the importance of *public* goods has long been recognized, way before techniques were constructed for analyzing problems with them.

Markets – and, more generally, rational (self-interested) choice under conditions of scarcity, and even “provisioning” (a third possible definition of the subject of economics) – have effects on communities and social goods, as discussed above. Thus to study the full effects of choice under scarcity – or even just of markets (or provisioning) – we must acknowledge the utility that we obtain from social goods produced by communities.

“A more humane balance among the three cultural processes that shape our lives” (Bodley 2001:22) is required, a broader view of economics, recognizing not just markets and government, but also the sphere of communities producing social goods. Anyone who understands optimization knows that there can be too much or too little (Mishan 1986:283) – in this case, too much

emphasis on markets (and government), too little on communities and social goods.

Communities and social goods are probably “factors that are of substantial importance, but are intrinsically unmeasurable” (Sutton 2000:33). We could apply conventional rational-maximization modeling to them nevertheless, but it would be inaccurate (Sen 1977). It would also be destructive of communities and social goods (Marglin 2007), so should be avoided (unless heavily qualified).

But correcting this “blind spot” (Scott 1998:294) should be fairly simple. Briefly but clearly discussing the fact that there is also utility derived directly from social goods produced through identification with, and participation in, communities would be sufficient – while explaining that, besides facilitating communities and their production of social goods, market developments may also damage them, reducing that utility – and that we are explicitly abstracting from these possibilities.

Thus specifying the nature of at least some of Pigou’s (1962) “parts or aspects of welfare” (the parts having to do with communities and social goods) should thus be incorporated into the fundamental assumptions of partial and general equilibrium – and in related models and empirical welfare analysis – and in the conclusions of such analyses. The abstraction from communities and social goods should also be stressed in introductions to these topics, and in introductory economics texts. Acknowledging social goods is important, even if we can’t calculate “how they affect the model.”

Introducing communities and social goods in a (non-standard) theoretical model might also be possible, or using an empirical approach (case studies or experiments) to show their importance for economic analysis. But specialization and exchange (Smith 1776; Seabright 2004) apply to economics as well, so I defer to those with comparative advantage in those areas. My focus here is only on logical completeness and on the other methodological problems discussed above. Better models with better explanations of observed behavior – and with significant policy implications – have in any case been previously demonstrated (Titmuss 1970; Akerlof and Kranton 2000; Folbre 2001:especially Part I).

Qualitatively, the first steps to remedy the problem are thus

- acknowledging the fundamental importance of communities and social goods;

- acknowledging their relevance for markets and for economics; and
- acknowledging the assumption excluding them from typical economic analysis.

IX. The benefits of explicitly acknowledging communities and social goods

Economics likes to see itself as exact and separate from other social sciences (Hausman 1992), and there are certainly ideological pressures and incentives (Ward 1979; Solow 1994; Klamer 2001:70). This may explain why economists haven't *already* acknowledged the importance of communities and social goods, given the large potential gains from doing so.

We haven't incorporated communities and social goods into our models and analyzed the implications. Nor have we clearly abstracted from communities and social goods by explicitly assuming them away. Modeling them with due respect for their unique characteristics would be difficult, while it would be undesirable to do so without that respect, i.e., only considering "market motives", i.e., under rational maximization of self-interest.

But the importance and relevance of communities and social goods can only be ignored at risk to the honesty and public acceptance of economics.

Modern western political philosophy – with Machiavelli – turned away from the classical awareness of morality (concern for others) towards self-interest simultaneously with the rise of markets. Hobbes and Locke then led to Adam Smith (Strauss 1959) and then of course onwards to hyper-rational neoclassical economics. With the "unraveling of the Newtonian synthesis" in relativity and quantum mechanics in the 20th century, the similar "modern project" in physics (and philosophy) broke down (Toulmin 1992:139, 2001; Carey 1999:9). The growing literature on "what's wrong with economics" –

Ward 1972; Sen 1977, 1979; Bell and Kristol 1981; Etzioni 1988; Benton 1990; Boulding 1992; Rosenberg 1992, 1994a, 1994b; Ormerod 1994; Keen 2001; Ackerman 2002; Devine 2002; Ferber and Nelson 2003; Fullbrook 2004; Streeten 2004; Ackerman et al. 2004; Lee and Keen 2004

– reflects the perception of many economists of a similar breakdown in our field. Zohar (1990) explores freedom and creativity in a new quantum psychology. A similar willingness to deal with genuine uncertainty – as, for example, would be introduced by allowing for incommensurable social goods produced by communities – would benefit economics. Akerlof and Shiller's (2009) "animal spirits" could then be understood as (largely) manifestations of Fiske's (1991, 2004) other relational modes (besides market pricing), rather than *ad hoc*, as *dei ex machina*.

Acknowledging the importance of social goods that we derive from communities would also increase understanding of the role and genesis of social capital. A question desperately in need of attention – because of its importance in American political debate – is how does social capital get paid for? If – in a typical production function – revenues are totally distributed among wages of labor, rental of land, and profits of (physical or financial) capital, there is no obligation of business to support communities (including governments, which can then be seen as a "cancer" on the "productive" market agents). But when the role of communities is fully acknowledged, it becomes clear that it's not all "our money", but rather that there is a foundation – besides extortion – for paying taxes that support government and communities.

As noted above, it has been classically demonstrated that incorporating communities and social goods can lead to better models and better explanations of observed behavior, as well as to better policy recommendations. But until we acknowledge this possibility in a general way, we are hindering the production of such models and the generation of such policy recommendations.

Attempting to measure or model the effects of markets upon communities and the social goods derived from them might also help to encourage more modesty in economics (Johansson-Stenman 1998:302; McCloskey 2000c). Economics might thus become more open to "freedom of expression" and "pluralist options" (Ackerman 2002:136; Fullbrook 2001; Sent 2003, 2006), perhaps including more exchange with neighboring disciplines (sociology, social anthropology, political science), rather than economics autarky.

Economists might then be inspired to explore any possible negative social effects of market

developments, and to help discover ways to counter them, or at least to ameliorate them

- theoretically (Etzioni 1988; Etzioni and Lawrence 1991);
- practically (Lifton 1993; Etzioni 1993/95, 1996; Nathanson 1992: chs. 30-31; Bobbitt 2002);
- or both (Etzioni 1999; Frank 1999; Folbre 2001; Nelson 2006),

not necessarily via the *state* alone, but possibly utilizing *market* incentives.

Acknowledgement of the importance of communities in themselves as well as for economics could facilitate their reinforcement or reconstruction, which could have direct positive welfare effects (via increased production of social goods) as well as indirect positive effects (on markets and government, via social capital). It might even help with environmental problems, via improved community enforcement mechanisms (Ostrom 1990).

Acknowledging communities and social goods in economics could also help the many proponents of communities (who are often ideologically “anti-market”) reciprocally acknowledge the important role of markets in society.

Acknowledging the importance of communities and social goods in economics would also help economists to understand

- the transition from materialist to post-materialist values (Wuthnow 1995); and
- from modernization to post-modernization (Inglehart 1997); including
- the “paradox of affluence” revealed in the comparative-happiness literature (Hirsch 1976:7; Easterlin 1996; Cornish 1997; Haidt 2006: 143), i.e., why the “economistic fallacy” – “the common belief that happiness is in some sense proportionate to income” (Lane 2000:64) – fails.

It might then be easier for economists to understand the issues of community, identity, and morality, which are involved, for example

- in protests against globalization (Rodrik 1997; Stiglitz 2002, 2003:281-336);
- in Islamic fundamentalism (Qutb 1964; Friedman 1989:494, 2000; Barber 1995; Armstrong 2001; Lindsey 2001); and even
- in the “moral politics” of recent domestic (U.S.) culture wars (Lakoff 2002; Westen 2007).

Acknowledging communities and social goods in economics could have other large benefits as well. Boulding pithily described economic theory as “the celestial mechanics of a non-existent world” (Colander 1996:4), while Streeten (2004: 12) calls economics “the science that argues from unwarranted assumptions to foregone conclusions.” Acknowledging all relevant assumptions more clearly and thoroughly, and describing their implications more clearly (even if they make our systems less deterministic), could reassure economics students – as well as practitioners and students in related fields, and the public – that we are concerned with reality, not just with our imaginary models. This might help dispel the alienation often associated with economics (Weisskopf 1971) and improve the communication of economic method and results (Mayer 2001). Other methodological criticisms – as we saw above – can also be understood as being rooted in the unacknowledged abstraction from communities and social goods, and might thus be ameliorated by such an acknowledgment.

X. Appendix: While asserting generality, welfare analysis with a perfectly competitive market-equilibrium (Arrow 1983) does not explicitly abstract from social goods, yet ignores them

1. The basic set-up and results

Kenneth Arrow (1983:69) offers this classic summary of the conditions for a perfectly competitive market-equilibrium:

- Households, possessing initial resources, possibly including claims to the profits of firms, choose consumption-bundles to maximize utility at a given set of prices;
- firms choose production-bundles so as to maximize profits at the same set of prices; [and]
- the chosen production- and consumption-bundles must be consistent with each other in the sense that aggregate production plus initial resources must equal aggregate consumption.

As Arrow makes clear, it is assumed in this definition:

- that households and firms have full knowledge of all prices;

- that households and firms take the prices “as given,” not alterable by their own actions;
- that prices are the same for all households and firms; and
- that no resources are used in the act of charging prices.

Certain further assumptions are often used in equilibrium analysis, including:

- convex indifference curves for the households;
- convex production possibility sets for the firms; and
- the universality of markets.

Arrow (p. 70) defines universality of markets to mean that “the consumption-bundle which determines the utility of an individual is the same as that which he [sic] purchases at given prices subject to his budget constraint. . .” In other words, all sources of utility are purchasable in the market, “everything that matters is a marketable commodity with a meaningful price” (Ackerman 2008:280).

Pointing out that convexity is not necessary for this step, Arrow (1983:70) then states the First Fundamental Theorem of Welfare Economics as: “If [universality of markets] holds, [then] a competitive equilibrium is Pareto-efficient.” Pareto efficiency, of course, means that no one can be made better off without making someone else worse off.

If we add convexity – and some assumption of equality or justice in original resource-endowments (which Arrow recognizes) – then we seem to have arrived at the best of all possible worlds: If everything of value is purchasable in perfectly competitive markets, then we’re all as well off as we can possibly get.

2. Relaxing the universality-of-markets assumption

Of course we do not have equality in original resource-endowments (and, many would argue, not justice either). It may also be that, rather than taking prices “as given,” some economic agents can influence prices by their own actions. And certainly we don’t each have full knowledge about all prices. (Another assumption – which Arrow didn’t find necessary to mention, but which often isn’t fulfilled – is clearly-defined property rights, which would seem to be a special case of the failure of

universality of markets, though quite different from the one discussed here.) And there are public goods which, for one reason or another, can’t be sold in markets. But all these aspects have been explored elsewhere at some length, and need not detain us here. (Besides the theoretical literature addressing these issues, practical political action has been taken – to greater or lesser extent – to correct the problems. Thus we may have income transfers of various sorts to the poor, or the not-so-poor; regulation or creation of monopolies; agencies devoted to information collection and dissemination; and government provision of other public goods.)

Relaxing the assumption of universality of markets has also been explored somewhat. As Arrow says (p. 72), “the bulk of meaningful future transactions cannot be carried out on any existing present market, so [the] assumption [of] the universality of markets is not valid.” Nevertheless, this problem is commonly taken to have been overcome – at least in a theoretical way – by the assumption of Arrow-Debreu asset-markets, for which actual asset-markets can give a reasonable approximation. The impossibility of markets for social goods – and thus the non-existence of such markets – has not been explored, or even explicitly recognized.

Acknowledgements

This paper draws in part on Wicks (2009). Wicks (2011) also drew in part on an earlier draft of this paper. Financial support has at various times been gratefully received from the Economics Department of Göteborgs Universitet; Adlerbertska Stipendiestiftelsen; Stiftelsen Paul och Marie Berghaus; and Stiftelsen Siamon. Naturally, only I am responsible for the results.

References

- Ackerman, Frank. 2002. “Still Dead After All These Years: Interpreting the failure of general equilibrium theory.” *Journal of Economic Methodology* 9(2): 119–39.
- Ackerman, F. 2008. “The Economics of Collapsing Markets.” *Real-World Economics Review* 48: 279–90. <http://www.paecon.net/PAEReview/issue48/Ackerman48.pdf> (accessed 30 December 2008).

- Ackerman, Frank, and Alejandro Nadal, with Carlo Benetti, Kevin P. Gallagher, and Carlos Salas. 2004. *The Flawed Foundations of General Equilibrium: Critical Essays on Economic Theory*. London: Routledge.
- Ackerman, Frank, David Kiron, Neva R. Goodwin, Jonathan M. Harris, and Kevin Gallagher, editors. 1997. *Human Well-Being and Economic Goals*. Washington, DC: Island Press.
- Adaman, Fikret, and Yahya M. Madra. 2002. "Theorizing the 'Third Sphere': A critique of the persistence of the 'economistic fallacy'." *Journal of Economic Issues* 36(4): 1045–78.
- Akerlof, George A., and Rachel E. Kranton. 2000. "Economics and Identity." *Quarterly Journal of Economics* 115(3): 715–53.
- Akerlof, George A., and Robert J. Shiller. 2009. *Animal Spirits: How Human Psychology Drives the Economy, and Why it Matters for Global Capitalism*. Princeton: Princeton University Press.
- Anderson, Elizabeth S. 1990. "Is Women's Labor a Commodity?" *Philosophy and Public Affairs* 19(1): 71–92.
- Armstrong, Karen. 2001. *Islam: A Short History*. London: Phoenix.
- Arrow, Kenneth J. 1983. "The Organization of Economic Activity: Issues pertinent to the choice of market versus non-market allocation." Pp. 67–81 in *Public Expenditure and Policy Analysis*, edited by R. Haveman and J. Margolis. Boston: Houghton Mifflin. Originally published in *Analysis and Evaluation of Public Expenditures: The PPP System*, Vol. 1, 1969. Washington, DC: Government Printing Office, pp. 47–64.
- Arrow, Kenneth J. 1997. "Invaluable Goods." *Journal of Economic Literature* 35(2): 757–65.
- Bakan, Joel. 2003. *The Corporation: The Pathological Pursuit of Profit and Power*. Video directed by M. Achbar and J. Abbott. http://thecorporation.com/index.cfm?page_id=46 (accessed 5 May 2010).
- Bakshi, Rajni. 2004. "Gross National Happiness." *Post-Autistic Economics Review* 26: Article 6. <http://www.paecon.net/PAERreview/issue26/Bakshi26.htm> (accessed September 2004).
- Barber, Benjamin. 1995. *Jihad vs. McWorld*. New York: Time Books.
- Bauman, Zygmunt. 2001. *Community: Seeking Safety in an Insecure World*. Cambridge, UK: Polity.
- Baumol, William J. 1970. *Economic Dynamics: An Introduction, 3rd Edition*. London: Macmillan.
- Bazerman, Charles. 1988. *Shaping Written Knowledge: The Genre and Activity of the Experimental Article in Science*. Madison: University of Wisconsin Press.
- Becker, Gary. 1976. *The Economic Approach to Human Behavior*. Chicago: University of Chicago Press.
- Becker, Gary. 1991. *A Treatise on the Family*. Cambridge, MA: Harvard University Press.
- Becker, Gary, and Kevin M. Murphy. 2000. *Social Economics: Market Behavior in a Social Environment*. Cambridge, MA: Belknap Press of Harvard University Press.
- Bell, Daniel. 1976. *The Cultural Contradictions of Capitalism*. London: Heinemann.
- Bell, Daniel, and Irving Kristol, editors. 1981. *The Crisis in Economic Theory*. New York: Basic Books.
- Bendle, Mervyn F. 2002. "The Crisis of 'Identity' in High Modernity." *British Journal of Sociology* 53(1): 1–18.
- Benton, Raymond Jr. 1990. "A Hermeneutical Approach to Economics: If economics is not science, and if it is not merely mathematics, then what could it be?" Ch. 3 in *Economics as Discourse: An Analysis of the Language of Economists*, edited by W. J. Samuels. Boston: Kluwer Academic.
- Bergstrom, Theodore C. 1997. "A Survey of Theories of the Family." Ch. 2 in *Handbook of Population and Family Economics*, edited by M. R. Rosenzweig and O. Stark. Amsterdam: Elsevier Science.
- Bloor, Meriel, and Thomas Bloor. 1993. "How Economists Modify Propositions." Ch. 8 in *Economics and Language*, edited by W. Henderson, T. Dudley-Evans, and R. Backhouse. London: Routledge.
- Boadway, Robin, and Neil Bruce. 1984. *Welfare Economics*. Oxford: Blackwell.
- Bobbitt, Philip. 2002. "Get Ready for the Next Long War: Virtual states are a new, elusive threat." *Time Magazine*, September 9. <http://www.time.com/time/magazine/article/0,9171,1003220,00.html> (accessed 8 March 2011).
- Bodley, John H. 2001. *Anthropology and Contemporary Human Problems, 4th Edition*. Mountain View, CA: Mayfield.
- Boli, John. 1995. "The Economic Absorption of the Sacred." Pp. 93–115 in *Rethinking Materialism: Perspectives on the Spiritual Dimension of*

- Economic Behavior*, edited by R. Wuthnow. Grand Rapids, MI: Wm. B. Eerdmans.
- Boulding, Kenneth E. 1969. "Economics as a Moral Science (AEA presidential address)." *American Economic Review* 59(1): 1–12.
- Boulding, Kenneth E. 1978. *Ecodynamics: A New Theory of Societal Evolution*. Beverly Hills: Sage Publications.
- Boulding, Kenneth E. 1985. *The World as a Total System*. Beverly Hills: Sage Publications.
- Boulding, Kenneth E. 1990. *Three Faces of Power*. Newbury Park, CA: Sage Publications.
- Boulding, Kenneth E. 1992. "What Went Wrong With Economics?" Ch. 5 in *Towards a New Economics: Critical Essays on Ecology, Distribution, and Other Themes*, edited by K.E. Boulding. Aldershot, UK: Edward Elgar.
- Boulding, Kenneth E., Elise Boulding, and Guy M. Burgess. 1980. *The Social System of the Planet Earth*. Reading: Addison-Wesley.
- Bowen, Howard R. 1943. "The Interpretation of Voting in the Allocation of Economic Resources." *Quarterly Journal of Economics* 58(1): 27–48.
- Bowles, Samuel. 1991. "What Markets Can – and Cannot – Do." *Challenge* 34(4): 11–6.
- Bowles, Samuel. 1998. "Endogenous Preferences: The cultural consequences of markets and other economic institutions." *Journal of Economic Literature* 36(1): 75–111.
- Buchanan, James M. 1978. "Markets, States, and the Extent of Morals." *American Economic Review* 68(2): 364–8.
- Burienstam Linder, Staffan. 1970. *The Harried Leisure Class*. New York: Columbia University Press.
- Carey, James. 1999. *The Dean's Statement of Educational Policy 1998-99*. Santa Fe: St. John's College.
- Chwe, Michael Suk-Young. 2001. *Rational Ritual: Culture, Coordination, and Common Knowledge*. Princeton: Princeton University Press.
- Ciscel, David H., and Julia A. Heath. 2001. "To Market, to Market: Imperial capitalism's destruction of social capital and the family." *Review of Radical Political Economics* 33(4): 401–14.
- Cohen, G. A. 1991. *Incentives, Inequality, and Community: The Tanner Lecture on Human Values*, delivered at Stanford University, May 21-23. <http://www.tannerlectures.utah.edu/lectures/documents/cohen92.pdf> (accessed 4 January 2007)
- Colander, David, editor. 1996. *Beyond Micro-foundations: Post-Walrasian Macroeconomics*. Cambridge, UK: Cambridge University Press.
- Commons, John R. 1990 [1934]. *Institutional Economics: Its Place in Political Economy, Vol. 1*. New Brunswick: Transaction.
- Cornes, Richard, and Todd Sandler. 1996. *The Theory of Externalities, Public Goods, and Club Goods, 2nd Edition*. Cambridge, UK: Cambridge University Press.
- Cornish, Edward. 1997. "Happiness and Wealth." *The Futurist* 31(5): 13–5.
- Cowen, Tyler. 2002. *Creative Destruction: How Globalization is Changing the World's Cultures*. Princeton: Princeton University Press.
- Dasgupta, Partha. 1995. *An Inquiry into Well-Being and Destitution*. Oxford: Clarendon Press.
- Devine, James G. 2002. "Psychological Autism, Institutional Autism and Economics." *Post-Autistic Economics Review* 16: Article 2. <http://www.paecon.net/PAERreview/issue16/Devine16.htm> (accessed November 2002).
- Duby, Georges. 1980. *The Three Orders: Feudal Society Imagined*. Chicago: University of Chicago Press.
- Dunbar, Robin. 1995. *The Trouble with Science*. London: Faber and Faber.
- Dupré, John. 2001. "Economics without Mechanism." Ch. 16 in *The Economic World View: Studies in the Ontology of Economics*, edited by U. Mäki. Cambridge, UK: Cambridge University Press.
- Durkin, John T. 1999. "Market Size, Optimal Variety and the Gains from Trade in a Model of Monopolistic Competition with Social Goods." Working paper, mimeo.
- Easterlin, Richard A. 1996. *Growth Triumphant: The Twenty-first Century in Historical Perspective*. Ann Arbor, MI: University of Michigan Press.
- Elster, Jon. 1989. *The Cement of Society: A Study of Social Order*. Cambridge, UK: Cambridge University Press.
- England, Paula, and Nancy Folbre. 2003. "Contracting for Care." Pp. 61–80 in *Feminist Economics Today: Beyond Economic Man*, edited by M. A. Ferber and J. A. Nelson. Chicago: University of Chicago Press.
- Esping-Andersen, Gösta. 1999. *Social Foundations of Postindustrial Economics*. New York: Oxford University Press.

- Etzioni, Amitai. 1986. "The Case for a Multiple Utility Conception." *Economics and Philosophy* 2(2): 159–84. Reprinted as Ch. 4 (pp. 63–89) in *Essays in Socio-Economics*. 1999. Berlin: Springer-Verlag.
- Etzioni, Amitai. 1988. *The Moral Dimension: Toward a New Economics*. New York: Free Press.
- Etzioni, Amitai. 1995. *The Spirit of Community: Rights, Responsibilities, and the Communitarian Agenda*. London: Fontana Press.
- Etzioni, Amitai. 1996. *The New Golden Rule: Community and Morality in a Democratic Society*. New York: Basic Books.
- Etzioni, Amitai. 1999. *Essays in Socio-Economics*. Berlin: Springer-Verlag.
- Etzioni, Amitai, and Paul R. Lawrence, editors. 1991. *Socio-Economics: Towards a New Synthesis*. Armonk, NY: M. E. Sharpe.
- Ferber, Marianne A., and Julie A. Nelson, editors. 2003. *Feminist Economics Today: Beyond Economic Man*. Chicago: University of Chicago Press.
- Fine, Ben, and Ellen Leopold. 1997. "Consumerism and the Industrial Revolution." Pp. 135–7 in *The Consumer Society*, edited by N. R. Goodwin, F. Ackerman, and D. Kiron. Washington, DC: Island Press.
- Fisher, Franklin M. 1989. "Games Economists Play: A noncooperative view," *RAND Journal of Economics* 20(1): 113–24.
- Fiske, Alan Page. 1991. *Structures of Social Life: The Four Elementary Forms of Human Relations*. New York: Free Press.
- Fiske, Alan Page. 1997. "Taboo Trade-Offs: Reactions to transactions that transgress the spheres of justice." *Political Psychology* 18(2): 255–97.
- Fiske, Alan Page. 2004. "Relational Models Theory 2.0." Ch. 1 in *Relational Models Theory: A Contemporary Overview*, edited by N. Haslam. Mahwah, NJ: Lawrence Erlbaum Associates.
- Folbre, Nancy. 2001. *The Invisible Heart: Economics and Family Values*. New York: New Press.
- Frank, Robert H. 1999. *Luxury Fever: Why Money Fails to Satisfy in an Era of Excess*. New York: Free Press.
- Frank, Robert H., Thomas Gilovich, and Dennis T. Regan. 1993. "Does Studying Economics Inhibit Cooperation?" *Journal of Economic Perspectives* 7(2): 159–71.
- Frey, Bruno S. 1997. *Not Just for the Money: An Economic Theory of Personal Motivation*. Cheltenham, UK: Edward Elgar.
- Frey, Bruno S., and Reiner Eichenberger. 1996. "Marriage Paradoxes." *Rationality and Society* 8(2): 187–206.
- Friedman, Thomas L. 1989. *From Beirut to Jerusalem*. New York: Farrar, Straus & Giroux.
- Friedman, Thomas L. 2000. *The Lexus and the Olive Tree*. London: Harper Collins.
- Fukuyama, Francis. 1999. *The Great Disruption: Human Nature and the Reconstitution of Social Order*. New York: Free Press/Macmillan.
- Fullbrook, Edward. 2001. "Real Science is Pluralist." *Post-Autistic Economics Review* 5. <http://www.paecon.net/PAERreview/wholeissues/issue5.htm> (accessed April 2001).
- Fullbrook, Edward. 2004. *A Guide to What's Wrong with Economics*. London: Wimbledon.
- Furner, Mary O. 1975. *Advocacy and Objectivity: A Crisis in the Professionalization of American Social Science, 1865-1905*. Lexington: University Press of Kentucky.
- Fusfeld, Daniel R. 1985. *Economics: Principles of Political Economy, 2nd Edition*. Glenview, IL: Scott, Foresman.
- Giddens, Anthony. 1998. *The Third Way: The Renewal of Social Democracy*. Cambridge, UK: Polity Press.
- Goodwin, Neva R., Frank Ackerman, and David Kiron, editors. 1997. *The Consumer Society*. Washington, DC: Island Press.
- Hahn, Frank. 1984. *Equilibrium and Macroeconomics*. Oxford: Basil Blackwell.
- Haidt, Jonathan. 2006. *The Happiness Hypothesis: Putting Ancient Wisdom to the Test of Modern Science*. London: William Heinemann.
- Harris, Marvin, and Orna Johnson. 2003. *Cultural Anthropology, 6th Edition*. Boston: Allyn and Bacon.
- Hausman, Daniel M. 1992. *The Inexact and Separate Science of Economics*. Cambridge, UK: Cambridge University Press.
- Hazlitt, Henry. 1946. *Economics in One Lesson*. New York: Harper.
- Heilbroner, R.L. 1985. *The Nature and Logic of Capitalism*. New York: W.W. Norton.
- Hirsch, Fred. 1976. *Social Limits to Growth*. Cambridge, MA: Harvard University Press.
- Hirschman, Albert O. 1982. "Rival Interpretations of Market Society: Civilizing, destructive, or feeble?" *Journal of Economic Literature* 20(4): 1463–84. also published as "Rival Views of Market Society." Ch. 5 in *Rival Views of*

- Market Society and Other Recent Essays* (1992). Cambridge, MA: Harvard University Press.
- Hodgson, Geoffrey M. 2004. "On the Problem of Formalism in Economics." *Post-Autistic Economics Review* 28: Article 1. <http://www.paecon.net/PAERreview/issue28/Hodgson28.htm> (accessed November 2004).
- Iannaccone, Laurence R. 1998. "Introduction to the Economics of Religion." *Journal of Economic Literature* 36(3): 1465–95.
- Inglehart, Ronald. 1997. *Modernization and Post-modernization: Cultural, Economic, and Political Change in Forty-three Societies*. Princeton: Princeton University Press.
- Jha, Raghendra. 1998. *Modern Public Economics*. London: Routledge.
- Johansson-Stenman, Olof. 1998. "On the Problematic Link between Fundamental Ethics and Economic Policy Recommendations." *Journal of Economic Methodology* 5(2): 279–313.
- Johnson, Allen W., and Timothy Earle. 2000. *The Evolution of Human Societies: From Foraging Group to Agrarian State, 2nd Edition*. Stanford: Stanford University Press.
- Juster, Thomas F. 1973. "A Framework for the Measurement of Economic and Social Performance." Pp. 25–109 in *The Measurement of Economic and Social Performance*, Vol. 38 of *Studies in Income and Wealth*, edited by M. Moss. New York: National Bureau of Economic Research.
- Kamarck, Andrew M. 2001. *Economics for the Twenty-first Century: The Economics of the Economist-fox*. Aldershot, UK: Ashgate.
- Keen, Steve. 2001. *Debunking Economics: The Naked Emperor of the Social Sciences*. London: Pluto Press.
- King, Mary C. 2003. "Socially Sustainable Development: Integrating feminist, Marxist, and ecological economics." Paper presented at the ICAPE (International Confederation of Associations for Pluralism in Economics) conference in Kansas City, June.
- Klamer, Arjo. 2001. "Making Sense of Economists: From falsification to rhetoric and beyond." *Journal of Economic Methodology* 8(1): 69–75.
- Kristol, Irving. 1981. "Rationalism in Economics." Ch. 11 in *The Crisis in Economic Theory*, edited by D. Bell and I. Kristol. New York: Basic Books.
- Lakoff, George. 2002. *Moral Politics: How Liberals and Conservatives Think, 2nd Edition*. Chicago: University of Chicago Press.
- Landsburg, Steven E. 1997. *Fair Play: What your Child can Teach you about Economics, Values, and the Meaning of Life*. New York: Free Press.
- Lane, Robert E. 2000. *The Loss of Happiness in Market Democracies*. New Haven: Yale University Press.
- Lee, Frederic S., and Steve Keen. 2004. "The Incoherent Emperor: A heterodox critique of neoclassical microeconomic theory." *Review of Social Economy* 62(2): 169–99.
- Leontief, Wassily. 1947. "Introduction to a Theory of the Internal Structure of Functional Relationships." *Econometrica* 15(4): 361–73.
- Lewis, Thomas, Fari Amini, and Richard Lannon. 2000. *A General Theory of Love*. New York: Random House.
- Lifton, Robert Jay. 1993. *The Protean Self: Human Resilience in an Age of Fragmentation*. New York: Basic Books.
- Lindbeck, Assar. 1972. "Rejoinder." In "Symposium: Economics of the New Left." *Quarterly Journal of Economics* 86(4): 665–83.
- Lindsey, Brink. 2001. "The Last Totalitarians." Washington, DC: Cato Institute. http://www.cato.org/pub_display.php?pub_id=10882 (accessed 8 March 2011).
- Mäki, Uskali. 1994. "Reorienting the Assumptions Issue." Ch. 12 in *New Directions in Economic Methodology*, edited by R. Backhouse. London: Routledge.
- Mäki, Uskali. 2001a. "Economic Ontology: What? Why? How?" Ch. 1 in *The Economic World View: Studies in the Ontology of Economics*, edited by U. Mäki. Cambridge, UK: Cambridge University Press.
- Mäki, Uskali. 2001b. "The Way the World Works (WWW): Towards an ontology of theory choice." Ch. 19 in *The Economic World View: Studies in the Ontology of Economics*, edited by U. Mäki. Cambridge, UK: Cambridge University Press.
- Marglin, Stephen A. 2007. *The Dismal Science: How Thinking Like an Economist Undermines Community*. Cambridge, MA: Harvard University Press.
- Marwell, Gerald, and Ruth E. Ames. 1981. "Economists Free Ride, does Anyone Else?" *Journal of Public Economics* 15(3): 295–310.
- Marx, Karl. 1986 [1887]. *Capital: A Critique of Political Economy, Vol. I*. Moscow: Progress Publishers.

- Maslow, Abraham. 1954. *Motivation and Personality*. New York: Harper and Row.
- Mayer, Thomas. 1993. *Truth versus Precision in Economics*. Aldershot, UK: Edward Elgar.
- Mayer, Thomas. 2001. "Improving Communication in Economics: A task for methodologists." *Journal of Economic Methodology* 8(1): 77–84.
- McCloskey, Deirdre. 1990. *If You're So Smart: The Narrative of Economic Expertise*. Chicago: University of Chicago Press.
- McCloskey, Deirdre. 1998. "Bourgeois Virtue and the History of P and S (Presidential address to the Economic History Association)." *Journal of Economic History* 58(2): 297–316.
- McCloskey, Deirdre. 2000a. *How to Be Human* *Though an Economist*. Ann Arbor, MI: University of Michigan Press.
- McCloskey, Deirdre. 2000b. "Why Economic Historians Should Drop Statistical Significance and Seek Oomph." pp. 194–200 in *How to Be Human* *Though an Economist*, by D. McCloskey. Ann Arbor, MI: University of Michigan Press.
- McCloskey, Deirdre. 2000c. "'Modesty is the Best Policy,' Says Herbert Stein." pp. 268–270 in *How to Be Human* *Though an Economist*, by D. McCloskey. Ann Arbor, MI: University of Michigan Press.
- McCloskey, Deirdre. 2002. *The Secret Sins of Economics*. Chicago: Prickly Paradigm Press.
- McCloskey, Deirdre. 2006. *The Bourgeois Virtues: Ethics for an Age of Commerce*. Chicago: University of Chicago Press.
- McKendrick, Neil, John Brewer, and J. H. Plumb. 1982. *The Birth of a Consumer Society: The Commercialization of 18th-Century England*. London: Europa Press.
- Minowitz, Peter. 1993. *Profits, Priests, and Princes: Adam Smith's Emancipation of Economics from Politics and Religion*. Stanford: Stanford University Press.
- Mirowski, Philip. 1990. "Walras' 'Economics and Mechanics': Translation, commentary, and context." Ch. 6 in *Economics as Discourse: An Analysis of the Language of Economists*, edited by W. J. Samuels. Boston: Kluwer Academic.
- Mirowski, Philip. 1994. "What are the Questions?" Ch. 4 in *New Directions in Economic Methodology*, edited by R. Backhouse. London: Routledge.
- Mishan, E.J. 1986. *Economic Myths and the Mythology of Economics*. Atlantic Highlands, NJ: Humanities Press International, and Brighton, UK: Wheatsheaf.
- Mishan, E.J. 1993. *The Costs of Economic Growth, Revised Edition*. London: Weidenfeld and Nicolson.
- Mithen, Steven. 1996. *The Prehistory of the Mind: A Search for the Origins of Art, Religion, and Science*. London: Phoenix/Orion Books.
- Moss, Milton, editor. 1973. *The Measurement of Economic and Social Performance*, Vol. 38 of *Studies in Income and Wealth*. New York: National Bureau of Economic Research.
- Musgrave, Richard A. 1969. "Provision for Social Goods." Ch. 6 in *Public Economics: An Analysis of Public Production and Consumption and their Relations to the Private Sectors (Proceedings of a conference held by the International Economic Association, 1966)*, edited by J. Margolis and H. Guitton. London: Macmillan and St. Martin's Press.
- Musgrave, Richard A. 1986. *Public Finance in a Democratic Society, Vol. I: Social Goods, Taxation, and Fiscal Policy*. Brighton, UK: Wheatsheaf.
- Myers, David G. 2000. *The American Paradox: Spiritual Hunger in an Age of Plenty*. New Haven: Yale University Press.
- Myles, Gareth D. 1995. *Public Economics*. Cambridge, UK: Cambridge University Press.
- Myrdal, Gunnar. 1969. *Objectivity in Social Research*. New York: Pantheon Books.
- Nathanson, Donald L. 1992. *Shame and Pride: Affect, Sex, and the Birth of the Self*. New York: W.W. Norton.
- Nelson, Julie A. 2006. *Economics for Humans*. Chicago: University of Chicago Press.
- Nelson, Robert H. 1991. *Modern Economic Theology: An Historical Inquiry into the Theological Foundations of Modern Economics* (also titled *Reaching for Heaven on Earth: The Theological Meaning of Economics*). Savage, MD: Rowman and Littlefield.
- Ormerod, Paul. 1994. *The Death of Economics*. London: Faber and Faber.
- Ostrom, Elinor. 1990. *Governing the Commons: The Evolution of Institutions for Collective Action*. Cambridge, UK: Cambridge University Press.
- Perelman, Michael. 2006. *Railroading Economics: The Creation of the Free Market Mythology*. New York: Monthly Review Press.
- Pigou, A.C. 1962 [1932]. *The Economics of Welfare, 4th Edition*. London: Macmillan.

- Platteau, Jean-Philippe. 2000. *Institutions, Social Norms, and Economic Development*. Amsterdam: Harwood Academic.
- Plumb, J. H. 1988. "The End of an Epoch." Pp. 310–21 in *Collected Essays Vol. I: The Making of an Historian*. Athens, GA: University of Georgia Press. First published in *Horizon* 14 (Summer), 1972.
- Pepperday, Michael E. 2009. *Way of Life Theory: The Underlying Structure of Worldviews, Social Relations and Lifestyles*. PhD thesis. Canberra: Australian National University.
- Polanyi, Karl. 1968 [1944]. *The Great Transformation: The Political and Economic Origins of our Time*. Boston: Beacon.
- Post-Autistic Economics Network. <http://www.paecon.net/> (accessed 8 March 2011).
- Prasch, Robert R. 2003. "Are Economists Amoral? Contemporary economic thought and the distinction between values and prices." *Forum for Social Economics* 32(2): 13–22.
- Putnam, Robert. 1995. "Bowling Alone: America's declining social capital." *Journal of Democracy* 6(1): 65–78 (first presented in Uppsala, Sweden).
- Putnam, Robert. 2000. *Bowling Alone: The Collapse and Revival of American Community*. New York: Simon and Schuster.
- Qutb, Sayyid. 1964. "Introduction" to *Milestones* (also titled *Signposts in the Road*). http://www.youngmuslims.ca/online_library/books/milestones/Introduction.asp (accessed 16 December 2006).
- Robbins, Lionel. 1932. *An Essay on the Nature and Significance of Economic Science*. London: Macmillan.
- Roccas, Sonia, and Clark McCauley. 2004. "Values and Emotions in the Relational Models." Ch. 9 in *Relational Models Theory: A Contemporary Overview*, edited by N. Haslam. Mahwah, NJ: Lawrence Erlbaum Associates.
- Rodrik, Dani. 1997. *Has Globalization Gone Too Far?* Washington, DC: Institute for International Economics.
- Rosenberg, Alexander. 1992. *Economics: Mathematical Politics or Science of Diminishing Returns?* Chicago: University of Chicago Press.
- Rosenberg, Alexander. 1994a. "If Economics Isn't Science, What Is It?" Ch. 21 in *The Philosophy of Economics: An Anthology, 2nd Edition*, edited by D. M. Hausman. Cambridge, UK: Cambridge University Press. Originally published in *Philosophical Forum* 14(3-4, 1983): 296–314.
- Rosenberg, Alexander. 1994b. "What is the Cognitive Status of Economic Theory?" Ch. 11 in *New Directions in Economic Methodology*, edited by R. Backhouse. London: Routledge.
- Ruggles, Nancy, and Richard Ruggles. 1973. "A Proposal for a System of Economic and Social Accounts." Pp. 111–60 in *The Measurement of Economic and Social Performance*, Vol. 38 of *Studies in Income and Wealth*, edited by M. Moss. New York: National Bureau of Economic Research.
- Samuelson, Paul A., and William D. Nordhaus. 1995. *Economics, 15th Edition*. New York: McGraw-Hill.
- Schwartz, Barry. 1987. *The Battle for Human Nature: Science, Morality, and Modern Life*. New York: W.W. Norton.
- Scott, James C. 1998. *Seeing Like a State: How Certain Schemes to Improve the Human Condition Have Failed*. New Haven: Yale University Press.
- Seabright, Paul. 2004. *The Company of Strangers: A Natural History of Economic Life*. Princeton: Princeton University Press.
- Sen, Amartya. 1977. "Rational Fools: A critique of the behavioral foundations of economic theory." *Philosophy and Public Affairs* 6(4): 317–44. Reprinted as pp. 84–106 in A. Sen. 1982/97. *Choice, Welfare, and Measurement*. Cambridge, MA: Harvard University Press.
- Sen, Amartya. 1979. "Personal Utilities and Public Judgments: Or, what's wrong with welfare economics?" *Economic Journal* 89(355): 537–58. Reprinted as pp. 327–52 in A. Sen. 1982/97. *Choice, Welfare, and Measurement*. Cambridge, MA: Harvard University Press.
- Sent, Esther-Mirjam. 2003. "Pleas for Pluralism." *Post-Autistic Economics Review* 18: Article 1. <http://www.paecon.net/PAERReview/issue18/Sent18.htm> (accessed March 2003).
- Sent, Esther-Mirjam. 2006. "Pluralism in Economics." Ch. 5 in *Scientific Pluralism* (Minnesota Studies in the Philosophy of Science), edited by S. Kellert, H. Longino, and K. Waters. Minneapolis: University of Minnesota Press.
- Shermer, Michael. 2003. "The Domesticated Savage." *Scientific American* 289(3): 340.
- Simon, Julian L., and Rita James Simon. 1993. "Do We Really Need All These Immigrants?" Pp. 19–25 in *Second Thoughts: Myths and Morals of U.S. Economic History*, edited by D. McCloskey. Oxford: Oxford University Press.

- Simons, Robert G. 1995. *Competing Gospels: Public Theology and Economic Theory*. Alexandria, NSW: E.J. Dwyer.
- Smith, Adam. 1776 [1776]. *An Inquiry into the Nature and Causes of the Wealth of Nations*. Oxford: Clarendon.
- Smith, Adam. 1984 [1759]. *The Theory of Moral Sentiments*. Indianapolis, IN: Liberty Fund.
- Solow, Robert M. 1994. "Science and Ideology in Economics." Ch. 13 in *The Philosophy of Economics: An Anthology, 2nd Edition*, edited by D. M. Hausman. Cambridge, UK: Cambridge University Press. Originally published in *The Public Interest* 23(Spring 1971): 94–107.
- Stark, Oded. 1999. *Altruism and Beyond: An Economic Analysis of Transfers and Exchanges within Families and Groups, Revised Edition*. Cambridge, UK: Cambridge University Press.
- Steiner, Rudolf. 1922. *The Three-fold Commonwealth*. Translated by E. K. Bowen-Wedgwood. Whitefish, MT: Kessinger Publishing. http://books.google.com/books?id=oxwJ6_H4FPoC&dq=three-fold%20commonwealth&source=gbs_book_other_versions (accessed 8 March 2011).
- Stiglitz, Joseph E. 1997. *Economics, 2nd Edition*. New York: W.W. Norton.
- Stiglitz, Joseph E. 2002. *Globalization and its Discontents*. New York: W.W. Norton.
- Stiglitz, Joseph E. 2003. *The Roaring Nineties: A New History of the World's Most Prosperous Decade*. New York: W.W. Norton.
- Stiglitz, Joseph E. 2010. *Freefall: America, Free Markets, and the Sinking of the World Economy*. New York: W.W. Norton.
- Strauss, Leo. 1959. *What is Political Philosophy? and Other Studies*. Glencoe, IL: Free Press.
- Streeten, Paul. 2004. "What's Wrong with Contemporary Economics?" mimeo.
- Stretton, Hugh. 1999. *Economics: A New Introduction*. London: Pluto Press.
- Sutton, John. 2000. *Marshall's Tendencies: What Can Economists Know?* Leuven: Leuven University Press, and Cambridge, MA: MIT Press.
- Temin, Peter. 2006. "The Economy of the Early Roman Empire." *Journal of Economic Perspectives* 20(1): 133–51.
- Tetlock, Philip E., A. Peter McGraw, and Ori V. Kristel. 2004. "Proscribed Forms of Social Cognition: Taboo trade-offs, blocked exchanges, forbidden base rates, and heretical counterfactuals." Ch. 8 in *Relational Models Theory: A Contemporary Overview*, edited by N. Haslam. Mahwah, NJ: Lawrence Erlbaum Associates.
- Titmuss, Richard M. 1970. *The Gift Relationship: From Human Blood to Social Policy*. London: George Allen and Unwin.
- Toulmin, Stephen. 1992. *Cosmopolis: The Hidden Agenda of Modernity*. Chicago: University of Chicago Press.
- Toulmin, Stephen. 2001. *Return to Reason*. Cambridge, MA: Harvard University Press.
- Trigilia, Carlo. 2002. *Economic Sociology: State, Market, and Society in Modern Capitalism*. Oxford: Blackwell.
- Varian, Hal R. 2001. "What I've Learned about Writing Economics." *Journal of Economic Methodology* 8(1): 131–4.
- von Mises, Ludwig. 1963. *Human Action: A Treatise on Economics, Revised Edition*. New Haven: Yale University Press.
- Wallach, Michael A., and Lise Wallach. 1983. *Psychology's Sanction for Selfishness: The Error of Egoism in Theory and Therapy*. San Francisco: W. H. Freeman.
- Walras, Leon. 1954 [1926]. *Elements of Pure Economics: The Theory of Social Wealth*, the William Jaffe translation of the definitive edition of *Éléments d'Économie Politique Pure: ou, Théorie de la Richesse Sociale*. Sydney: Allen and Unwin.
- Ward, Benjamin. 1972. *What's Wrong with Economics?* London: Macmillan.
- Ward, Benjamin. 1979. *The Ideal Worlds of Economics: Liberal, Radical, and Conservative Economic World Views*. New York: Basic Books.
- Weintraub, E. Roy. 1985. *General Equilibrium Analysis: Studies in Appraisal*. Cambridge, UK: Cambridge University Press.
- Weintraub, E. Roy. 1991. *Stabilizing Dynamics: Constructing Economic Knowledge*. Cambridge, UK: Cambridge University Press.
- Weisskopf, Walter A. 1955. *The Psychology of Economics*. London: Routledge and Kegan Paul.
- Weisskopf, Walter A. 1971. *Alienation and Economics*. New York: Delta.
- Westen, Drew. 2007. *The Political Brain: The Role of Emotion in Deciding the Fate of the Nation*. New York: Public Affairs Press.
- Wicks, Rick. 2009. "A Model of Dynamic Balance among the Three Spheres of Society – Markets, Governments, and Communities – Applied to Understanding the Relative Importance of

- Social Capital and Social Goods." *International Journal of Social Economics* 36(5): 535–65.
- Wicks, Rick. 2011. "Markets, Governments – and Communities!" *Challenge* 54(4): 65–96.
- Wilson, John Oliver. 1991. "Human Values and Economic Behavior: A model of moral economy." Ch. 14 in *Socio-Economics: Towards a New Synthesis.*, edited by A. Etzioni and P. R. Lawrence. Armonk, NY: M. E. Sharpe.
- Wuthnow, Robert, editor. 1995. *Rethinking Materialism: Perspectives on the Spiritual Dimension of Economic Behavior.* Grand Rapids, Michigan: Wm. B. Eerdmans.
- Zohar, Danah. 1990. *The Quantum Self: Human Nature and Consciousness Defined by the New Physics*, also subtitled *A Revolutionary View of Human Nature and Consciousness Rooted in the New Physics.* New York: Quill/William Morrow.

Paper 4

Challenge

JULY-AUGUST 2011/\$12.00

CRISES

Dealing with Financial Turmoil in Europe

Thomas Palley

Dealing with Obesity at Home

John Tomer

Gaps in Economic Theory

Can Austrians and Welfare Advocates Meet?

Guinevere Nell

Neglecting Community

Rick Wicks

Keynes's Revenge

Jane D'Arista

False Arguments Over the Social Net

Amitai Etzioni



Mike Sharpe on
Gangsterism, High and Low

Challenge

Editorial and Administrative Staff

Publisher: MYRON E. SHARPE

Associate Publisher: CAROLE BRAFMAN SHARPE

Editor: JEFF MADRICK (editor@challengemagazine.com)

Editorial Director: PATRICIA A. KOLB (editorial@mesharpe.com)

Associate Economics Editor: GWEN CULLEN

Production Director: CARMEN P. CHETTI

Journal Program Manager: IRINA BURNS (journals@mesharpe.com)

Senior Journal Production Editor: DEBRA E. SOLED

Assistant Editor: SUSAN BURKE

Compositor: YOLANDA GAVAGHAN

Rights and Permissions Manager: ELIZABETH GRANDA PARKER (rights@mesharpe.com)

Customer Service Manager: DAWN LAPAN (custserv@mesharpe.com)

Editorial Advisory Board

EILEEN APPELBAUM, KENNETH J. ARROW, BARBARA R. BERGMANN, JAGDISH BHAGWATI,
ALAN S. BLINDER, ANDREW F. BRIMMER, NANCY FOLBRE, ALBERT O. HIRSCHMAN,
PAUL R. KRUGMAN, GEORGE W. MCKINNEY, JR., LAWRENCE MISHEL, ALICIA H. MUNNELL,
DIMITRI B. PAPADIMITRIOU, DANI RODRIK, ROBERT M. SOLOW,
JOSEPH E. STIGLITZ, MURRAY L. WEIDENBAUM

Challenge is indexed in *EconLit*, *e-JEL*, *JEL* on CD, *International Bibliography of Social Sciences*, *PAIS International*, *ProQuest Database*, and *Wilson Social Sciences Index*.

Challenge is now available online via MetaPress to institutions subscribing to the print edition.

For more information, visit mesharpe.metapress.com or www.challengemagazine.com.

Visit the M.E. Sharpe home page at www.mesharpe.com.

The purpose of *Challenge* is to present a wide range of views on national and international economic affairs in the belief that an informed dialogue can result in more rational and effective public policy. The opinions expressed in articles and editorials do not necessarily reflect the opinions of the editorial staff or the editorial advisory board.

Manuscripts should be sent to Jeff Madrick as e-mail attachments to editor@challengemagazine.com. The editors reserve the right to edit for style and length. Submission guidelines are posted at the *Challenge* Web site.

Challenge: The Magazine of Economic Affairs (ISSN 0577-5132 [print], ISSN 1558-1489 [online]) is published bimonthly by M.E. Sharpe, Inc.

Subscription rates for individuals: one year \$69.00; two years \$124.00; three years \$181.00. Students: \$45.00 per year. Subscription rates for foreign individuals: one year \$90.00; two years \$164.00; three years \$241.00. Foreign students: \$65.00 per year. Online only (U.S. and foreign institutions): \$323.00. U.S. institutions: \$366.00. Foreign institutions: \$450.00 per year. Toll-free telephone for subscriber services: 1-800-541-6563.

All correspondence should be addressed to *Challenge*, 80 Business Park Drive, Armonk, NY 10504. Periodicals postage paid at Armonk, NY, and at additional mailing offices. Postmaster: Send address changes to *Challenge*, 80 Business Park Drive, Armonk, NY 10504.

Copyright © 2011 M.E. Sharpe, Inc. All rights reserved.

No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, electrostatic, magnetic tape, mechanical, photocopying, recording, or otherwise, without permission in writing from the copyright holder.

Photocopy Information for Users in the USA: The Item Fee Code for this publication indicates that authorization to photocopy items for internal or personal use is granted by the copyright holder for libraries and other users registered with the Copyright Clearance Center (CCC) Transactional Reporting Service provided the stated fee for copying beyond that permitted by Section 107 or 108 of the United States Copyright Law is paid. The appropriate remittance of \$9.50 per copy per article is paid directly to the Copyright Clearance Center, Inc., 222 Rosewood Drive, Danvers, MA 01923.

Permission for other use: The copyright owner's consent does not extend to copying for general distribution, for promotion, for creating new works, or for resale. Specific written permission must be obtained from the publisher for such copying.

Item Fee Code for this publication is: 0577-5132/2011 \$9.50 + 0.00.

To order 50 or more copies, please call the Sheridan Press Reprint Department at 1-800-352-2210; outside the USA, please call 1-717-632-3535; or fax 1-717-633-8900.

♻️ The text paper used in this publication meets the minimum requirements of American National Standard for Information Sciences Permanence of Paper for Printed Library Materials, ANSI Z39.48.

Challenge

JULY–AUGUST 2011

VOL. 54, NO. 4

Letter from the Editor 3

CRISES

The European Monetary Union Needs a Government Banker
Thomas Palley 5

What Causes Obesity? And Why Has It Grown So Much?
John Tomer 22

GAPS IN ECONOMIC THEORY

Bridging Austrian and Market Socialist Economics
Guinevere Nell 50

Markets, Governments—and Communities!
Rick Wicks 65

Review of *Maynard's Revenge*, by Lance Taylor
Jane D'Arista 97

The Unwarranted Attack on Social Safety Nets
Amitai Etzioni 108

From the Publisher

Ice-T and the Pathology of Poverty:
Review of *Ice: A Memoir of Gangster Life and Redemption—
from South Central to Hollywood*, by Ice-T and
Douglas Country
Mike Sharpe 116

LETTER FROM THE EDITOR

FINANCIAL CRISES IN GREECE AND OTHER EUROPEAN COUNTRIES have rocked the continent and the euro. Some blame the inevitable internal contradictions of a monetary union itself. But to Tom Palley, the union has not gone too far—rather, it has not gone far enough. As he puts it, the euro solved Europe’s problem of exchange-rate speculation by having its currency managed by the European Central Bank. But in doing so, it ended up replacing damaging exchange-rate speculation with damaging speculation in bonds. This can be remedied, he claims, with the creation of a European Public Finance Authority that would issue bonds backed by eurozone member countries. In other words, a monetary union needs a corresponding fiscal union. Politics might intervene, but this may well be the right path to follow.

And now to another kind of crisis. Obesity is a national epidemic. It reduces life spans as well as the quality of life. It is also financially costly. Can economic methodology tell us something that we do not already know? John Tomer presents an original economic model in this issue that contributes to the analysis.

We follow with three pieces on gaps in economic theory. To many mainstream economists, extreme laissez-faire views make no sense. Increasingly, however, over the past thirty years, welfare economics has come in for widespread derision. Is there common ground? Guinevere Nell, a British historian and researcher at the Heritage Foundation, tries in this issue to find common ground between the two ideological camps. As an advocate of laissez-faire herself, she presents a justification for government welfare policies. As *Challenge* searches for new ways of thinking about our economic problems, we find this piece a useful addition to the discourse.

→ Does conventional economic analysis necessarily push aside analysis of community objectives? This is not a mere rhetorical or sentimental question. Community participation provides social benefits, argues Rick Wicks. If economics is about maximizing welfare, Wicks

says, it must include analysis of community—not merely how such community benefits can be maximized but whether they are directly undermined by laissez-faire market policies. Wicks presents a technical analysis and, at the same time, raises important questions. We find it imperative to present his case to readers.

People are always asking this editor what they should read to understand how economics should work or what economics can really tell us. Some doubt that it can tell us much at all. But Jane D'Arista has reviewed a new book by Lance Taylor, *Maynard's Revenge*, which she calls "remarkable" and we deem one of the most comprehensive analyses of what economics can really be. A long-standing Keynesian, Taylor—as D'Arista notes—finally pulls the rug out from under the simplistic but dominant policy economics of the past thirty years: monetarism, rational expectations, natural rates of unemployment, and real cycle theory. Taylor, formerly at MIT and now at the New School, has written a book the mainstream might find controversial. It has the advantage of being accessible and is worthy of attention.

This leads us to Amitai Etzioni, who always brings common sense to commonly accepted nonsense. It is remarkable how the public discourse about budget balancing has a broadly accepted built-in prejudice. Almost all the publicly presented plans propose cutting spending more than raising taxes. This is a false choice, says Etzioni, a communitarian. Of course, we do not have to cut social spending. It is a choice that people make—and, I would add, an ideological choice. There is a lot of room for raising taxes, as Etzioni points out.

Our ever-creative publisher, Mike Sharpe, has found much wisdom in a new book by the rapper and *Law & Order* actor Ice-T. He quotes Ice-T as follows: "I've been around some of the most ruthless gangsters on the streets of South Central L.A., but I've never seen anything like Hollywood gangsterism. In the studios, they're dealing with billions of dollars. On the streets, you're dealing with hundreds of thousands of dollars. When cats are dealing with billions of dollars, anybody—I mean *anybody*—is expendable." I think readers will get Mike Sharpe's instructive and disturbing point.

—Jeff Madrick

GAPS IN ECONOMIC THEORY

Markets, Governments— and Communities!

Rick Wicks

Economic theory allows for a place for markets, and, often grudgingly, for government, but it allows no place for communities. Yet the author argues that any thorough understanding of markets—and thus of economics—requires at least a basic understanding of communities (and of governments) as well. Communities, after all, supply social benefits—they improve welfare. How can they be ignored, especially if markets (and economic thinking) undermine them? Ignoring communities has led to inadequate economic and social policies with lasting damage. The author thoroughly reviews the sometimes complex literature on the subject.

OVER THE PAST THIRTY YEARS, political debate in the United States—perhaps even in the entire Western world since Adam Smith or earlier—has been dominated by a conflict between the two poles of market fundamentalists and those whom market fundamentalists perceive (sometimes rightly, usually wrongly) as government fundamentalists. Yet the world in which we live is better conceived as

RICK WICKS is an American researcher in the Economics Department of Göteborgs Universitet, Göteborg, Sweden. This article is based in part on Wicks (2009 and forthcoming). The author thanks Adlerbertska Stipendiestiftelsen, Stiftelsen Paul och Marie Berghaus, and Stiftelsen Siamon for financial support for this research. The author has sole responsibility for the results.

consisting of three spheres—markets, governments, and communities—each with its own strengths, weaknesses, and pathologies (Boulding 1990). Political debate in the United States has sometimes included communities, somewhat simplistically, in an ostentatious commitment to “family values”—including God and country—but otherwise, after elections are over, they are mostly ignored.

Economics pretends to offer a thorough understanding of markets and market principles, but it willfully overlooks the independent principles that motivate governments and communities. Because governments affect markets through, for example, taxes and regulations, and because communities affect markets through, for example, “social capital,” economics then cannot thoroughly account for the effects of governments and communities on markets. Because even the study of economics also affects governments and communities, economics also cannot thoroughly account for its own effects.

The problem is not merely that economics excludes communities, which has been acknowledged and criticized for two centuries. The problem is that economics—while excluding communities without acknowledgment—has increasingly presented itself as totally general and completely axiomatized, which has left a gaping credibility gap. One result is political debate that fundamentally misunderstands the nature of economic theory, arguing over economic forecasts and prescriptions as though dealing with a deterministic science, when in fact economics is a moral science (more on this below). Most of the “animal spirits” to which John Maynard Keynes (1936) as well as George Akerlof and Robert Shiller (2009) refer are based in community behavior, making communities vital to understanding the recent financial bubble and crash, and the resulting Great Recession.

“Everyone” Refers to the Three Spheres, but Economics Doesn’t Understand

Economists, politicians, and preachers—seemingly everyone, at one time or another—refers to the threefold nature of our life in society

using words that relate, explicitly or implicitly, to markets, governments, and communities. Thus, for example, Adam Smith—who first published *The Theory of Moral Sentiments* about communities and social goods in 1759, then *The Wealth of Nations* about markets and private goods in 1776—was planning a third major work, never completed, on the political system and public goods (Smith 1982, 342 and “Advertisement” therein). Peter Minowitz (1993) uses the same tripartite taxonomy (twice in varying order) in the title of his book *Profits, Priests, and Princes: Adam Smith’s Emancipation of Economics from Politics and Religion*.

English economist and theologian Philip Wicksteed (1920) referred in a book of sermons to “business, politics, and the pulpit.” In discussing Wicksteed’s work, Ian Steedman refers to “potatoes, politics, and prayer” (1994, 99). Similarly, J.A. Hobson referred to “the purse, power, and prestige of the ruling classes in business, politics, and society” (1976, 55). Success itself is often defined as “wealth, fame, and power” (Bogle 2004, 1; Carey 2006), or sometimes as “money, status, and power.” A similar tripartite taxonomy—perhaps Marxian—of firms, states, and social classes can also easily be seen as referring to the three spheres of society.

This taxonomy is also used in at least some non-English languages. For example, a Swedish call for papers points out that “krig, mission, och köpenskap hänger ofta nära samman” (war, evangelism, and trade often go together). An advertisement for a Swedish book says that one of its purposes is to show how basic concepts can be used for analyzing “sociala, politiska, och ekonomiska” problems.

It is not surprising, then, that there are also three basic social sciences, typically reflected in academic departments of economics, political science, and sociology (Steuer 2003).

Nevertheless, economic theory—in essentially assuming that everything (even government) operates on market principles (i.e., rational maximization of self-interest)—misunderstands communities and is thereby destructive of them (as well as of governments and even of markets, and thus of economics itself).

Types of Communities and the Social Goods They Provide

Communities are complex groups of people with which individuals identify, based on kinship, location, or belief (or ideology):

- Families and ethnic groups are communities based on *kinship*.
- Villages, neighborhoods, and cities are communities based on *location*.
- Religious or political groups are communities based on *belief or ideology*.

A single community could represent all three possibilities—for example, an ethnic group living in a common area and professing a common religion. And, in fact, since communities consist of individuals who identify with that community, belief or ideology plays a fundamental role in all three types of communities: We have to believe in the importance of our kinship, or recognize the importance of our common location, for these factors to be a basis for community.

Although markets and governments constitute spheres of society that developed later, communities are the primordial social sphere. In addition to providing social capital that facilitates market production of private goods—and facilitates government production of public goods—communities directly provide something even more emotionally and psychologically important, which, analogously, can be called *social goods*.

Of course, children need social goods to grow up, but, even after that, emotional connections to other people—in communities of all kinds—are essential for our psychological, and thus physical, survival. When we are not blinded or confused by ideological commitment to market thinking, as people sometimes are, we thus tend to value communities most for the social goods that they provide us with directly:

- a sense of security and identity, meaning and purpose; also
- feelings of kindness, friendship, companionship, and love; even
- the sense of affirmation, recognition, and power that may accom-

- pany accomplishment in any of the three spheres; as well as
- community spirit, social cohesion, and stability;
 - needs for self-expression—and even for intellectual and esthetic satisfaction—also seem to express preferences for social goods.

That some of these social goods also have social-capital characteristics cannot be denied. But they are primarily (directly) important to us as social goods.

If the preferences of entrepreneurs, who are also consumers (and people), include such social goods (as they must), then we must open up and expand the entire notion of “profit” and what motivates economic activity. For example, it seems unlikely that Bill Gates is motivated to earn more financial profits solely in order to purchase more private goods in the market. He has said as much himself and demonstrated it with his philanthropy. At the same time, financial criminals—such as Michael Milken and Ivan Boesky (Stewart 1992) and, more recently, Bernard Madoff—have also demonstrated it with their lust for status and power.

Fiske’s Four Relational Models (or Modes)

The three spheres of society are fundamental to and exhaustive of our life in society, that is, every aspect of our social relations can be understood as subsumed under one or another of them; but they are actually based on four basic principles, which Alan Fiske (1991) refers to as relational models or modes (RMs). These four RMs correspond to the basic scale-types in mathematics and thus exhibit a unique progressive set of mathematical properties (ibid., 48–49).

- *Communal sharing* (CS) = a categorical/nominal scale, the elements of a set (i.e., who is recognized as a member of the community);
- *Authority ranking* (AR) = an ordinal scale (linear ordering), a ranking of the elements of the set (i.e., who’s in charge, the “pecking order”);

- *Equality matching* (EM) = an interval scale, keeping track of how much one is ahead or behind (i.e., fairness or equality, e.g., referring to debts of a particular type); and
- *Market pricing* (MP) = a ratio scale, allowing ratios that facilitate exchange (e.g., as money equilibrates between types of debt).

Regardless of the emphasis in the surrounding culture, these four RMs have been shown to develop spontaneously in children, in the same order and at about the same ages: CS during infancy; AR by age three; EM soon after turning four; and MP at about age eight (ibid., 48–49). It seems likely that the four RMs developed evolutionarily in the same order and may well represent stages of brain development, and even specific structures and circuits in the brain.

Fiske makes clear that real human interactions are complex, typically expressing themselves through more than one of the four RMs, sometimes all of them. Nevertheless, it seems obvious that the sphere of politics and government—the arena of authorities exercising power—can be identified primarily with authority ranking, while the sphere of exchange, markets, and economics can be identified primarily with market pricing.

Although Fiske found the four distinct RMs when analyzing microtransactions in society, it seems likely that, at the macro level, the remaining social sphere of communities, taken as a whole, can be primarily identified with both CS (taking care of those who are identified as members of the community) and EM (a sense of equality with, and fair play toward, those in the community). Of course, this characterization of communities is not intended to deny the possibility that those in a community might treat those outside it badly or that AR might override the sense of equality even within the community.

But if we regard CS as defining community, then perhaps it is the case that those in communities can additionally interact in any of the other three modes. Because in modern society AR has generated a “separate” political sphere of governments, and MP has generated a “separate” economic sphere of markets, what remains, underly-

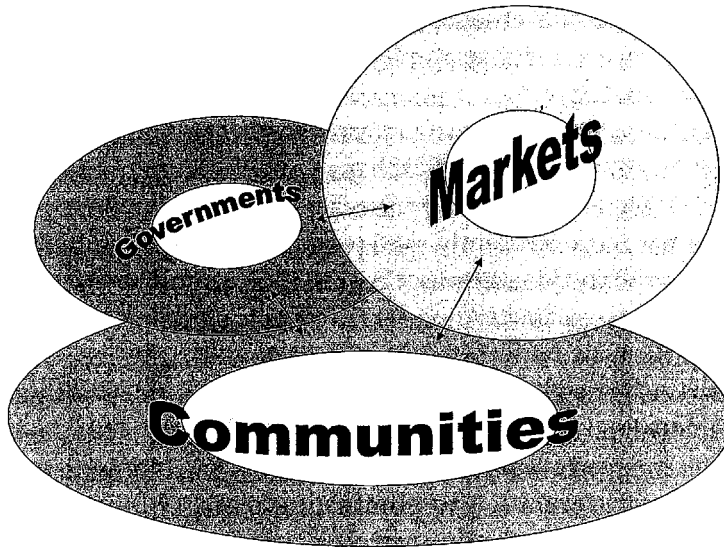


Figure 1. A Dynamic Model of the Three Spheres of Society, Showing Essential Cores and Potential Areas of Expansion or Contraction

ing the community sphere, is a mixture of CS and EM. We do not seem to have evolved a separate sphere primarily characterized by EM—although Fiske points out that “in every culture nearly all the constitutive rules of most games, sports, and gambling are structured by EM” (personal communication, September 22, 2008), so those activities could perhaps be considered a separate sphere. EM can also be associated with the other RMs, as in the notion of political equality (when associated with AR) or of fairness in the marketplace (when associated with MP).

Relationships Among the Three Spheres Can Be Modeled

In Figure 1, the economic sphere is designated “Markets,” the political sphere “Governments,” and the remaining social sphere “Communities.” For each sphere it is assumed that there is some irreducible core (here, the inside of each “doughnut”) representing

essential interactions that appear spontaneously and would remain, or return, even if, for example, efforts were made to completely eliminate that sphere.

Thus Adam Smith famously referred to humankind's natural "propensity to truck, barter, and exchange one thing for another" (1976, I.ii.2, 25). Markets (MP) emerge because they can handle some types of scarcities more efficiently—and perhaps more harmoniously—than simple community traditions (CS or EM) or authority relations (AR). Markets appeared far back in prehistory, very early in socioeconomic development, in fairly primitive societies—with physical commodity markets generally appearing first, then labor and credit markets, and finally land and land-rental markets (Pryor 1977, 148). And black markets emerged even in the Soviet bloc—under Communist regimes ideologically committed to eliminating markets—because markets could accomplish production and distribution of which the command economy was incapable. Thus markets appear spontaneously and (in modern societies) cannot be eliminated in favor of governments (or communities).

And even the most egalitarian consensus-minded communities and cultures seem to find that some political structure of hierarchy and authority also emerges (Fried 1967, 229)—and has done so throughout prehistory, probably even before the emergence of explicit markets—while economists have long recognized that the market sphere could not function without having secure property rights established and guaranteed by the authority of government. Thus governments also appear spontaneously and (in modern societies) cannot be eliminated in favor of markets (or communities). This, incidentally, is a point that market fundamentalists seem to miss.

And finally, it would be hard for either markets or governments—or even for both together—to provide completely for human reproduction and child-rearing, the perhaps quintessential community functions. So communities also cannot be eliminated.

Communities, governments, and markets are thus all natural and essential. The examples given of core activities are of course illustrative, not exhaustive. And to repeat, it is not being asserted that core

activities in any sphere are necessarily “pure”: for example, that human reproduction and child-rearing could be, or should be, carried out totally without authority or exchange.

While we can accept that all four RMs may be involved to some extent in each of the three spheres of society, we thus assume that there are some necessary interactions that are essentially social and communal (based on CS and EM) and occur inescapably in communities; others that are essentially political (based on AR) and tend to elicit governments; and still others that essentially involve exchange (based on MP) and thus elicit markets. Corner solutions—which eliminate at least one or more of the spheres—are thus ruled out.

While comparing the sizes of the three real-life “spheres” is undoubtedly problematic, they were drawn here to reflect both the common perception that most of us, at least, live in a “market society”—so markets are drawn quite large, and in front—and the fact that both governments and markets have taken over many functions formerly performed by families and other communities, which are thus drawn behind. This construction also reflects the fact that contemporary mainstream economics takes markets as given—and governments to some extent as necessary—but less often even recognizes communities, let alone acknowledging them as a separate sphere organized according to different principles. Nevertheless, communities—being primordial and inherently most essential—are drawn largest. Reflecting long-standing political convention, governments are drawn to the left, while markets are drawn to the right. But nothing in what follows depends on the relative sizes or positions of the “spheres.”

The doughnut areas in the figure indicate potential areas of contraction of each of the spheres, which can also expand, as indicated by the double-headed arrows. So we assume some flexibility in allocating the space between the cores, which—because the three spheres are conceived as exhaustive of social space—must be allocated to one sphere or another. (“Social” is a potentially confusing word, sometimes used to refer specifically to the residual community sphere—as in what I call social goods—but other times, as just now, to refer to the entirety of human relations in society, including authority and exchange.)

The spheres are represented as regular ovals only for convenience; no implication should be drawn that expansion of one sphere necessarily implies equal contraction of each of the other spheres. For example, shifting the boundary between markets and governments in dealing, say, with the physical environment would not necessarily affect communities very much—though it might.

So we have a model of society made up of three spheres in tension with one another, in which an expansion of one implies a contraction of (at least one of) the others. Beyond the minimal core area of each sphere, its size may be influenced by many factors, including government decisions (i.e., political evaluation), which may be based upon persuasion and ideological commitment (moral or communitarian evaluation), which may in turn be based upon the perceived efficiency of one or another sphere in dealing with any particular type of interaction (an economic or “meta-economic” evaluation). Presumably the (perceived) efficiency of social-space allocations among the three spheres can be influenced by technology, not only physical but also information technology, and even, or perhaps especially, social (or organizational) technology, perhaps even “psychological technology.” Thus, for example, advertising can contribute to the commodification (commercialization) of many aspects of life formerly reserved to communities (Heilbroner 1985, 118; McKendrick et al. 1982).

Within limits, the outcome depends on human will and choice in evaluating uncertain information about those technologies and on the meta-economic efficiency of various sphere allocations—including, for example, possible differences in the preferences of cultures and societies for private, public, and social goods, just as individuals might choose consumption bundles based on differing individual preferences. Thus it is clearly not a deterministic model into which one can plug initial values and have certain—or even stochastic—results fall out. Instead, it is a “moral model,” for the same reason that economics was originally called a “moral science” (Boulding 1969), with genuinely uncertain results (Toulmin 2001, 210 and *passim*), depending on human choices.

Separability Has Not Been Argued, Much Less Established

Although social goods are also omitted in the fundamental assumptions of partial equilibrium analysis—and thus the implications of social goods have not been analyzed in basic microeconomic theory at all—their omission shows up most clearly when we claim to be discussing all sources of utility in general equilibrium analysis. This might be excusable if social goods really were entirely separable from markets and from the concerns of economic analysis (Leontief 1947)—that is, if they did not affect markets, and markets did not affect them—but that case has not been argued, much less established.

A.C. Pigou recognized this potential problem in a general way when he pointed out that

there is no guarantee that the effects produced on the part of welfare that can be brought into relation with the measuring rod of money may not be cancelled by effects of a contrary kind brought about in other parts or aspects of welfare; and if this happens, the practical usefulness of our conclusions is wholly destroyed. (1960, 12)

But Pigou's caveat has not been followed up with specific analysis of what those "other parts or aspects of welfare" might include (or how or whether we could even compare them to the monetarily measurable ones), and thus those parts or aspects have remained easy to ignore. So his insight has not been captured in the fundamental assumptions of microeconomics, nor in welfare economics, nor in the conclusions of general or specific analyses based upon them.

Albert Hirschman (1982) analyzed four possible interactive possibilities between markets and society (positive or negative, either way), although without specifically highlighting communities and social goods as the "third sphere" of society. As mentioned, there is no doubt that communities—through social capital, often through ritual (Chwe 2001)—can help to solve collective-action (coordination) problems of markets (and of governance). But, more important for the present discussion, there are also effects in the other direction,

of markets, economics, and market ideology on the social sphere of communities and social goods.

It is well known, for example, that advertising can contribute to the commercialization of many aspects of life formerly reserved to communities (Fine and Leopold 1997; Heilbroner 1985, 118; McKendrick et al. 1982), with both positive and negative effects. It has even been shown that the study of economics can have damaging effects on communities and the production of social goods (Cohen 1991, 269–70; Frank et al. 1993; Marglin 2007; Marwell and Ames 1981; Schwartz 1987, 52; Stiglitz 2002, 220–21; Wallach and Wallach 1983).

The issue here is not the size of any such negative effects—that is, whether possible negative welfare effects of markets and of economics itself on communities and the production of social goods (however those effects might be measured) outweigh the positive effects, or vice versa. I certainly am not arguing that markets (or economics) are inherently bad and should be banned, only that it may be possible to ameliorate their negative effects ^{once} those negative effects ^{have} ^{been} recognized. Despite Deirdre McCloskey's (2000) well-founded concern with "oomph"—that is, with the magnitude of effects—it thus suffices for present purposes that negative effects are possible; that they are thought by many careful observers to be substantial; and that it might be possible to alleviate them without substantially injuring markets. The choice is not between markets and no markets (nor between economics or not) but between markets and economics while recognizing only economic thinking, or markets and economics while also recognizing other relational modes, in particular those fostering communities and the production of social goods.

How Communities Were Left Out of Economic Theory

Social goods have thus been implicitly treated as separable from market goods—and ignorable in economics (along with the communities that provide them)—ever since the appearance of *The Wealth of Nations*. But Léon Walras, who originated the general-equilibrium approach,

actually intended to deal with “social wealth”: The subtitle of his *Elements of Pure Economics* was “The Theory of Social Wealth,” by which Walras meant “all things, material or immaterial . . . that are scarce, that is to say, on the one hand, *useful* to us and, on the other hand, only available to us *in limited quantity*” (1954, 65). But although social goods, which are immaterial, are both useful to us, as discussed above, and scarce, Walras later qualified that he was talking only about exchangeable industrial products (Mirowski and Cook 1990, 207). However, lacking generality, his “general equilibrium” economics was thus “devoid of any serious empirical content” (ibid., 193). The analysis might have lacked serious empirical content even if Walras had included communities and social goods, but at least he would then have provided a more complete (i.e., more general) framework on which to hang empirical details.

Harrod mentions an old definition (which seems to have gone out of fashion) of economic goods and services as simply “those capable of being exchanged” (1971, 64), thus excluding “goods like friendship or mystical experiences” (see also Boulding 1969, 4).

Before Walras, John Stuart Mill had also focused somewhat narrowly:

Political economy considers mankind as occupied solely in acquiring and consuming [financial or tangible, certainly not social] wealth; and aims at showing what is the course of action into which mankind . . . would be impelled, if that motive . . . were the absolute ruler of all their actions. (1994, 53)

Here, incidentally, because Mill explicitly defined economics in terms of motivation, he implicitly allowed for the possibility of other motivations, which current mainstream theoretical economics obscures through the implicit (and often explicit) assertion that it is dealing with utility “in general.”

Since the time of Walras, then—despite the pretense of “general equilibrium”—only private and public goods have been included in economic welfare analysis (e.g., Boadway and Bruce 1984). Joseph Stiglitz (1997, pts. I and II; 2010, 241) gives an introduction to the general-equilibrium assumptions underlying welfare analysis, while Kenneth

Arrow (1983)—summarized in the Appendix—gives a careful technical presentation, but neither Stiglitz nor Arrow includes communities and social goods, nor do they explicitly exclude them. Paul Samuelson and William Nordhaus (1995, 30–37) discuss many types of market imperfections, also with no mention of communities or social goods. Heterodox introductory texts—much more aware of communities and social goods—are Stretton (1999) and Hill and Myatt (2010).

But *how* are communities and social goods left out of contemporary mainstream economic theory, with its pretense of general equilibrium and thorough axiomatization? Perhaps because they are economic sociologists, Neil Smelser and Richard Swedberg are especially aware of the missing communities and social goods and identify “methodological individualism” (1994, 4) as the mechanism (as does Trigilia 2002, 11). Smelser and Swedberg characterize methodological individualism as the assumption that “the actor is uninfluenced by other actors” (1994, 5). Or, as economic anthropologists Mary Douglas and Steven Ney say, the actor is “a generalized human individual conceived as nonsocial or presocial” (1998, 5).

Within economics, Frank Knight classically defined methodological individualism:

Every member of society is to act as an individual only, in entire independence of all other persons. To complete his independence, he must be free from social wants, prejudices, preferences, or repulsions, or any values *which are not completely manifested in market dealings*. Exchange of finished goods is the only form of relation between individuals. (1940, 78, emphasis added)

Thus economic theory abstracts completely from the social sphere by simply assuming—for the most part without explicitly acknowledging—that communities and social goods do not exist. Nor does it then deal with the implications of their nonexistence.

Why the Assumption of Methodological Individualism Is a Problem

Carlo Trigilia describes the assumption of methodological individualism as considering only “the specific motivations of actors and the

consequences of their actions” (2002, 43). The cognitive scientist George Lakoff refers to this assumption as “classical theoretical liberalism,” that individuals are (or should be) “free, autonomous rational actors, each pursuing their own self-interest” (2002, 19). What is probably not commonly understood by the hearer or reader nowadays—or perhaps often not even consciously intended by the speaker or writer—is that, with this assumption, the individual’s utility derived from identification with and participation in communities (i.e., from social goods) is being abstracted away, including any possible effects of markets and economic thinking or ideology on communities and social goods. Raymond Benton correctly notes what is rarely recognized (though Knight did): “A perfectly competitive economy requires nothing less of people than . . . the renunciation of all human ties” (1990, 81).

While Knight expressed this assumption of methodological individualism clearly enough, its modern use seems disingenuous at best. The assumption—while perhaps mathematically clear and explicit—is economically obscure (Backhouse 1994, 11–16; Bodenhorn 1956, 25; Colander 1994, 46; Hutchison 1994, 27–29) and thus causes a deceptive incompleteness. It is commonly explained simply as the adoption of the standpoint of the individual in assessing utility—that is, “welfarism” (Hausman and McPherson 1994, 256; Sen 1979, 328)—that it is only the effects on individuals that matter. The assumption is commonly stated as an innocuous assertion that “only individuals exist”—which seems self-evident, and thus often is not mentioned at all—or it is thought to address only motivation, ignoring its implications for utility.

Paul Seabright expresses this assumption as there being no “direct interdependencies” (externalities), so that an individual’s actions are assumed not to “directly affect the welfare of another” (2004, 99). Elsewhere (p. 140) he summarizes this even less satisfactorily as “when transactions between two people have no serious effects on anybody else,” which could easily be mistaken as referring only to the effects of market transactions, rather than excluding everything *except* market transactions.

“Free market” advocates might want to consider this—and teachers and textbook authors as well (Fullbrook 2007, 42). Deriving welfare conclusions—and debating economic policies—without making this assumption crystal clear seems highly dubious, even deceptive—especially when the assumption is not even mentioned (e.g., Arrow 1983).

Other Methodological Problems

[There is] a kind of hypocrisy of the discourse that leads important issues . . . to appear in only covert ways. The official style of contemporary economics seems to exclude a wide range of . . . traditional moral, social, and policy questions about economic choices. . . . [T]hese excluded forms of discourse have not vanished; they have just become hidden, making their discussion fragmentary and insufficient.

—Bazerman (1988, 279)

What do we mean by “economics” (Mäki 2001a, 4–9)? This question is “a lot less banal than it seems, for the ways in which we answer it will profoundly affect the method[s] thought to be appropriate for economists to use” (Kristol 1981, 203). Similarly, Philip Mirowski says, “The specification of what it is that precisely constitutes the economy is not so abstract or removed from practical consequences” (1994, 70).

If economic analysis intends to be practically relevant, and yet does not include things as fundamental as communities and social goods, it must then—to be thorough and honest—abstract from them by clear, explicit assumption. We have no theoretical justification for treating communities and social goods, without discussion, as totally separable, outside the disciplinary boundaries of economics.

While many are concerned with the *equilibrium* aspect of general equilibrium, the concern here is thus whether, in leaving out communities and social goods, analysis is sufficiently *general*. If economics is only about prices, wages, profits, savings, productivity, growth, and so on, why then do our textbooks typically begin by talking very generally about maximization over preference sets—choice under conditions of scarcity—or, as Lionel Robbins said, “human behavior as a relationship between ends and scarce means which have alterna-

tive uses" (1932, 15)? Is economics meant to be general—as in general equilibrium—or not? Even when we are operating in "economic mode" and deciding where to devote marginal money, time, and effort, we have to recognize that (paradoxically) one of the choices is to devote more to communities and the production of social goods.

"Good theories avoid harmful falsehoods" (Mäki 2001b, 384), and "the claims of community have to be taken seriously" (McCloskey 1990, 159). Abstracting from social goods is wrong because it is "unjustifiably narrow" (Mäki 2001b, 373), and it is not "the way the world works" (371), it is "unrealistic in a wrong way" (372). It does not cut reality at the joints; rather, it cuts in the middle of a "bone" (utility) while pretending to cut at a joint (types of motivation, or the locus of actions or effects). Thus "Walrasian analysis is partial" (Mäki 1994, 243), not general.

It is not that all modeling is bad because it is unrealistic nor that every possible thing that is implicitly abstracted from has to be spelled out. Rather, what is being expressed is an "engineering attitude": Models, to have practical usefulness, have to explicitly acknowledge fundamental elements that are assumed away. Communities and social goods are fundamental elements that economic theory assumes away without clear and thorough acknowledgment.

In abstracting from communities and the social goods we derive from them, we have not thoroughly represented our fundamental assumptions. Rather, we have been practicing "assumption without representation," and thus we have not identified and analyzed communities and social goods as potential sources of "market imperfections." (The expression is in quotation marks because it seems odd to refer to "the presence of communities and social goods" as a market imperfection, as though we would be better off without them.) If we have not considered communities and social goods as potential sources of market imperfections, how can we then advise on appropriate corrective actions?

But, as noted, the problem is larger than that, becoming more acute as mainstream ("neoclassical") economic theory—what Roy Weintraub (1985) refers to as "the general equilibrium approach"

or “the neo-Walrasian research program” and McCloskey refers to as “Samuelsonian economics” (2006, chap. 6)—has become more mathematicized, abstract, and “rigorous.” Revisiting the issue is now essential for honest teaching and for accurate public understanding of both economic theory and economic results, such as benefit/cost analyses. There are methodological problems with

- advocacy versus objectivity (Ferber and Nelson 2003, vii; Furner 1975);
- theoretical rigor and completeness (an “internal critique”; Hodgson 2004, 9);
- truth versus precision (Mayer 1993);
- and even intellectual honesty.

John Dupré suggests that, compared to machines that physically block interfering forces and thus do “honest toil,” theoretical models—which simply (but explicitly) abstract from unwanted influences—have “the advantages of theft” (2001, 317). How honest, then, would be an implicit, unacknowledged abstraction, an assumption without representation? Perhaps unintentionally, we have been dishonest with our students, with our public-policy clients, and with the public itself.

Abstracting from communities and social goods is thus contrary to the spirit of economics, which “consists in looking not merely at the immediate but at . . . longer effects . . . , and consists in tracing . . . consequences . . . not merely for one group but for all groups” (*Economics in One Lesson*, Hazlitt 1946, cited in Simon and Simon 1993, 24).

What to Do About Overlooked Communities and Social Goods

Does theoretical economics now prefer to remain dishonest, or is it big enough in spirit to acknowledge a fundamental problem that it might be more convenient to ignore?

Merely specifying that we are only dealing with *private* goods would

not clearly eliminate social goods, many of which (as noted) do have private-good characteristics, albeit with possible externalities (and not marketable in any case). Specifying that we are only dealing with marketable goods would be better, except that the importance of *public* goods is commonly recognized, and was so long before techniques were devised for dealing with them analytically.

If we want to study the full effects of self-interested choice under conditions of scarcity, or even just the full effects of markets—these seem to be the two basic definitions of economics; one can add a third, “provisioning,” and the point remains—then we must acknowledge the utility derived from communities via social goods, because markets—and choice under scarcity more broadly, and even efforts at provisioning—have effects on communities and social goods, as discussed above.

We thus have to adopt a broader view of economics and “a more humane balance among the three cultural processes that shape our lives” (Bodley 2001, 22); that is, recognizing not just markets and government but also the “third” sphere of communities producing social goods, the fundamental social sphere out of which governments and markets sprang and which they both serve (Boulding 1978, 1985; Boulding et al. 1980). Anyone who understands optimization knows that there can be too much or too little (Mishan 1986, 283)—in this case, too much emphasis on markets (and government) and too little on communities and social goods.

Now it may be (and in fact I would argue) that we are dealing with “factors that are of substantial importance, but are intrinsically unmeasurable” (Sutton 2000, 33). Applying conventional modeling (rational maximization)—though, to some extent, it might be trivial to do—would be inaccurate (Sen 1977). For that reason it would also be destructive of communities and social goods (Marglin 2007), and thus should be avoided, at least without substantial qualification.

But even if we are unable to adequately measure communities and social goods, it will not require much, at least for starters, to correct this “blind spot” (Scott 1998, 294). It would be sufficient to briefly

but clearly discuss the fact that there is also utility derived directly from social goods produced through identification with, and participation in, communities—and that, besides facilitating communities and their production of social goods, market developments may damage them, and thus reduce that utility—but that we are abstracting from these possibilities by explicit assumption. Such a note, specifying the nature of at least some of Pigou's (1960) "parts or aspects of welfare" (the parts having to do with communities and social goods), should thus be included whenever the fundamental assumptions of partial and general equilibrium are presented—including related models and welfare analysis (at least if they are intended to have practical relevance)—and the issue should also be discussed when conclusions of such analyses are presented. Even more important, it should be stressed in introductions to these topics and in introductory economics texts. We must at least acknowledge social goods, even if we cannot calculate "how they affect the model."

One could also perhaps introduce communities and social goods in (nonstandard) theoretical models, or use an empirical approach (case studies or experiments) to highlight their importance to economic analysis. But as one who believes in specialization and exchange (Seabright 2004; Smith 1976), I defer to those with comparative advantage in those areas, and focus here only on logical completeness and on counteracting the other methodological problems mentioned above. Possibilities for better models with better explanations of observed behavior—and with significant policy implications—have in any case been previously demonstrated (Akerlof and Kranton 2000; Folbre 2001, especially part I; Titmuss 1970).

Qualitatively, the first steps to remedy the problem are thus

- acknowledging the fundamental importance of communities and social goods;
- acknowledging their relevance for markets and for economics; and
- acknowledging the assumption excluding them from typical economic analysis.

The Benefits of Explicitly Acknowledging Communities and Social Goods

Along with the rise of markets, modern Western political philosophy—with Machiavelli—turned away from the classical awareness of morality (concern for others) toward self-interest. The philosophical line then led directly, via Hobbes and Locke, to Adam Smith (Strauss 1959, especially the title essay and the one on “classical political philosophy”). With the “unraveling of the Newtonian synthesis” in relativity and quantum mechanics in the twentieth century, the similar “modern project” in physics broke down (Carey 1999, 9; Toulmin 1992, 139; 2001). In addition to the methodological problems mentioned above, the growing literature on “what’s wrong with economics” (Ackerman 2002; Ackerman et al. 2004; Bell and Kristol 1981; Benton 1990; Boulding 1992; Devine 2002; Etzioni 1988; Ferber and Nelson 2003; Fullbrook 2004; Keen 2001; Lee and Keen 2004; Ormerod 1994; Rosenberg 1992, 1994a, 1994b; Sen 1977, 1979; Streeten 2004; Ward 1972) suggests that many economists perceive a similar breakdown in our field.

Danah Zohar (1990) explores freedom and creativity in a new quantum psychology. Economics would benefit from a similar willingness to deal with genuine uncertainty, as, for example, would be introduced by allowing for incommensurable social goods produced by communities. Keynes’s (1936) and Akerlof and Shiller’s (2009) “animal spirits” could then be understood for what they are, largely manifestations of Fiske’s (1991, 2004) other relational modes (besides market pricing), rather than ad hoc, as *dei ex machina*.

Reconstructing or reinforcing communities—facilitated by the acknowledgement of communities and social goods and of their importance for economics—could have direct positive welfare effects (via the increase and improvement of social goods), as well as indirect positive effects (on markets and government, via social capital), and could even help us deal with environmental problems (via improved community enforcement mechanisms [Ostrom 1990]).

For economics to acknowledge communities and social goods might even help the many proponents of communities (who are often ideo-

logically “anti-market”) to reciprocally acknowledge the important social role of markets.

Acknowledging the importance of communities and social goods would also help economists to understand

- the transition from materialist to postmaterialist values, and
- from modernization to postmodernization (Inglehart 1997); including
- the “paradox of affluence” revealed in the comparative-happiness literature (Cornish 1997; Easterlin 1996; Haidt 2006, 143; Hirsch 1976, 7); that is, why the “economistic fallacy”—“the common belief that happiness is in some sense proportionate to income” (Lane 2000, 64)—fails.

Economists might thus come to better understand the issues of community, identity, and morality, which are involved, for example,

- in protests against globalization (Rodrik 1997; Stiglitz 2002, 2003, 281–336);
- in Islamic fundamentalism (Armstrong 2001; Barber 1995; Friedman 1989, 494, 1999; Lindsey 2001; Qutb 1964); and even
- in the “moral politics” of recent domestic (U.S.) culture wars (Lakoff 2002; Westen 2007).

There are other large potential benefits associated with acknowledging communities and social goods in economics. Kenneth Boulding pithily describes economic theory as “the celestial mechanics of a non-existent world” (Colander 1994, 4), while Paul Streeten calls economics “the science that argues from unwarranted assumptions to foregone conclusions” (2004, 12). Specifying all relevant assumptions more clearly and thoroughly, and paying more careful attention to the implications of those assumptions (even if they make our systems less deterministic), would reassure students of economics—as well as students and practitioners in related fields, and the public—that we have some concern for reality, for the real existing world. It would thus go some way toward dispelling the alienation often associated with economics (Weisskopf 1971) and toward improving the communication of economic method and results (Mayer 2001). As we saw above,

other methodological criticisms can also be seen as having their root in the unacknowledged abstraction from communities and social goods, and would thus be alleviated by such an acknowledgment.

Why Haven't Communities and Social Goods Been Recognized Theoretically Before?

All theorems of economics are necessarily valid in every instance in which *all the assumptions* presupposed are given. Of course, they have no practical significance in situations where these conditions are not present.

—von Mises (1963, 66, emphasis added)

Given the large potential gains from acknowledging the social goods derived from communities, one might wonder why economists haven't *already* taken this step. Is it because of a desire to keep economics exact and separate from other social sciences (Hausman 1992)? Or because of ideological pressures and incentives (Klamer 2001, 70; Solow 1994; Ward 1979)?

In any case, we have not incorporated communities and social goods into our models and analyzed the implications. Nor have we clearly abstracted from them by explicitly assuming them away. It may be neither easy to model communities and social goods with due respect for their unique characteristics, nor desirable to do so without that respect, that is, only under rational maximization of self-interest. But the importance and relevance of communities and social goods can only be ignored at risk to the honesty and public acceptance of economics.

For Further Reading

- Ackerman, Frank. 2002. "Still Dead After All These Years: Interpreting the Failure of General Equilibrium Theory." *Journal of Economic Methodology* 9, no. 2: 119–39.
- . 2008. "The Economics of Collapsing Markets." *Real-World Economics Review* 48 (December 6): 279–90. Available at www.paecon.net/PAEReview/issue48/Ackerman48.pdf, accessed December 30, 2008.
- Ackerman, Frank, and Alejandro Nadal, with Carlo Benetti, Kevin P. Gallagher, and Carlos Salas. 2004. *The Flawed Foundations of General Equilibrium: Critical Essays on Economic Theory*. London: Routledge.

- Akerlof, George A., and Rachel E. Kranton. 2000. "Economics and Identity." *Quarterly Journal of Economics* 115, no. 3 (August): 715–53.
- Akerlof, George A., and Robert J. Shiller. 2009. *Animal Spirits: How Human Psychology Drives the Economy, and Why It Matters for Global Capitalism*. Princeton: Princeton University Press.
- Armstrong, Karen. 2001. *Islam: A Short History*. London: Phoenix.
- Arrow, Kenneth J. 1983. "The Organization of Economic Activity: Issues Pertinent to the Choice of Market Versus Non-Market Allocation." In *Public Expenditure and Policy Analysis*, ed. Robert H. Haveman and Julius Margolis, 67–81. Boston: Houghton Mifflin.
- Backhouse, Roger, ed. 1994. *New Directions in Economic Methodology*. London: Routledge.
- Barber, Benjamin. 1995. *Jihad vs. McWorld*. New York: Time Books.
- Bazerman, Charles. 1988. *Shaping Written Knowledge: The Genre and Activity of the Experimental Article in Science*. Madison: University of Wisconsin Press.
- Bell, Daniel, and Irving Kristol, ed. 1981. *The Crisis in Economic Theory*. New York: Basic Books.
- Benton, Raymond, Jr. 1990. "A Hermeneutic Approach to Economics: If Economics Is Not Science, and If It Is Not Merely Mathematics, Then What Could It Be?" In *Economics as Discourse: An Analysis of the Language of Economists*, ed. Warren J. Samuels, 65–89. Boston: Kluwer Academic.
- Boadway, Robin W., and Neil Bruce. 1984. *Welfare Economics*. Oxford: Basil Blackwell.
- Bodenhorn, Diran. 1956. "The Problem of Economic Assumptions in Mathematical Economics." *Journal of Political Economy* 64, no. 1 (February): 25–32.
- Bodley, John H. 2001. *Anthropology and Contemporary Human Problems*, 4th ed. Mountain View, CA: Mayfield.
- Bogle, John C. 2004. "The Right Kind of Success." Remarks delivered on receiving the honorary degree of Doctor of Humane Letters, Pennsylvania State University. Available at www.vanguard.com/bogle_site/sp20040515.html (accessed May 11, 2007).
- Boulding, Kenneth E. 1969. "Economics as a Moral Science" (presidential address before the American Economic Association, December 1968). *American Economic Review* 59, no. 1: 1–12.
- . 1978. *Ecodynamics: A New Theory of Societal Evolution*. Beverly Hills, CA: Sage.
- . 1985. *The World as a Total System*. Beverly Hills, CA: Sage.
- . 1990. *Three Faces of Power*. Newbury Park, CA: Sage.
- . 1992. "What Went Wrong with Economics?" In Boulding, *Towards a New Economics*, 73–84. Aldershot, UK: Edward Elgar.
- Boulding, Kenneth E., Elise Boulding, and Guy M. Burgess. 1980. *The Social System of the Planet Earth*. Reading, MA: Addison-Wesley.
- Carey, Benedict. 2006. "The Fame Motive." *New York Times*, August 22. Available at www.nytimes.com/2006/08/22/health/psychology/22fame.html, accessed March 17, 2011.
- Carey, James. 1999. "The Dean's Statement of Educational Policy 1998–99." St. John's College, Santa Fe, New Mexico.

- Chwe, Michael Suk-Young. 2001. *Rational Ritual: Culture, Coordination, and Common Knowledge*. Princeton: Princeton University Press.
- Cohen, Gerald A. 1991. "Incentives, Inequality, and Community." Tanner Lectures on Human Values, delivered at Stanford University, May 21, 23. Available at www.tannerlectures.utah.edu/lectures/documents/cohen92.pdf, accessed January 4, 2007.
- Colander, David. 1994. "The Art of Economics by the Numbers." In *New Directions in Economic Methodology*, ed. Roger Backhouse, 35–49. London: Routledge.
- Cornish, Edward. 1997. "Happiness and Wealth." *The Futurist* 31, no. 5: 13–15.
- Devine, James G. 2002. "Psychological Autism, Institutional Autism and Economics." *Post-Autistic Economics Review* 16 (October), article 2. Available at www.paecon.net/PAERreview/issue16/Devine16.htm, accessed March 17, 2011.
- Douglas, Mary, and Steven Ney. 1998. *Missing Persons: A Critique of the Social Sciences*. Berkeley: University of California Press.
- Dupré, John. 2001. "Economics Without Mechanism." In *The Economic World View: Studies in the Ontology of Economics*, ed. Uskali Mäki, 308–32. Cambridge: Cambridge University Press.
- Easterlin, Richard A. 1996. *Growth Triumphant: The Twenty-first Century in Historical Perspective*. Ann Arbor: University of Michigan Press.
- Etzioni, Amitai. 1988. *The Moral Dimension: Toward a New Economics*. New York: Free Press.
- Ferber, Marianne A., and Julie A. Nelson, ed. 2003. *Feminist Economics Today: Beyond Economic Man*. Chicago: University of Chicago Press.
- Fine, Ben, and Ellen Leopold. 1997. "Consumerism and the Industrial Revolution." In *The Consumer Society*, ed. Neva R. Goodwin, Frank Ackerman, and David Kiron, 135–37. Washington, DC: Island Press.
- Fiske, Alan Page. 1991. *Structures of Social Life: The Four Elementary Forms of Human Relations*. New York: Free Press.
- . 2004. "Relational Models Theory 2.0." In *Relational Models Theory: A Contemporary Overview*, ed. Nick Haslam, 3–24. Mahwah, NJ: Lawrence Erlbaum Associates.
- Folbre, Nancy. 2001. *The Invisible Heart: Economics and Family Values*. New York: New Press.
- Frank, Robert H., Thomas Gilovich, and Dennis T. Regan. 1993. "Does Studying Economics Inhibit Cooperation?" *Journal of Economic Perspectives* 7, no. 2 (Spring): 159–71.
- Fried, Morton H. 1967. *The Evolution of Political Society: An Essay in Political Anthropology*. New York: Random House.
- Friedman, Thomas L. 1989. *From Beirut to Jerusalem*. New York: Farrar Straus Giroux.
- . 1999. *The Lexus and the Olive Tree*. New York: HarperCollins.
- Fullbrook, Edward. 2004. *A Guide to What's Wrong with Economics*. London: Wimbledon.
- . 2007. "Narrative Pluralism." *Post-Autistic Economics Review* 42 (May): 23–43. Available at www.paecon.net/PAERreview/issue42/Fullbrook42.pdf.
- Furner, Mary O. 1975. *Advocacy and Objectivity: A Crisis in the Professionalization of American Social Science, 1865–1905*. Lexington: University Press of Kentucky.

- Haidt, Jonathan. 2006. *The Happiness Hypothesis: Putting Ancient Wisdom to the Test of Modern Science*. London: William Heinemann.
- Harrod, Roy. 1971. *Sociology, Morals, and Mystery: The Chichele Lectures, 1970*. London: Macmillan.
- Hausman, Daniel M. 1992. *The Inexact and Separate Science of Economics*. Cambridge: Cambridge University Press.
- Hausman, Daniel M., and Michael S. McPherson. 1994. "Economics, Rationality, and Ethics." In *The Philosophy of Economics*, 2d ed., ed. Hausman and McPherson, 250–78. Cambridge: Cambridge University Press.
- Heilbroner, Robert L. 1985. *The Nature and Logic of Capitalism*. New York: W.W. Norton.
- Hill, Rod, and Tony Myatt. 2010. *The Economics Anti-Textbook: A Critical Thinker's Guide to Microeconomics*. London: Zed.
- Hirsch, Fred. 1976. *Social Limits to Growth*. Cambridge: Harvard University Press.
- Hirschman, Albert O. 1982. "Rival Interpretations of Market Society: Civilizing, Destructive, or Feeble?" *Journal of Economic Literature* 20, no. 4 (December): 1463–84.
- Hobson, J. A. 1976. *Confessions of an Economic Heretic: Autobiography*. Brighton, UK: Harvester Press.
- Hodgson, Geoffrey M. 2004. "On the Problem of Formalism in Economics." *Post-Autistic Economics Review* 28 (October), article 1. Available at www.paecon.net/PAERreview/issue28/Hodgson28.htm.
- Hutchison, Terence W. 1994. "Ends and Means in the Methodology of Economics." In *New Directions in Economic Methodology*, ed. Roger Backhouse, 27–34. London: Routledge.
- Inglehart, Ronald. 1997. *Modernization and Postmodernization: Cultural, Economic, and Political Change in Forty-Three Societies*. Princeton: Princeton University Press.
- Keen, Steve. 2001. *Debunking Economics: The Naked Emperor of the Social Sciences*. London: Pluto Press.
- Keynes, John Maynard. 1936. *The General Theory of Employment, Interest, and Money*. London: Macmillan.
- Klamer, Arjo. 2001. "Making Sense of Economists: From Falsification to Rhetoric and Beyond." *Journal of Economic Methodology* 8, no. 1: 69–75.
- Knight, Frank. 1940. *Risk, Uncertainty, and Profit*. Boston: Houghton Mifflin.
- Kristol, Irving. 1981. "Rationalism in Economics." In *The Crisis in Economic Theory*, ed. Daniel Bell and Irving Kristol, 201–18. New York: Basic Books.
- Lakoff, George. 2002. *Moral Politics: How Liberals and Conservatives Think*. 2d ed. Chicago: University of Chicago Press.
- Lane, Robert E. 2000. *The Loss of Happiness in Market Democracies*. New Haven: Yale University Press.
- Lee, Frederic S., and Steve Keen. 2004. "The Incoherent Emperor: A Heterodox Critique of Neoclassical Microeconomic Theory." *Review of Social Economy* 62, no. 2: 169–99.
- Leontief, Wassily. 1947. "Introduction to a Theory of the Internal Structure of Functional Relationships." *Econometrica* 15, no. 4 (October): 361–73.
- Lindsey, Brink. 2001. "The Last Totalitarians." Cato Institute, Washington, DC.

- Available at www.cato.org/pub_display.php?pub_id=10882/, accessed March 17, 2011.
- Mäki, Uskali. 1994. "Reorienting the Assumptions Issue." In *New Directions in Economic Methodology*, ed. Roger Backhouse, 237–56. London: Routledge.
- . 2001a. "Economic Ontology: What? Why? How?" In *The Economic World View: Studies in the Ontology of Economics*, ed. Mäki, 3–14. Cambridge: Cambridge University Press.
- . 2001b. "The Way the World Works (www): Towards an Ontology of Theory Choice." In *The Economic World View: Studies in the Ontology of Economics*, ed. Mäki, 369–89. Cambridge: Cambridge University Press.
- Marglin, Stephen A. 2007. *The Dismal Science: How Thinking Like an Economist Undermines Community*. Cambridge: Harvard University Press.
- Marwell, Gerald, and Ruth E. Ames. 1981. "Economists Free Ride, Does Anyone Else?" *Journal of Public Economics* 15, no. 3 (June): 295–310.
- Mayer, Thomas. 1993. *Truth Versus Precision in Economics*. Aldershot, UK: Edward Elgar.
- . 2001. "Improving Communication in Economics: A Task for Methodologists." *Journal of Economic Methodology* 8, no. 1: 77–84.
- McCloskey, Deirdre. 1990. *If You're So Smart: The Narrative of Economic Expertise*. Chicago: University of Chicago Press.
- . 2000. "Why Economic Historians Should Drop Statistical Significance and Seek Oomph." In *How to Be Human*: *Though an Economist*, ed. McCloskey, 194–200. Ann Arbor: University of Michigan Press.
- . 2006. *The Bourgeois Virtues: Ethics for an Age of Commerce*. Chicago: University of Chicago Press.
- McKendrick, Neil, John Brewer, and J.H. Plumb. 1982. *The Birth of a Consumer Society: The Commercialization of 18th-Century England*. London: Europa Press.
- Mill, John Stuart. 1994. "On the Definition and Method of Political Economy." In *The Philosophy of Economics*, 2d ed., ed. Daniel M. Hausman and Michael S. McPherson, 52–68. Cambridge: Cambridge University Press.
- Minowitz, Peter. 1993. *Profits, Priests, and Princes: Adam Smith's Emancipation of Economics from Politics and Religion*. Stanford: Stanford University Press.
- Mirowski, Philip. 1994. "What Are the Questions?" In *New Directions in Economic Methodology*, ed. Roger Backhouse, 50–75. London: Routledge.
- Mirowski, Philip, and Pamela Cook. 1990. "Walras' 'Economics and Mechanics': Translation, Commentary, and Context." In *Economics as Discourse: An Analysis of the Language of Economists*, ed. Warren J. Samuels, 189–215. Boston: Kluwer Academic.
- Mishan, E. J. 1986. *Economic Myths and the Mythology of Economics*. Atlantic Highlands, NJ: Humanities Press International.
- Ormerod, Paul. 1994. *The Death of Economics*. London: Faber and Faber.
- Ostrom, Elinor. 1990. *Governing the Commons: The Evolution of Institutions for Collective Action*. Cambridge: Cambridge University Press.
- Pigou, A.C. 1960. *The Economics of Welfare*. 4th ed. London: Macmillan.
- Pryor, Frederic L. 1977. *The Origins of the Economy: A Comparative Study of Distribution in Primitive and Peasant Economies*. New York: Academic Press.
- Qutb, Sayyid. 1964. Introduction to *Milestones*. Available at www.youngmuslims.ca/online_library/books/milestones/Introduction.asp.

- Robbins, Lionel. 1932. *An Essay on the Nature and Significance of Economic Science*. London: Macmillan.
- Rodrik, Dani. 1997. *Has Globalization Gone Too Far?* Washington, DC: Institute for International Economics.
- Rosenberg, Alexander. 1992. *Economics: Mathematical Politics or Science of Diminishing Returns?* Chicago: University of Chicago Press.
- . 1994a. "If Economics Isn't Science, What Is It?" In *The Philosophy of Economics*, 2d ed., ed. Daniel M. Hausman and Michael S. McPherson, 376–94. Cambridge: Cambridge University Press.
- . 1994b. "What Is the Cognitive Status of Economic Theory?" In *New Directions in Economic Methodology*, ed. Roger Backhouse, 218–36. London: Routledge.
- Samuelson, Paul A., and William D. Nordhaus. 1995. *Economics*, 15th ed. New York: McGraw-Hill.
- Schwartz, Barry. 1987. *The Battle for Human Nature: Science, Morality, and Modern Life*. New York: W.W. Norton.
- Scott, James C. 1998. *Seeing Like a State: How Certain Schemes to Improve the Human Condition Have Failed*. New Haven: Yale University Press.
- Seabright, Paul. 2004. *The Company of Strangers: A Natural History of Economic Life*. Princeton: Princeton University Press.
- Sen, Amartya. 1977. "Rational Fools: A Critique of the Behavioral Foundations of Economic Theory." *Philosophy and Public Affairs* 6: 317–44.
- . 1979. "Personal Utilities and Public Judgments: Or, What's Wrong with Welfare Economics?" *Economic Journal* 89: 537–58.
- Simon, Julian L., and Rita James Simon. 1993. "Do We Really Need All These Immigrants?" In *Second Thoughts: Myths and Morals of U.S. Economic History*, ed. Deirdre McCloskey, 19–25. Oxford: Oxford University Press.
- Smelser, Neil J., and Richard Swedberg, ed. 1994. *The Handbook of Economic Sociology*. Princeton: Princeton University Press.
- Smith, Adam. 1976. *An Inquiry into the Nature and Causes of the Wealth of Nations*. Oxford: Clarendon.
- . 1982. *The Theory of Moral Sentiments*. Indianapolis: Liberty Classics.
- Solow, Robert M. 1994. "Science and Ideology in Economics." In *The Philosophy of Economics*, 2d ed., ed. Daniel M. Hausman and Michael S. McPherson, 239–51. Cambridge: Cambridge University Press.
- Steedman, Ian. 1994. "Wicksteed: Economist and Prophet." In *Economics and Religion: Are They Distinct?* ed. H. Geoffrey Brennan and A.M.C. Waterman, 77–102. Boston: Kluwer Academic.
- Steuer, Max David. 2003. *The Scientific Study of Society*. London: Kluwer Academic.
- Stewart, James B. 1992. *Den of Thieves*. New York: Simon & Schuster.
- Stiglitz, Joseph E. 1997. *Economics*. 2d ed. New York: W.W. Norton.
- . 2002. *Globalization and Its Discontents*. New York: W.W. Norton.
- . 2003. *The Roaring Nineties: A New History of the World's Most Prosperous Decade*. New York: W.W. Norton.
- . 2010. *Freefall: America, Free Markets, and the Sinking of the World Economy*. New York: W.W. Norton.
- Strauss, Leo. 1959. *What Is Political Philosophy? And Other Studies*. Glencoe, IL: Free Press.

- Streeten, Paul. 2004. "What's Wrong with Contemporary Economics?" Available at www.thefreelibrary.com/What%27s+wrong+with+contemporary+economics%3f-a0202640161/, accessed March 17, 2011.
- Stretton, Hugh. 1999. *Economics: A New Introduction*. London: Pluto Press.
- Sutton, John. 2000. *Marshall's Tendencies: What Can Economists Know?* Leuven: Leuven University Press; Cambridge: MIT Press.
- Titmuss, Richard M. 1970. *The Gift Relationship: From Human Blood to Social Policy*. London: George Allen and Unwin.
- Toulmin, Stephen. 1992. *Cosmopolis: The Hidden Agenda of Modernity*. Chicago: University of Chicago Press.
- . 2001. *Return to Reason*. Cambridge: Harvard University Press.
- Triglia, Carlo. 2002. *Economic Sociology: State, Market, and Society in Modern Capitalism*. Oxford: Blackwell.
- Von Mises, Ludwig. 1963. *Human Action: A Treatise on Economics*. 2d ed. New Haven: Yale University Press.
- Wallach, Michael A., and Lise Wallach. 1983. *Psychology's Sanction for Selfishness: The Error of Egoism in Theory and Therapy*. San Francisco: W.H. Freeman.
- Walras, Léon. 1954. *Elements of Pure Economics; Or the Theory of Social Wealth*, trans. William Jaffé. London: Allen and Unwin.
- Ward, Benjamin. 1972. *What's Wrong with Economics?* London: Macmillan.
- . 1979. *The Ideal Worlds of Economics: Liberal, Radical, and Conservative Economic World Views*. New York: Basic Books.
- Weintraub, E. Roy. 1985. *General Equilibrium Analysis: Studies in Appraisal*. Cambridge: Cambridge University Press.
- Weisskopf, Walter A. 1971. *Alienation and Economics*. New York: Delta.
- Westen, Drew. 2007. *The Political Brain: The Role of Emotion in Deciding the Fate of the Nation*. New York: Public Affairs Press.
- Wicksteed, Philip H. 1920. *Is Christianity Practical?* London: Lindsey Press.
- Wicks, Rick. 2009. "A Model of Dynamic Balance Among the Three Spheres of Society—Markets, Governments, and Communities—Applied to Understanding the Relative Importance of Social Capital and Social Goods." *International Journal of Social Economics* 36, no. 5: 535–65.
- . Forthcoming. "Assumption Without Representation: The Unacknowledged Abstraction from Communities and Social Goods." *American Economist*.
- Zohar, Danah. 1990. *The Quantum Self: Human Nature and Consciousness Defined by the New Physics*. New York: Quill/William Morrow.

Appendix

While asserting generality, welfare analysis with a perfectly competitive market equilibrium (e.g., Arrow 1983) does not explicitly abstract from social goods, yet ignores them

The basic setup and results

Kenneth Arrow (1983, 69) offers this classic summary of the conditions for a perfectly competitive market equilibrium:

- Households, possessed of initial resources, possibly including claims to the profits of firms, choose consumption bundles to maximize utility at a given set of prices;
- firms choose production bundles so as to maximize profits at the same set of prices; [and]
- the chosen production and consumption bundles must be consistent with each other in the sense that aggregate production plus initial resources must equal aggregate consumption.

As Arrow makes clear, it is assumed in this definition:

- that households and firms have full knowledge of all prices;
- that households and firms take the prices “as given,” not alterable by their own actions;
- that prices are the same for all households and firms; and
- that no resources are used in the act of charging prices.

Certain further assumptions are often used in equilibrium analysis, including:

- convex indifference curves for the households;
- convex production possibility sets for the firms; and
- the universality of markets.

Arrow defines universality of markets to mean that “the consumption-bundle which determines the utility of an individual is the same as that which he purchases at given prices subject to his budget constraint” (ibid., 70). In other words, all sources of utility are purchasable in the market, “everything that matters is a marketable commodity with a meaningful price” (Ackerman 2008, 280).

Pointing out that convexity is not necessary for this step, Arrow then states the First Fundamental Theorem of Welfare Economics as: “If [universality of markets] holds, [then] a competitive equilibrium is Pareto-efficient” (1983, 70). Pareto efficiency, of course, means that no one can be made better off without making someone else worse off.

If we add convexity—and some assumption of equality or justice in original resource endowments (which Arrow recognizes)—then we seem to have arrived at the best of all possible worlds: If everything of value is purchasable in perfectly competitive markets, then we are all as well off as we can possibly get.

Relaxing the universality-of-markets assumption

Of course, we do not have equality in original resource endowments (and, many would argue, not justice either). It may also be that, rather than taking prices “as given,” some economic agents can influence prices by their own actions. And certainly we do not each have full knowledge about all prices. (Another assumption—which Arrow did not find necessary to mention, but which often is not fulfilled—is clearly defined property rights, which would seem to be a special case of the failure of universality of markets, though quite different from the one discussed here.) And there are public goods that, for one reason or another, cannot be sold in markets. But all these aspects have been explored elsewhere at some length, and need not detain us here. (Besides the theoretical literature addressing these issues, practical political action has been taken—to greater or lesser extent—to correct the problems. Thus we may have income transfers of various sorts to the poor, or the not so poor; regulation or creation of monopolies; agencies devoted to information collection and dissemination; and government provision of other public goods.)

Relaxing the assumption of universality of markets has also been explored somewhat. As Arrow says, “The bulk of meaningful future transactions cannot be carried out on any existing present market, so [the] assumption [of] the universality of markets is not valid” (ibid., 72). Nevertheless, this problem is commonly taken to have

been overcome—at least in a theoretical way—by the assumption of Arrow-Debreu asset markets, for which actual asset markets can give a reasonable approximation. The impossibility of markets for social goods—and thus the nonexistence of such markets—has not been explored theoretically, nor even explicitly recognized.

To order reprints, call 1-800-352-2210; outside the United States, call 717-632-3535.

Previous doctoral theses in the Department of Economics, Gothenburg

Avhandlingar publicerade innan serien Ekonomiska Studier startades
(Theses published before the series Ekonomiska Studier was started):

- Östman, Hugo** (1911), Norrlands ekonomiska utveckling
Moritz, Marcus (1911), Den svenska tobaksindustrien
Sundbom, I. (1933), Prusbildning och ändamålsenlighet
Gerhard, I. (1948), Problem rörande Sveriges utrikeshandel 1936/38
Hegeland, Hugo (1951), The Quantity Theory of Money
Mattsson, Bengt (1970), Cost-Benefit analys
Rosengren, Björn (1975), Valutareglering och nationell ekonomisk politik
Hjalmarsson, Lennart (1975), Studies in a Dynamic Theory of Production and its Applications
Örtendahl, Per-Anders (1975), Substitutionsaspekter på produktionsprocessen vid massaframställning
Anderson, Arne M. (1976), Produktion, kapacitet och kostnader vid ett helautomatiskt emballageglasbruk
Ohlsson, Olle (1976), Substitution och odelbarheter i produktionsprocessen vid massaframställning
Gunnarsson, Jan (1976), Produktionssystem och tätortshierarki – om sambandet mellan rumslig och ekonomisk struktur
Köstner, Evert (1976), Optimal allokering av tid mellan utbildning och arbete
Wigren, Rune (1976), Analys av regionala effektivitetsskillnader inom industribranscher
Wästlund, Jan (1976), Skattning och analys av regionala effektivitetsskillnader inom industribranscher
Flöjstad, Gunnar (1976), Studies in Distortions, Trade and Allocation Problems
Sandelin, Bo (1977), Prsutveckling och kapitalvinster på bostadsfastigheter
Dahlberg, Lars (1977), Empirical Studies in Public Planning
Lönnroth, Johan (1977), Marxism som matematisk ekonomi
Johansson, Börje (1978), Contributions to Sequential Analysis of Oligopolistic Competition

Ekonomiska Studier, utgivna av Nationalekonomiska institutionen vid Göteborgs Universitet. Nr 1 och 4 var inte doktorsavhandlingar. (The contributions to the department series 'Ekonomiska Studier' where no. 1 and 4 were no doctoral theses):

2. **Ambjörn, Erik** (1959), Svenskt importberoende 1926-1956: en ekonomisk-statistisk kartläggning med kommentarer
3. **Landgren, K-G.** (1960), Den "Nya ekonomien" i Sverige: J.M. Keynes, E. Wigfors och utvecklingen 1927-39
5. **Bigsten, Arne** (1979), Regional Inequality and Development: A Case Study of Kenya
6. **Andersson, Lars** (1979), Statens styrning av de kommunala budgetarnas struktur (Central Government Influence on the Structure of the Municipal Budget)
7. **Gustafsson, Björn** (1979), Inkomst- och uppväxtförhållanden (Income and Family Background)

8. **Granholt, Arne** (1981), Interregional Planning Models for the Allocation of Private and Public Investments
9. **Lundborg, Per** (1982), Trade Policy and Development: Income Distributional Effects in the Less Developed Countries of the US and EEC Policies for Agricultural Commodities
10. **Juås, Birgitta** (1982), Värdering av risken för personskador. En jämförande studie av implicita och explicita värden. (Valuation of Personal Injuries. A comparison of Explicit and Implicit Values)
11. **Bergendahl, Per-Anders** (1982), Energi och ekonomi - tillämpningar av input-output analys (Energy and the Economy - Applications of Input-Output Analysis)
12. **Blomström, Magnus** (1983), Foreign Investment, Technical Efficiency and Structural Change - Evidence from the Mexican Manufacturing Industry
13. **Larsson, Lars-Göran** (1983), Comparative Statics on the Basis of Optimization Methods
14. **Persson, Håkan** (1983), Theory and Applications of Multisectoral Growth Models
15. **Sterner, Thomas** (1986), Energy Use in Mexican Industry.
16. **Flood, Lennart** (1986), On the Application of Time Use and Expenditure Allocation Models.
17. **Schuller, Bernd-Joachim** (1986), Ekonomi och kriminalitet - en empirisk undersökning av brottsligheten i Sverige (Economics of crime - an empirical analysis of crime in Sweden)
18. **Walfridson, Bo** (1987), Dynamic Models of Factor Demand. An Application to Swedish Industry.
19. **Stålhammar, Nils-Olov** (1987), Strukturomvandling, företagsbeteende och förväntningsbildning inom den svenska tillverkningsindustrin (Structural Change, Firm Behaviour and Expectation Formation in Swedish Manufactory)
20. **Anxo, Dominique** (1988), Sysselsättningseffekter av en allmän arbetstidsförkortning (Employment effects of a general shortage of the working time)
21. **Mbelle, Ammon** (1988), Foreign Exchange and Industrial Development: A Study of Tanzania.
22. **Ongaro, Wilfred** (1988), Adoption of New Farming Technology: A Case Study of Maize Production in Western Kenya.
23. **Zejan, Mario** (1988), Studies in the Behavior of Swedish Multinationals.
24. **Görling, Anders** (1988), Ekonomisk tillväxt och miljö. Förorenings-struktur och ekonomiska effekter av olika miljövårdsprogram. (Economic Growth and Environment. Pollution Structure and Economic Effects of Some Environmental Programs).
25. **Aguilar, Renato** (1988), Efficiency in Production: Theory and an Application on Kenyan Smallholders.
26. **Kayizzi-Mugerwa, Steve** (1988), External Shocks and Adjustment in Zambia.

27. **Bornmalm-Jardelöw, Gunilla** (1988), Högre utbildning och arbetsmarknad (Higher Education and the Labour Market)
28. **Tansini, Ruben** (1989), Technology Transfer: Dairy Industries in Sweden and Uruguay.
29. **Andersson, Irene** (1989), Familjebeskattning, konsumtion och arbetsutbud - En ekonometrisk analys av löne- och inkomstelasticiteter samt policysimuleringar för svenska hushåll (Family Taxation, Consumption and Labour Supply - An Econometric Analysis of Wage and Income Elasticities and Policy Simulations for Swedish Households)
30. **Henrekson, Magnus** (1990), An Economic Analysis of Swedish Government Expenditure
31. **Sjöö, Boo** (1990), Monetary Policy in a Continuous Time Dynamic Model for Sweden
32. **Rosén, Åsa** (1991), Contributions to the Theory of Labour Contracts.
33. **Loureiro, Joao M. de Matos** (1992), Foreign Exchange Intervention, Sterilization and Credibility in the EMS: An Empirical Study
34. **Irاندoust, Manuchehr** (1993), Essays on the Behavior and Performance of the Car Industry
35. **Tasiran, Ali Cevat** (1993), Wage and Income Effects on the Timing and Spacing of Births in Sweden and the United States
36. **Milopoulos, Christos** (1993), Investment Behaviour under Uncertainty: An Econometric Analysis of Swedish Panel Data
37. **Andersson, Per-Åke** (1993), Labour Market Structure in a Controlled Economy: The Case of Zambia
38. **Storrie, Donald W.** (1993), The Anatomy of a Large Swedish Plant Closure
39. **Semboja, Haji Hatibu Haji** (1993), Energy and Development in Kenya
40. **Makonnen, Negatu** (1993), Labor Supply and the Distribution of Economic Well-Being: A Case Study of Lesotho
41. **Julin, Eva** (1993), Structural Change in Rural Kenya
42. **Durevall, Dick** (1993), Essays on Chronic Inflation: The Brazilian Experience
43. **Veiderpass, Ann** (1993), Swedish Retail Electricity Distribution: A Non-Parametric Approach to Efficiency and Productivity Change
44. **Odeck, James** (1993), Measuring Productivity Growth and Efficiency with Data Envelopment Analysis: An Application on the Norwegian Road Sector
45. **Mwenda, Abraham** (1993), Credit Rationing and Investment Behaviour under Market Imperfections: Evidence from Commercial Agriculture in Zambia
46. **Mlambo, Kupukile** (1993), Total Factor Productivity Growth: An Empirical Analysis of Zimbabwe's Manufacturing Sector Based on Factor Demand Modelling
47. **Ndung'u, Njuguna** (1993), Dynamics of the Inflationary Process in Kenya
48. **Modén, Karl-Markus** (1993), Tax Incentives of Corporate Mergers and Foreign Direct Investments
49. **Franzén, Mikael** (1994), Gasoline Demand - A Comparison of Models
50. **Heshmati, Almas** (1994), Estimating Technical Efficiency, Productivity Growth And Selectivity Bias Using Rotating Panel Data: An Application to Swedish Agriculture

51. **Salas, Osvaldo** (1994), Efficiency and Productivity Change: A Micro Data Case Study of the Colombian Cement Industry
52. **Bjurek, Hans** (1994), Essays on Efficiency and Productivity Change with Applications to Public Service Production
53. **Cabezas Vega, Luis** (1994), Factor Substitution, Capacity Utilization and Total Factor Productivity Growth in the Peruvian Manufacturing Industry
54. **Katz, Katarina** (1994), Gender Differentiation and Discrimination. A Study of Soviet Wages
55. **Asal, Maher** (1995), Real Exchange Rate Determination and the Adjustment Process: An Empirical Study in the Cases of Sweden and Egypt
56. **Kjulin, Urban** (1995), Economic Perspectives on Child Care
57. **Andersson, Göran** (1995), Volatility Forecasting and Efficiency of the Swedish Call Options Market
58. **Forteza, Alvaro** (1996), Credibility, Inflation and Incentive Distortions in the Welfare State
59. **Locking, Håkan** (1996), Essays on Swedish Wage Formation
60. **Välilä, Timo** (1996), Essays on the Credibility of Central Bank Independence
61. **Yilma, Mulugeta** (1996), Measuring Smallholder Efficiency: Ugandan Coffee and Food-Crop Production
62. **Mabugu, Ramos E.** (1996), Tax Policy Analysis in Zimbabwe Applying General Equilibrium Models
63. **Johansson, Olof** (1996), Welfare, Externalities, and Taxation; Theory and Some Road Transport Applications.
64. **Chitiga, Margaret** (1996), Computable General Equilibrium Analysis of Income Distribution Policies in Zimbabwe
65. **Leander, Per** (1996), Foreign Exchange Market Behavior Expectations and Chaos
66. **Hansen, Jörgen** (1997), Essays on Earnings and Labor Supply
67. **Cotfas, Mihai** (1997), Essays on Productivity and Efficiency in the Romanian Cement Industry
68. **Horgby, Per-Johan** (1997), Essays on Sharing, Management and Evaluation of Health Risks
69. **Nafar, Nosratollah** (1997), Efficiency and Productivity in Iranian Manufacturing Industries
70. **Zheng, Jinghai** (1997), Essays on Industrial Structure, Technical Change, Employment Adjustment, and Technical Efficiency
71. **Isaksson, Anders** (1997), Essays on Financial Liberalisation in Developing Countries: Capital mobility, price stability, and savings
72. **Gerdin, Anders** (1997), On Productivity and Growth in Kenya, 1964-94
73. **Sharifi, Alimorad** (1998), The Electricity Supply Industry in Iran: Organization, performance and future development
74. **Zamanian, Max** (1997), Methods for Mutual Fund Portfolio Evaluation: An application to the Swedish market
75. **Manda, Damiano Kulundu** (1997), Labour Supply, Returns to Education, and the Effect of Firm Size on Wages: The case of Kenya
76. **Holmén, Martin** (1998), Essays on Corporate Acquisitions and Stock Market Introductions

77. **Pan, Kelvin** (1998), Essays on Enforcement in Money and Banking
78. **Rogat, Jorge** (1998), The Value of Improved Air Quality in Santiago de Chile
79. **Peterson, Stefan** (1998), Essays on Large Shareholders and Corporate Control
80. **Belhaj, Mohammed** (1998), Energy, Transportation and Urban Environment in Africa: The Case of Rabat-Salé, Morocco
81. **Mekonnen, Alemu** (1998), Rural Energy and Afforestation: Case Studies from Ethiopia
82. **Johansson, Anders** (1998), Empirical Essays on Financial and Real Investment Behavior
83. **Köhlin, Gunnar** (1998), The Value of Social Forestry in Orissa, India
84. **Levin, Jörgen** (1998), Structural Adjustment and Poverty: The Case of Kenya
85. **Ncube, Mkhululi** (1998), Analysis of Employment Behaviour in Zimbabwe
86. **Mwansa, Ladslous** (1998), Determinants of Inflation in Zambia
87. **Agnarsson, Sveinn** (1998), Of Men and Machines: Essays in Applied Labour and Production Economics
88. **Kadenge, Phineas** (1998), Essays on Macroeconomic Adjustment in Zimbabwe: Inflation, Money Demand, and the Real Exchange Rate
89. **Nyman, Håkan** (1998), An Economic Analysis of Lone Motherhood in Sweden
90. **Carlsson, Fredrik** (1999), Essays on Externalities and Transport
91. **Johansson, Mats** (1999), Empirical Studies of Income Distribution
92. **Alemu, Tekie** (1999), Land Tenure and Soil Conservation: Evidence from Ethiopia
93. **Lundvall, Karl** (1999), Essays on Manufacturing Production in a Developing Economy: Kenya 1992-94
94. **Zhang, Jianhua** (1999), Essays on Emerging Market Finance
95. **Mlima, Aziz Ponary** (1999), Four Essays on Efficiency and Productivity in Swedish Banking
96. **Dauidsen, Björn-Ivar** (2000), Bidrag til den økonomisk-metodologiske tenkningen (Contributions to the Economic Methodological Thinking)
97. **Ericson, Peter** (2000), Essays on Labor Supply
98. **Söderbom, Måns** (2000), Investment in African Manufacturing: A Microeconomic Analysis
99. **Höglund, Lena** (2000), Essays on Environmental Regulation with Applications to Sweden
100. **Olsson, Ola** (2000), Perspectives on Knowledge and Growth
101. **Meuller, Lars** (2000), Essays on Money and Credit
102. **Österberg, Torun** (2000), Economic Perspectives on Immigrants and Intergenerational Transmissions
103. **Kalinda Mkenda, Beatrice** (2001), Essays on Purchasing Power Parity, RealExchange Rate, and Optimum Currency Areas
104. **Nerhagen, Lena** (2001), Travel Demand and Value of Time - Towards an Understanding of Individuals Choice Behavior

105. **Mkenda, Adolf** (2001), Fishery Resources and Welfare in Rural Zanzibar
106. **Eggert, Håkan** (2001), Essays on Fisheries Economics
107. **Andrén, Daniela** (2001), Work, Sickness, Earnings, and Early Exits from the Labor Market. An Empirical Analysis Using Swedish Longitudinal Data
108. **Nivorozhkin, Eugene** (2001), Essays on Capital Structure
109. **Hammar, Henrik** (2001), Essays on Policy Instruments: Applications to Smoking and the Environment
110. **Nannyonjo, Justine** (2002), Financial Sector Reforms in Uganda (1990-2000): Interest Rate Spreads, Market Structure, Bank Performance and Monetary Policy
111. **Wu, Hong** (2002), Essays on Insurance Economics
112. **Linde-Rahr, Martin** (2002), Household Economics of Agriculture and Forestry in Rural Vietnam
113. **Maneschiöld, Per-Ola** (2002), Essays on Exchange Rates and Central Bank Credibility
114. **Andrén, Thomas** (2002), Essays on Training, Welfare and Labor Supply
115. **Granér, Mats** (2002), Essays on Trade and Productivity: Case Studies of Manufacturing in Chile and Kenya
116. **Jaldell, Henrik** (2002), Essays on the Performance of Fire and Rescue Services
117. **Alpizar, Francisco, R.** (2002), Essays on Environmental Policy-Making in Developing Countries: Applications to Costa Rica
118. **Wahlberg, Roger** (2002), Essays on Discrimination, Welfare and Labor Supply
119. **Piculescu, Violeta** (2002), Studies on the Post-Communist Transition
120. **Pylkkänen, Elina** (2003), Studies on Household Labor Supply and Home Production
121. **Löfgren, Åsa** (2003), Environmental Taxation – Empirical and Theoretical Applications
122. **Ivaschenko, Oleksiy** (2003), Essays on Poverty, Income Inequality and Health in Transition Economies
123. **Lundström, Susanna** (2003), On Institutions, Economic Growth and the Environment
124. **Wambugu, Anthony** (2003), Essays on Earnings and Human Capital in Kenya
125. **Adler, Johan** (2003), Aspects of Macroeconomic Saving
126. **Erlandsson, Mattias** (2003), On Monetary Integration and Macroeconomic Policy
127. **Brink, Anna** (2003), On the Political Economy of Municipality Break-Ups
128. **Ljungwall, Christer** (2003), Essays on China's Economic Performance During the Reform Period
129. **Chifamba, Ronald** (2003), Analysis of Mining Investments in Zimbabwe
130. **Muchapondwa, Edwin** (2003), The Economics of Community-Based Wildlife Conservation in Zimbabwe
131. **Hammes, Klaus** (2003), Essays on Capital Structure and Trade Financing
132. **Abou-Ali, Hala** (2003), Water and Health in Egypt: An Empirical Analysis
133. **Simatele, Munacinga** (2004), Financial Sector Reforms and Monetary Policy in Zambia
134. **Tezic, Kerem** (2004), Essays on Immigrants' Economic Integration
135. INSTÄLLD

136. **Gjirja, Matilda** (2004), Efficiency and Productivity in Swedish Banking
137. **Andersson, Jessica** (2004), Welfare Environment and Tourism in Developing Countries
138. **Chen, Yinghong** (2004), Essays on Voting Power, Corporate Governance and Capital Structure
139. **Yesuf, Mahmud** (2004), Risk, Time and Land Management under Market Imperfections: Applications to Ethiopia
140. **Kateregga, Eseza** (2005), Essays on the Infestation of Lake Victoria by the Water Hyacinth
141. **Edvardsen, Dag Fjeld** (2004), Four Essays on the Measurement of Productive Efficiency
142. **Lidén, Erik** (2005), Essays on Information and Conflicts of Interest in Stock Recommendations
143. **Dieden, Sten** (2005), Income Generation in the African and Coloured Population – Three Essays on the Origins of Household Incomes in South Africa
144. **Eliasson, Marcus** (2005), Individual and Family Consequences of Involuntary Job Loss
145. **Mahmud, Minhaj** (2005), Measuring Trust and the Value of Statistical Lives: Evidence from Bangladesh
146. **Lokina, Razack Bakari** (2005), Efficiency, Risk and Regulation Compliance: Applications to Lake Victoria Fisheries in Tanzania
147. **Jussila Hammes, Johanna** (2005), Essays on the Political Economy of Land Use Change
148. **Nyangena, Wilfred** (2006), Essays on Soil Conservation, Social Capital and Technology Adoption
149. **Nivorozhkin, Anton** (2006), Essays on Unemployment Duration and Programme Evaluation
150. **Sandén, Klas** (2006), Essays on the Skill Premium
151. **Deng, Daniel** (2006), Three Essays on Electricity Spot and Financial Derivative Prices at the Nordic Power Exchange
152. **Gebreyesus, Mulu** (2006), Essays on Firm Turnover, Growth, and Investment Behavior in Ethiopian Manufacturing
153. **Islam, Nizamul Md.** (2006), Essays on Labor Supply and Poverty: A Microeconomic Application
154. **Kjaer, Mats** (2006), Pricing of Some Path-Dependent Options on Equities and Commodities
155. **Shimeles, Abebe** (2006), Essays on Poverty, Risk and Consumption Dynamics in Ethiopia
156. **Larsson, Jan** (2006), Four Essays on Technology, Productivity and Environment
157. **Congdon Fors, Heather** (2006), Essays in Institutional and Development Economics
158. **Akpalu, Wisdom** (2006), Essays on Economics of Natural Resource Management and Experiments
159. **Daruvala, Dinky** (2006), Experimental Studies on Risk, Inequality and Relative Standing
160. **García, Jorge** (2007), Essays on Asymmetric Information and Environmental Regulation through Disclosure

161. **Bezabih, Mintewab** (2007), Essays on Land Lease Markets, Productivity, Biodiversity, and Environmental Variability
162. **Visser, Martine** (2007), Fairness, Reciprocity and Inequality: Experimental Evidence from South Africa
163. **Holm, Louise** (2007), A Non-Stationary Perspective on the European and Swedish Business Cycle
164. **Herbertsson, Alexander** (2007), Pricing Portfolio Credit Derivatives
165. **Johansson, Anders C.** (2007), Essays in Empirical Finance: Volatility, Interdependencies, and Risk in Emerging Markets
166. **Ibáñez Díaz, Marcela** (2007), Social Dilemmas: The Role of Incentives, Norms and Institutions
167. **Ekbom, Anders** (2007), Economic Analysis of Soil Capital, Land Use and Agricultural Production in Kenya
168. **Sjöberg, Pål** (2007), Essays on Performance and Growth in Swedish Banking
169. **Palma Aguirre, Grisha Alexis** (2008), Explaining Earnings and Income Inequality in Chile
170. **Akay, Alpaslan** (2008), Essays on Microeconometrics and Immigrant Assimilation
171. **Carlsson, Evert** (2008), After Work – Investing for Retirement
172. **Munshi, Farzana** (2008), Essays on Globalization and Occupational Wages
173. **Tsakas, Elias** (2008), Essays on Epistemology and Evolutionary Game Theory
174. **Erlandzon, Karl** (2008), Retirement Planning: Portfolio Choice for Long-Term Investors
175. **Lampi, Elina** (2008), Individual Preferences, Choices, and Risk Perceptions – Survey Based Evidence
176. **Mitrut, Andreea** (2008), Four Essays on Interhousehold Transfers and Institutions in Post-Communist Romania
177. **Hansson, Gustav** (2008), Essays on Social Distance, Institutions, and Economic Growth
178. **Zikhali, Precious** (2008), Land Reform, Trust and Natural Resource Management in Africa
179. **Tengstam, Sven** (2008), Essays on Smallholder Diversification, Industry Location, Debt Relief, and Disability and Utility
180. **Boman, Anders** (2009), Geographic Labour Mobility – Causes and Consequences
181. **Qin, Ping** (2009), Risk, Relative Standing and Property Rights: Rural Household Decision-Making in China
182. **Wei, Jiegen** (2009), Essays in Climate Change and Forest Management
183. **Belu, Constantin** (2009), Essays on Efficiency Measurement and Corporate Social Responsibility
184. **Ahlerup, Pelle** (2009), Essays on Conflict, Institutions, and Ethnic Diversity
185. **Quiroga, Miguel** (2009), Microeconomic Policy for Development: Essays on Trade and Environment, Poverty and Education
186. **Zerfu, Daniel** (2010), Essays on Institutions and Economic Outcomes
187. **Wollbrant, Conny** (2010), Self-Control and Altruism
188. **Villegas Palacio, Clara** (2010), Formal and Informal Regulations: Enforcement and Compliance
189. **Maican, Florin** (2010), Essays in Industry Dynamics on Imperfectly Competitive Markets

190. **Jakobsson, Niklas** (2010), Laws, Attitudes and Public Policy
191. **Manescu, Cristiana** (2010), Economic Implications of Corporate Social Responsibility and Responsible Investments
192. **He, Haoran** (2010), Environmental and Behavioral Economics – Applications to China
193. **Andersson, Fredrik W.** (2011), Essays on Social Comparison
194. **Isaksson, Ann-Sofie** (2011), Essays on Institutions, Inequality and Development
195. **Pham, Khanh Nam** (2011), Prosocial Behavior, Social Interaction and Development: Experimental Evidence from Vietnam
196. **Lindskog, Annika** (2011), Essays on Economic Behaviour: HIV/AIDS, Schooling, and Inequality
197. **Kotsadam, Andreas** (2011), Gender, Work, and Attitudes
198. **Alem, Yonas** (2011), Essays on Shocks, Welfare, and Poverty Dynamics: Microeconomic Evidence from Ethiopia
199. **Köksal-Ayhan, Miyase Yesim** (2011), Parallel Trade, Reference Pricing and Competition in the Pharmaceutical Market: Theory and Evidence
200. **Vondolia, Godwin Kofi** (2011), Essays on Natural Resource Economics
201. **Widerberg, Anna** (2011), Essays on Energy and Climate Policy – Green Certificates, Emissions Trading and Electricity Prices
202. **Siba, Eyerusalem** (2011), Essays on Industrial Development and Political Economy of Africa
203. **Orth, Matilda** (2012), Entry, Competition and Productivity in Retail
204. **Nerman, Måns** (2012), Essays on Development: Household Income, Education, and Female Participation and Representation
205. **Wicks, Rick** (2012), The Place of Conventional Economics in a World with Communities and Social Goods