Can Neoclassical Economics Be Social Economics?

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Abstract *The question is both intriguing and important but, it is argued, impossible of a conclusive single-clear cut answer. Much depends on the specification of each of the schools and of what economics as intellectual inquiry is all about. Among other points, it is recognized that neoclassical economics is already a form of social economics; that both forms of economics are sets of tools and stories and not Truth; that the two schools can be seen as either contradictory or supplementary; that the economy is so multifaceted as to give rise to and sustain divergent sets of tools and stories; that there is a difference between the formal content of neoclassicism and what neoclassisists accept; that both schools have to be understood within a larger context; and that neither school has a single valuation agenda.*

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The question forming the basis of this symposium and the title of this article is an intriguing one. It is also important. Let us consider a few answers. First let us consider what is meant by neoclassical economics and by social economics. Neoclassical economics can mean the subjective marginal utility theory of the 1870s and beyond; the economics of Alfred Marshall; the work of twentieth century economists in the tradition, or mold, established by Marshall and some others, notably Leon Walras; some combination of the foregoing; and, *inter alia,* work under the aegis of the Samuelsonian neoclassical synthesis of microeconomic price and resource allocation theory with Keynesian macroeconomics. Neoclassical economics can also signify the mechanics of utility, price determination or operation of the price mechanism, the work of the free enterprise system, the operation of pure markets, the mechanics of the pure theory or logic of choice, constrained maximization decision making, the allocation of resources, etc. Neoclassical economics can be identified with conceptions of methodological individualism, rational choice, competition, and equilibrium. The characteristic objective of work in the neoclassical mold is to identify unique determinate optimal equilibrium solutions to problems. And so on.

Social economics connotes some combination of the following themes: A direct concern with human values; the nature of the person as a product of the economic system and the economic system as a product of people; the nature and structure of the economic system with regard to the distributions of income, wealth, power and opportunity; concern with the status of those unable to participate adequately in the regnant economic system; and so on.

In answering the question, can neoclassical economics be social economics, I would make the following points.

First, neoclassical economics is already a form of social economics, it is already an approach to the social economy. It is concerned with the conditions—of scarcity, interaction, etc.—under which human relations, structures and values are pursued. It is concerned with markets and with market-like relationships through which values are pursued. It highlights, or at least can highlight, the results of the distributional foundations and causes of economic activity. It is concerned with various aspects of production, exchange and consumption as social processes. That social economists have a different or an arguably deeper view of such matters does not prevent neoclassical economics from being comprehended as an approach to social economics, or to the social economy, its pretensions of methodological individualism and value-neutrality (which are empirically wrong claims, as neoclassicism is loaded with values and ideology) to the contrary notwithstanding.

Second, it can be claimed that both neoclassical and social economics are sets of tools and not a body of settled doctrines, that both are sets of stories and not Truth. All paradigms, theories, models, concepts, values, etc. are arguably tools, instrumental for human purposes, including the understanding, selection and pursuit of (further) values. This would be the case notwithstanding the fact that representatives of both neoclassical and social economics believe they are dealing with fundamentals of ontological, epistemological and substantive reality and/or values.

Third, neoclassical and social economics can be seen as either contradictory and mutually exclusive, or complementary and cumulative bodies of thought. Each can be stated in such a way as to make the conclusion seemingly inevitably that they are mutually contradictory. But they need not be so deemed. If neoclassical economics be understood as the analysis of pure markets and social economics as the analysis of institutions; if neoclassical economics be understood as analysis in pursuit of the practice of rational, constrained maximizing behavior and social economics as the analysis of other forms of rationality, the formation of preferences, and the structural conditions and consequences of such behavior; if neoclassical economics be understood as preoccupied with material well-being and social economics with other values and considerations, such as the greater complexity of motivation and behavior; if neoclassical economics is ultimately interested only or primarily in a competitive view of the economy and social economics in a view of the economy as containing strongly noncompetitive domains; if neoclassical economics is interested in the conditions of equilibrium and social economics in the processes of adjustment and their human consequences; and so on; —if any or all thereof is true, then the insights of the two schools are *pro tanto* complementary and cumulative. Even if neoclassical economics is neoclassical economics and cannot be or become anything else, and similarly with social economics, it does not follow that they are mutually exclusive and irrelevant to each other and to humankind.

It so happens that neoclassical economics, which is not entirely devoid of empirical content, is, in its formalized expressions, institutionally empty (non-specific). Even the concept of "self interest," which seems so repugnant to many social economists, is a conceptual tool requiring the attribution of substantive content, content with which a social economist, for all of his or her preference for a different language, need not necessarily disagree.

It is also the case that the economy is so multifaceted that it can be meaningfully and usefully explored from different perspectives. Both neoclassical and social economics are sets of such perspectives. Both are parts of a vast, complex, and highly nuanced division of intellectual labor.

In my experience, neoclassicists personally typically have a broad and deep recognition of phenomena and processes which occur in the actual economy (or the actual political or social economy). The problem, insofar as a problem exists, is not with their perceptions but with what they are prepared to include (and exclude) and deal with in their models and, especially, the degree to which they believe that their models actually replicate the actual economy and fail to appreciate the limits of their analyses. It probably is not too much to say that the same problems characterize members of all other schools of economic thought, social economists (and institutionalists) included. One should not take the conventional microeconomics text or treatise as exhausting neoclassical economics (though clearly they represent its epitomization); there is also, for example, the general sociology of Vilfredo Pareto and the economic sociology of Joseph Schumpeter. Indeed, the question could be posed: "Need/should neoclassical economics be social economics?

Fourth, the historical roles of arguably both neoclassical and social economics are the same: The quest for knowledge about the economy; psychic balm in the face of uncertainty and ambiguity; social control in the service of concepts of order, justice and welfare; and design strategies for the social reconstruction of reality.

What so much bothers social economists about neoclassical economics are its perceived ideological over-emphasis on markets; its obfuscation of the institutional arrangements which form and structure markets and thereby help govern whose interests count; and its perceived abuse by users of its doctrines to selectively reenforce existing institutions and power relations. But neoclassicists can fault some social economists for their myopia regarding the power of market mediation of relationships and for their own selective perception and normativism.

Fifth, the place and role of both neoclassical and social economics have to be understood within larger or correlative evolutionary themes. Both schools have meaning in the transformation of the economic system and of economics. Neoclassical economics has centered on the operation and, perforce, the emergent status of the market/capitalist economy, and has done so notwithstanding its pretension of universal economic truth and concentration on economic statics. Neoclassical economics has served the function of legitimizing markets. Social economics has centered on the social dimensions and costs of economic transformation. Social economics has questioned the a priori and exclusive legitimacy of markets.

Sixth, there is no single and unequivocal neoclassical and social economic agenda with regard to values. Both schools have meaning in the adoption and transformation of Enlightenment values. These values include that of a zone of individual autonomy relative to state and society; institutional pluralism; free expression; secularism; skepticism; rule of law; liberal democracy; and so on. Some versions of neoclassical economics have been establishmentarian and others not; and the same has been true of social economics; each has variegated left and right wings. Both neoclassical and social economists have been sympathetic to the same values and concerns, differing among themselves as to means and the means-ends continuum.

The contest between the two schools is arguably over social space and status. If social economics were hegemonic—as German historicism once was in Europe—then neoclassicists would feel as aggrieved and excluded as Austrians did in the late nineteenth century and social economists (and others) do in the late twentieth century.

I conclude that the question, can neoclassical economics be social economics is not only intriguing and important but impossible of a conclusive single clear-cut answer. Much depends on one's view of each of the two schools, of their relationship, and of what economics—as intellectual inquiry—is all about.