

THE RELATIONSHIP OF ECONOMIC
AND SOCIOLOGICAL THEORY

A Thesis

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CHAPTER I

INTRODUCTION

The purpose of this thesis is to examine the relationship between contemporary sociological and economic theory. The social and the economic are not independent entities, existing simultaneously without consequences for each other though they are at least conceptually separate. An economic relationship is necessarily a social relationship, the economic cannot be stated without reference to the social. Historically, the social and economic perspectives converged, as in the writings of Adam Smith, Karl Marx and David Ricardo. More recently there has seemed to be a segmentation of what is traditionally termed "economic areas" and "social areas." This thesis will attempt to show how the social theorist deals with economic concepts and models, and how the economist, in turn, deals with social variables. By a detailed analysis of the structure of the various theories, I would like to see if there is any interconnection between the disciplines as advanced by contemporary theories.

For purposes of limiting this thesis I will examine only parallels between sociological and economic theories and hope to be able to advance suggestions of comparability of the theoretical developments of both fields and possible

interconnections. This type of research into related social disciplines is necessary for accurate and adequate understanding of theoretical developments in related disciplines and also for continued advancement in theoretical developments in one's own field.

Statement:

The general problem of this thesis is to determine to what extent contemporary sociological and economic theory can be logically related. Specifically, this amounts to dissecting various theories in the two disciplines and analyzing the extent to which comparable and parallel assumptions basic to their arguments have been worked out and to compare sociological and economic theory.

Approach:

In order to limit further this study to manageable proportions, I am concentrating on contemporary sociological and economic theory. I wanted to get two theorists from each disciplines that advanced divergent theories of their field and yet were representative of other theorists in their disciplines. After consulting with several people in the economics department of Ohio State University, I chose Alchian & Allen and Galbraith as my set of economists.

After similar type discussions with faculty of the sociology department of Ohio State University, I picked Parsons and Blumer as the sociologists.¹ The four were chosen because of the relation of their theories to the scarcity-abundance, or equilibrium-process, dichotomous issue.

Alchian-Allen and Galbraith take different sides of the dichotomy of scarcity versus abundance. The issue of scarcity or of abundance in the environment is of central importance in economic theory. A scarcity perspective is traditional, and classical as well as neoclassical economics uses the assumption of scarcity as its main primitive concept. The assumption of abundance raises the question of satisfied needs versus created wants. Abundance assumption brings into question the entire orientation of economic theory as well as basic assumptions of the nature of man premised on scarcity. The gap between scarcity and abundance theorists is wide and at times takes on a personal type of vindictiveness; yet, this problem seems basic to the future growth or advancement of economic theory and as such seemed fitting to use in this thesis.

¹A complete list of references used for each of the four people involved in this study can be located in the bibliography at the end of this thesis.

Parsons and Blumer disagree on the very nature of the structure of society. Parsons advances an equilibrium model which is a special version of the functionalist approach and by "which society is conceived as attempting by more or less automatic adjustments to redress the balance of its equilibrium when it is upset by internal or external forces."² "But in order to give those we can catch a setting (uniformities of dynamic process in the social system) and to be in the most advantageous position to extend our dynamic knowledge we must have a 'picture' of the system within which they fit, of the given relationships of its parts in a given state of the system, and, where changes take place, of what changes into what through what order or intermediate stages. The system of structural categories is the conceptual scheme which gives this setting for dynamic analysis."³ The structural categories are abstracted entities which reflect relationships that are accounted some sort of functional purpose.

The assumptions of functionalism may be stated as follows: all societies (groups) must be looked at holistically as systems of interrelated parts, hence causation must be multiple and reciprocal; although integration is

²Inkeles, Alex. What is Sociology, p. 38.

³Parsons, Talcott. The Social System, p. 21.

never perfect, social systems are fundamentally in a state of dynamic equilibrium i.e., adjustive responses to outside changes tends to minimize the final amount of change within the system; dysfunction, tension, and deviance do exist and can persist for a long time, but they tend to resolve themselves or to be institutionalized in the long-run; change occurs in a gradual, adjustive fashion, and not in a sudden revolutionary way; change comes from three sources a) adjustment of the system to change outside of the system, b) growth through structural and functional differentiation, c) inventions or innovations by members or groups within the system; the most important and basic factor making for social integration is value consensus.

Structure to Blumer refers to a cluster of related meanings and values that govern a given social setting, including the relationships of all the individual roles that are expected parts of it. Blumer sees human beings as organisms having selves and hence are capable of imposing a process of self-interaction between initiating factors and the action which may follow in their wake. The human being becomes an acting organism coping with situations in place of being an organism merely responding to the play of factors. Because of the above, Blumer sees society as a process of formation. This idea is in opposition to the idea of an equilibrium system.

This dichotomy, equilibrium versus a process of formation, becomes a viable area for analyzing the differences in social theory.

I believe that the scarcity-abundance dichotomy and the formation of equilibrium-process argument are in some respects related arguments. To analyze this relationship, I shall in Chapter II below present the following for each of the four above-mentioned theorists: his theory, his treatment of economic and noneconomic areas, and the general assumptions as well as basic categories employed.

This presentation yields the suggestion that the four theorists can be set into the following typology:

	SCARCITY (EQUILIBRIUM)	ABUNDANCE (PROCESS)
ECONOMIC	Alchian & Allen	Galbraith
SOCIOLOGICAL	Parsons	Blumer

The value of this typology shall be subject to further questioning in Chapter III, below. In that chapter, a comparative analysis of the sociological and economic theories is made in terms of behavioral, structural, and processual issues. This amounts to abstracting from the theories the basic assumptions of man's nature and his environment. By analysis as to the above criteria, one can more closely see parallels between the two disciplines.

Also it is possible from a detailed analysis of the various structure of the theories to anticipate the type of problems each theory can handle. In the course of the analysis each of the four block cells will be compared in various combinations. The question repeatedly to be raised is the divergence of theory within a discipline. In analysis of the implications of the primitive concepts of the theories and in carrying through these implications as actually shown in the theories, it is possible to see a convergence of theorists in vertical cells across disciplines.

As Inkeles points out it is wrong to question which model is true or false. "To ask which is truer is to fail to understand the proper functions of the models. They are devices for focusing our attention. They point to problems; they suggest relevant data; they imply appropriate techniques by which the data may be collected and methods by which they may be analyzed."⁴ The purpose of the thesis is not to make a judgment as to rightness or wrongness in either discipline but to analyze theoretical development in contemporary sociological and economic theory and to see by way of this analysis if there are any parallels and connections in theory among the social sciences in models and assumptions. By exploring the development association

⁴Inkeles, op. cit., p. 38.

of various theories, it is possible to gain an added perspective for both disciplines.

CHAPTER II

SCARCITY AND ABUNDANCE THEORISTS IN
ECONOMICS AND SOCIOLOGY: DELINEATION OF EACH THEORIST

ALCHIAN & ALLEN:

Basic to the economic theory of Alchian & Allen is the assumption of scarcity in society.⁵ Scarcity means that we cannot have all the things we want. We must choose. Notice that the definition is in terms of wants and not of needs.⁶ Needs imply something definite and unchanging, thus finite means could satisfy needs. A definition in terms of desire, wants, preference or demands is relative to other desires, wants, and preferences; and encompasses various behavioral implications of desire. That is, desires can be created. Given this definition of scarcity, one must concede the validity of the scarcity premise.

Economics itself is defined as the study of competitive and cooperative behavior of people in resolving conflicts of interest that arise because wants exceed what

⁵Alchian and Allen. University Economics, p. 3.

⁶Ibid., p. 2.

is available.⁷ This definition implies that economic theory is a theory of behavior. What are the assumptions of this theory of behavior? Does it only relate to economic areas? Does economic behavior as defined by Alchian & Allen differ from economic behavior or behavior defined by sociologists? If so what are the discrepancies? These are all questions that will be discussed below.

Alchian & Allen assume that a conflict of interest is inherent in man's nature, given the scarcity of resources.⁸ This scarcity results in competition. Therefore, given scarcity we are able to infer both conflict of interest and competition.⁹ The particular form of competition, state the authors, is evaluated according to cultural and personal preferences; but all types of competition are systems of rationing and allocation.¹⁰ Also different types of competition imply differing methods of ordering society or of regulating the way people behave.

Mutual exchange as a form of competition is investigated in great detail, solely because the free-enterprise

⁷Ibid., p. 6.

⁸Ibid., p. 9.

⁹Ibid., p. 9.

¹⁰Ibid., p. 11.

economic system--a system in which the bulk of property is privately owned--is a commonly used basis for competition. However, this is by no means the only type of competition; violence and ascribed qualities are also seen as possible ways of competing.¹¹ The emphasis of Alchian & Allen in the development of this theory of behavior is on mutual exchange:

"Man has almost constant occasion for the help of his brethren, and it is vain for him to expect it from their benevolence only. He will be more likely to prevail if he can interest their self-love in his favor, and show them that it is for their own advantage to do for him what he requires of them. Whoever offers to another a bargain of any kind, proposes to do this: Give me that which I want, and you shall have this which you want, is the meaning of every such offer: and it is in this manner that we obtain from one another the far greater part of those offices which we stand in need of. It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest. We address ourselves not to their humanity but to their self-love." Adam Smith¹²

Categories: The following are some basic concepts and postulates of economic theory characterizing the behavior of people in the face of scarcity.

Observations:

1. The unit of analysis is the individual
2. No man can foresee the future perfectly

¹¹Ibid., pp. 10-11.

¹²Ibid., p. 5.

Postulates:

1. Each person seeks a multitude of goods
2. For each person, some goods are scarce
3. A person is willing to sacrifice some of any good in order to obtain more of some other goods
4. The more one has of any good, the lower his personal value of it
5. The higher the cost of a good to a person, the less of it will he demand
6. Not all people have identical preference patterns¹³

Discussion: Implicit in these observations are assumptions as to the nature of man. First, that man is rational. Economic theory specifically defines man as rational and rejects the notion that a particular type of system or institution teaches or imbues man with rationality. "These behavioral characteristics (rationality) exist whether the economic system is capitalist, communist or anarchist."¹⁴ Rational behavior however is based on what is considered normative patterns of rationality (Weber's value-rational, i.e., the end is fixed, value attached to scarce good, but means are free).

Alchian & Allen are quick to say that their "rational" man is not related to the "economic rational man" of Adam Smith as shown below:

"economics does not assume that men are motivated solely, or even primarily, by the desire to accumulate more wealth. Instead economic theory

¹³Ibid., pp. 13-19.

¹⁴Ibid., p. 20.

assumes that man desires more of many other things as well: prestige, power, friends, love, respect, self-expression, talent, liberty, knowledge, good looks, leisure. Day to day, economic theory is usually applied to the production, sale, and consumption of goods, with money expenditures via the market place. But economic theory does not ignore... that man is motivated by cultural and intellectual goods, and even by an interest in the welfare of other people."¹⁵

It remains to be seen if the assumption of rationality is "instinctual" to the nature of man.

Second, Alchian & Allen posit the assumption that man is self-interested. That is that man is greedy in that he wants the right to choose among the options that will affect his ensuing affairs.

Therefore, basic to the study of economics is the idea that behavior people display is consistently related to their goals, and is composed of predictable patterns of responses to change in their life situation.

Economic and Non-Economic Areas: This theory of behavior of Alchian & Allen is formally termed the "utility-maximizing" theory; careful as to the trap of measuring "utility" or of operationally proving its existence, the authors point out that the name of this theory originated during the early history of economic analysis

¹⁵Ibid., p. 16.

¹⁶Ibid., p. 21.

and now the work "utility" is meant only as an indicator for placing options in order according to one's preferences.¹⁶ This rather neatly covers the charge that abundance in production will satisfy needs, or rather decreased utility for fully satisfied needs. This also reopens utility-maximizing theory to noneconomic areas, when the theory stresses nominal data and states that an ordinal scale is no longer a necessary requisite. This is a rather important redefining process because, in this way, phenomena such as "maximization" of happiness can be treated without having to be measured. Rather, questions such as whether a person will sleep eight hours or spend four hours more at a party can be viewed in utility-maximizing phenomena. However, the question of maximization would be unanswerable if it were impossible to classify some situations according to higher or lower costs of acquiring. Even if stated only in terms of preference, one must find out what that ordering of preference is.

An implication of this theory is that trade or exchange will occur. Although vowing no allegiance to Smith, this does sound vastly like "man has a propensity to truck, barter, and trade." Exchange, or trade,

¹⁶Ibid., p. 21.

furnishes the basis for analysis of the social structure as the above argument pointed out. That is, if one assumes that the basic method of competition is exchange then it is possible to deduce the ordering of society and also the regulation of the way people behave.¹⁷

This is similar to Simmel's approach to studying social structure as exemplified in the remark made about Simmel by Lewis Coser:

"And, at a more microscopic level, he might not even be concerned with the institution of kinship but rather, with the processes of centralization and decentralization which constitute, so to speak, the building blocks upon which the larger institutional structure is erected."¹⁸

This analysis of exchange leads to various processes characteristic of the social structure; for example production, supply and demand, imports, resource allocation.

PARSONS:

Parsons is concerned with the systematic status of the noneconomic aspects of economic behavior. This concern predominates in his early works. Parsons argues not for a social theory per se but for a general theory which encompasses all social sciences, including economics. Within such a framework perhaps there is a possibility of

¹⁷Ibid., pp. 9-11.

¹⁸Coser, Lewis, editor. Georg Simmel, p. XVIII.

explaining noneconomic aspects of economic behavior. For Parsons the development of a general systematic theory is the best if not the only strategy for understanding human action. Parsons is addressing himself to the explanation and orientation of action, not human behavior but only antecedents have importance. To explain and understand action, Parsons uses an action frame of reference, based on a principle of voluntarism i.e., every actor in a situation habitually at some point selects, chooses between or among things. The actor always has some control of the system. The actor has in mind a future state of affairs, an end, and the relation of action to ends occurs within a situation. But the condition cannot be controlled, and the actor is normatively oriented.

Empirically one can observe the unit act, but actions are not discrete phenomena but occur in systems. Parsons starts with the individual and moves to the group. He builds up four systems each contribute to the action frame of reference: organism, personality, social cultural.

Categories: Parsons views the economic system as a subsystem of the larger social system, society; and also, a social system in its own right. A social system is defined as a system generated by any process of interaction, on the socio-cultural level, between two or more

"actors." A society is the theoretically limiting case of the social system... a society in the theoretical or the empirical sense is a network of differentiated sub-systems in very complex relation to each other.¹⁹

Interaction, basic to the definition of a social system, is the process by which the "behavior" or change of state of members in a social system influences (a) the state of the system and (b) each other's states and relations. This mutual influencing, the social system and the individual can be equated with the economic categories of performance-sanction.²⁰ Performance is a contribution to the functioning of the system and analyzed in terms of effect on actor is termed a sanction. Many economic phenomena can be viewed in this perspective. Ex. supply and demand, labor and wages, investment and return on investment. The performance-sanction interpretation of social interaction basic to social systems is an instance of matching the model of social systems with the frame of reference of economic theory.

The economic categories of goods and services are comparable to the categories of physical and social objects which are two of the three contents of the

¹⁹Parsons, Talcott. Economy and Society, p. 9.

²⁰Ibid., p. 9.

situation in which action takes place. The situation consists in a) "physical" objects which do not interact reciprocally with the actor; b) "social" objects, or other actors to which the actor orients his action and with whom he interacts reciprocally; and c) "cultural" objects, or information which is a special kind of generalization of the meaning of physical and social objects.²¹

Exchange transaction makes sense because of "mutual advantage," and is also a case of the balancing of performance-sanction.

Systems: Parsons uses the economists' definitions of the scope of economics as defining economy as a set of relations of units of social interaction in so far as their interactions determines prices, quantities and methods of production. However, there is no concrete unit, the definition pertains to a purely economic relationship. Parsons demonstrates that in fact the economy is a type of social system, that the "set of relations of units of social interaction" is in effect a social system that can be viewed either as a system in itself with production as its goal, or as an adaptive subsystem of the society. Negatively this is the minimization of subjection to controls of external situations

²¹Ibid., p. 21.

such as floods. Positively this means a possession of maximum fluid disposable resources as means to attain any goal valued by the system. Capitalization, as the adaptive function of the economy, constitutes the stock or flow of resources available for production. How much, becomes in Parsons' terms, a boundary decision. Land takes on the latent pattern-maintenance function of the economy residing in the value system of the society and expressed chiefly as a commitment to work. Entrepreneurship performs the integrative function of the economy and refers to the way various resources are combined in the production process. This takes care of long-term apportioning of men and machines in accordance with production opportunities.

The economic categories of the factors of production and the categories of shares of income are interpreted in the theory of social systems as inputs and outputs of subsystems subject to particular and determinate types of boundary interchange with the rest of society and with the physical environment. Factors of production equal input and shares of income equal output.

Discussion: Thus far, I have tried briefly to outline the theoretical framework of Parsons and have tried to show how he transfers his idea of social systems to the discipline of economics; particularly how he combines

his categories and the categories of economic theory. Before attempting to show how Parsons adapts his theory for explanations of noneconomic areas, problem areas of economic theory, I would like to analyze the model of theory Parsons presents.

Parsons very theory model can be described as synthetic and integrative. The categories of Parsons' theory seem to have much in common with a model of organicism. For Parsons the concept of cosmic chance is inherently inconsistent and is veiled or explained away on every occasion that it threatens to emerge. Stephen Pepper describes this aspect of the theory:

"For this theory the world appears literally as a cosmos where facts occur in a determinate order, and where, if enough were known, they could be predicted, or at least described, as being necessarily just what they are to the minutest detail."²²

Because of this very assumption of some type of determinate order of the universe, it is possible to suppose that all social sciences can be ordered under one grand theory, or "at least described, as being necessarily just what they are to the minutest detail" (above quote). One of the threats to such a theory is the lack of scope, perhaps by wishing too hard to get everything into one

²²Pepper, Stephen. World Hypothesis, p. 143.

determinate order, they have to deny the reality of a good many things. This will be a point considered later when the empirical validity of various theories is assessed. As exemplified in Parsons' categories, he believes that every event in the world is a more or less concealed organic process. It is also obvious that to Parsons a careful scrutiny of these processes will reveal a structure. We therefore, have on the one hand an observation of the process and on the other hand the features of the structure achieved or realized as the aim of the process. Parsons does make the division of process and structure analyzing the economy as a sub-system of the larger social system, society, and when analyzing it as a system in itself at which point the "economy" becomes the ideal and the content within is defined as process realizes this structure. The above explains the structure-function approach. The "function" categories are similar to the process categories that are to articulate the "structure." If one does away with the structure the process becomes a description of an historic event, and the theory disintegrates.

Stephen C. Pepper in World Hypotheses points out that in the features of the organic or integrative process there are seven categories. "These are: 1) fragments of experience which appear with 2) nexuses or connections or

implications, which spontaneously lead as a result of the aggravation of 3) contradictions, gaps, oppositions, or counteractions to resolution in 4) an organic whole, which is found to have been 5) implicit in the fragments, and to 6) transcend the previous contradictions by means of a coherent totality, which 7) economizes, saves, preserves all the original fragments of experience without any loss."²³

Stage four is naturally the pivotal point in the process, it is at this point that the organic whole is realized. Parsons jumps through these stages using at times the perspective of the whole (stage five, six and seven) when viewing the economy from the larger system of society, and at other times the perspective of the process of particular data when trying to tie together fragments of experience. Therefore, in order to concur with Parsons' general theory of action and his transformation of the economic categories into this theory of social systems one has to agree with Parsons' basic assumptions of the universe: that there is a determinate order of the universe; that the system is in a state of equilibrium.

According to the organicist there are no fragments, fragments are merely sections that have not been adequately placed in the framework of the whole and in due

Ibid., p. 308.

order the fragments will be themselves ordered:

"The absolute is implicit in all fragments, and in the absolute all contradictions and evidences of fragmentariness are transcended, and in the very nature of the absolute no facts whatever are left out, then in absolute fact there are no fragments."²⁴

Economic and Non-Economic Areas: Parsons maintains that economists fail to deal adequately with certain areas because the strictly theoretical interpretation they give to information does not explain noneconomic factors. He suggests a more general level of theoretical analysis. For Parsons a simple way to deal with the problem of real versus money cost is to analyze the concept of real cost with reference to society and money cost with reference to the subsystem of the economy.

Empirical determination of certain economic problems is impossible without resort to extra-economic assumptions. However, economists traditionally ignored the ramifications of the extra-economic assumptions, as for example in explaining wages. Ricardo's iron law of wages emphasizes numbers in defining quantity of labor: pressure of numbers forces labor to accept wages barely sufficient to support themselves. Motivation was not problematic. Keynes veered from this strictly economic

²⁴Ibid., p. 308.

approach and placed the decision making element of wages and labor out of the economic sector into the household. Keynes suggested that wages flatten at a certain level and if they fall below this level no one will work, services will be withdrawn. Parsons suggests that historical economic thought has not provided a solution, or a correct empirical analysis of laws of labor because the problem has to be located in the non-economic areas within which the problem lies. Typically economics has viewed labor as an available factor to be put to use. However the decision to enter the labor market resides within the household.

Within a social system approach to analysis one can include the relationship of the boundary interchange between the household and the economy system. That is, between adaptation and latent pattern-maintenance and tension management.

Parsons holds that also the traditional demand dilemma couched in terms of spending for consumers' goods and services and saving has also to turn to non-economic areas for sufficient causal interpretation. It is suggested that consumer goods and services versus spending is an example of the performance-sanction interchange. Again this is a household decision. Parsons points up that in economics there is a tendency to tie together

theories of the structure of the economy rigidly to enlightened assumptions of empirical generalizations about the extra-economic environment.

Another economic area that Parsons deals with is that of the trade cycle and the multiplier and accelerator effect. Parsons enlarges on the economic explanation given these phenomena and restates the trade cycle in terms of boundary processes, that is, they are rephrased as performance-sanction phenomena. Ex: the boundaries relative to the consumption function are the $A - L$ (wage and labor supply/consumption spending and consumption goods). These boundaries mark the point where differentiated roles co-ordinate in the course of the trade cycle.

As Parsons points out, what is being accomplished in his transference of the economic into the general theory of action is an attempt to narrow areas of indeterminacy by introducing determinate propositions of a higher level of generality, propositions which are theoretically and empirically important for their own field and which can be translated directly into values for the basic coefficients of economic theories.

The last area of economics that Parsons explains in his larger frame of reference is the area of economic change and development. Because Parsons basically defines the concept of social interaction as "boundary-maintaining

systems" he views change as either small changes which tend to be counteracted by the effects of their repercussions on other parts of the system or change from without which moves the total structure from one state of equilibrium to another. "The transition between two structurally different equilibrium states involves periods of disequilibrium and/or unstable equilibrium. Departure continues until a different state of relatively stable equilibrium is attained."²⁵ Parsons defines structural change as a problem of institutional change. Institutions define the conditions of maintaining a stable state and set limits within which sanctions operate. Economic theory of long-term change have centered on two variables: propensity to save and average potential productive capacity. Economic formal theories need greater specificity to determine not only the consequences if the above two change but how they change and when they behave in certain ways. Again Parsons believes that this is a problem that involves the ordering theoretically of the indeterminacy, relative to economic theory, of the non-economic factors.

²⁵Parsons/Smelser, op. cit., p. 248.

GALBRAITH:

Galbraith emphasizes the particular event, the event is responsible for change. The event will bring the downfall of the "conventional wisdom" or for our purposes, the traditional scarcity analysis of society. For example, the advent of automation as opposed to the traditional concept of employment; over abundance of private goods and the traditional emphasis on increased production.

Galbraith defines "conventional wisdom" as the acceptance of that which is understood. Conventional wisdom breaks down to a maintenance of the status quo; to Galbraith eventually everything becomes "conventional wisdom" but by the time an idea is accepted within the realm of this wisdom the situation or the structure has changed so that the idea is no longer pertinent. To Galbraith the structure determines ideas.

Scarcity economic theory, Galbraith charges, is part of the conventional wisdom. Through a perspective of a micro device attack on economic theory, Galbraith shows a macro approach towards economics. That is, although Galbraith is concerned with economics and its relationship with society per se, the attack he launches against modern macro-economic theory often derives its examples from the perspective of problems at the micro level, such as emphasis on the individual. Through the arguments he

poses against generally accepted economic principles, it is possible to ascertain Galbraith's theoretical position.

Galbraith views society as a dynamic on-going process and economic theory as a set of explanations that take into account the changes of society and modify economic explanations accordingly. The predictive value of economics can be seen only when the stable situation model is dismissed and the variable of change is taken into account.

Categories: The categories employed are the categories of economic theory: production, consumption, investment, inflation, economic development. However, these are examined in the perspective of changing events and not as circular functions of a systematic whole process that maintains a societal equilibrium. To Galbraith, the very categories of economic theory are in dynamic, continual, revision.

Galbraith states that the behavior of the economy is empirically at odds with the competitive model. The competitive model made insecurity a part of the system,²⁶ but facts have shown that man reacted against this insecurity and that the main motivation of the economic system has been to rid the model of this insecurity. Inequality is

²⁶Galbraith, John K. Affluent Society, p. 68.

necessary to the competitive model for the functional role it provides as a source of incentive and of capital. However, wealth and the traditional symbols of power, possessions, and prestige are no longer meaningful. Power, implicit in the running of the organization, has passed to professional managers; possessions have become vulgar displays; and wealth in itself never received honor--it had to be displayed and advertised. Consequently, the prestige of wealth has also decreased. This event, the changing concept of wealth, brings into question the functional role supposedly performed by wealth according to traditional economic theory.

Galbraith uses the traditional philosophical device of setting up an opponent and advancing his own arguments under the guise of answering his opponent. Since the opponent is traditional economic theory, scarcity economics, Galbraith limits himself to an explanation of his position as pertains to the framework of a closed system. Galbraith's argument presses the logic of function and structured relationships, such as the function of wealth presented above. The same format is used for the critique against production, perhaps the biggest primitive category to both sociologists and economists. Galbraith states that the concern for production is traditional and

and irrational. He points to the fact that all efforts to increase production are merely stylized approaches. Production does not elicit attention. He states that there is this passiveness concerning increasing production because in reality societal goals are no longer production, urgency does not justify effort. We are concerned with production only so far as problems solve themselves. Production is no longer satisfying needs, but rather we manufacture wants to satisfy production. And we do not manufacture wants for goods we do not produce. The traditional idea of production satisfying consumer wants is rendered obsolete through affluence.²⁷ The effect of increasing affluence is to minimize the importance of economic goals. Production and productivity become less and less important.²⁸ Galbraith points out that satiation has little meaning in economics, since the model of economics sees no end but a continuing functioning system of production satisfying wants. Wants to the economist originate in the personality of the consumer and are given data for the economist.

Galbraith suggests that these givens be examined, that in fact, empirically wants cannot be assumed to exist in abundance, instead the affluent society has been

²⁷Ibid., p. 112.

²⁸Ibid., p. 119.

manufacturing wants to deal with over-production. Wants become less urgent the larger the supply.²⁹

Discussion: Without getting further involved in the various arguments advanced by Galbraith against the ordering and importance of certain categories of the traditional economists, I would like to examine the framework of Galbraith's theoretical model. Galbraith is concerned with the event, the event as it is going on now, the event becoming dynamic and dramatic. This event is over-production, or an abundance of production. Events to Galbraith can be equated with events alive in the present. The basic event around which this theory revolves is the changing present. Galbraith's categories are derived from the event. I have mentioned above that he uses the categories of economic theory and argues against their use in traditional terms. However, all his arguments, his objections to basic categories of economic theory are the result of his view of the changing present event. That is, the abundance of production and the utter uselessness of the category of production. Therefore all other arguments are derived from this basic event; the explanation of demand, monetary policy, inflation, employment, investment. There is no order in the subcategories, only that it is

²⁹Ibid., p. 124.

obvious that they are derived from the theory of abundance:

"...the categories must be so framed, as not to exclude from the world any degree of order it may be found to have, nor to deny the possibility of disorder or another order in nature also."³⁰

Stephen Pepper, a philosopher, examines the categories of the contextual theory of the type advanced by Galbraith in terms of the quality and texture of the categories. Pepper examines under quality, the spread of an event, or its so-called specious present, its change, and its degrees of fusion. Under texture he considers the strands of a texture, its context and its references. References include linear, convergent, blocked and instruments. I find it helpful to analyze Galbraith's theory according to the schema worked out by Pepper and consequently, will follow the above format in this section of the thesis.

The spread of an event means merely the feeling of the future as well as the past of an event, this clearly is obvious in the event of production. Galbraith dwells well on the past purpose of production as well as the future of production and its consequences either as a changed primitive category or as a continuing central concept. But the notion of production is fused with the concept of future, it is part of the quality of the event. Therefore, the concept of time is used only for the control

³⁰Pepper, op. cit., p. 241.

and ordering of the event; but the past and the future are considered part of the "present" event. The quality of the event is constantly changing as time progresses. The tensions and problems or production are being redistributed and the total meaning is constantly altered as over-production continues. Any measures taken to alleviate over-production channel, ignore, and value the problem away, reinforce the changing concept of the event:

"This change goes on continuously and never stops. It is a categorial feature of all events; and, since on this world theory all the world is events, all the world is continuously changing in this manner. Absolute permanence of immutability in any sense is, on this theory, a fiction and its appearance is interpreted in terms of historical continuities which are not changeless."³¹

Once we gain a perspective of production as an event, we can fuse together various components of production, for example, investment, inflation, unemployment, employment, consumer wants. The details become fused into the total event quality.

Total meaning of the process of production has to be related to phenomena outside production, the situation of the society. The various strands-inflation, employment, investment-are contributing details to the texture of the event but they also reach out into a context and bring

³¹Ibid., p. 243.

some of the quality of the context into the texture. That is, that this cannot be a purely economic argument, since the various subcategories, or the various strands, that make-up the structure or texture of production have to be related to the large social causes, or social structure of the society. Therefore, in this type theoretical approach, as in the other, a purely economic explanation of phenomena becomes ridiculous as well as impossible.

Also this theory denies that there is an ultimate, final, and complete analytical constitution of an event (the whole is the sum of its parts) for, according to its categories, there is no final or complete analysis of anything. "In the extended analysis of any event we presently find ourselves in the context of that event, and so on from event to event as long as we wish to go, which would be forever or until we got tired."³² This is so because of the context of any event; the context is the larger situation and in this situation we find other events. Therefore, although all events are unique phenomena the emphasis is on the dispersiveness of this phenomena, it is not that the situation determines the event, or is the casual factor that predicts the event such as in the Parsonian framework. Instead, it is that the events take

³²Ibid., p. 249.

place in a given context that makeup a part of the event, and that in this context other events are also rooted. Knowing the context does not insure a predictability of the event--the time sequence is the specious present:

"If from one texture you wish to get to another, then analysis has an end, and a direction, and some strands have relevancy to this end and others not, and the selections of strands to follow are determined from stage to stage, and the enterprise becomes important in reference to the end. But there is no importance in analysis for analysis."³³

Obviously there is no bottom or top to things in this type of theory; therefore, there is no general theory to explain phenomena:

"There is no cosmological model of analysis that guarantees the whole truth or an arrival at the ultimate nature of things. Contextualism justifies no such faith. On the other hand, one does not need to hunt for a distant cosmological truth, since every present event gives it as fully as it can be given. All one has to do to get at the sort of thing the world is, is to realize, intuit, get the quality of whatever happens to be going on."³⁴

Analysis of an event lies in the purpose of analysis, there is no belief or claim that this analysis is true of other events. This is relevant to a consideration of the predictive value of this type of theory and will be discussed later.

³³Ibid., p. 251.

³⁴Ibid., p. 251.

The texture of an event also includes its reference, the reference is either; 1) linear, a transition from an initiation to a satisfaction with a continuous intervening spread pointing both forward and back; 2) convergent which is a complex linear reference in which there are either several initiation converging upon one satisfaction or vice versa (similarity, common experience; 3) or blocking, which is the breaking of a reference i.e., this takes account for the disorder that occurs in an event, the chance happening that disrupts the completion of the event.

An event is analyzed and understood in retrospect, but not predictable in its nature, nor in all its effects. Production would lead to abundance, but an abundance composed of over-emphasis of production.

The last type of reference is the instrumental reference which is a secondary action that neutralizes the blocking of a linear reference and resets the reference.

Originally the event of production had its initiation in the satisfaction of consumers' physical needs, the event transversed beyond this goal (in respect of satisfying the physical needs of some there is still poverty which indicates a blocking of the real event), but in so far as wants are manufactured to purchase production of useless items this situation or reference has become a divergent or instrumental reference from the main linear

type relationship. It is this divergence that Galbraith examines as a complete event, he wants to block this divergence, reestablish its original goal, and, if necessary redefine the importance of production.

Economic and Non-Economic Areas: Because the context and the reference of the event are important in this theory, Galbraith continually searches noneconomic areas for explanations. Galbraith states that the primary reason that production is still a viable goal, and perhaps a neurotic concern, is man's preoccupation with economic security.

"An economic system which of constitutional necessity was so unfeeling, so intolerant of weakness, was troubling. Even in the best of causes compassion is difficult to control. And equally disturbing was the unwillingness of ordinary men--businessmen, farmers, workers, reformers--to live with that peril. At every turn they showed their inclination to press collectively or with the aid of government for measures designed to make their life more secure."³⁵

"Our situation is that of a factory which must be operated at top speed for three shifts and seven days a week even at some risk of eventual breakdown, not because the product is in demand--on the contrary, much ingenuity is required to clear the shipping platform--but because any lower rate of operation will leave some of the people in town without a livelihood."³⁶

³⁵Galbraith, op. cit., p. 42.

³⁶Ibid., p. 228.

Galbraith suggests that the community can be freed from this dependency on production and yet have security. He treats this as a social balance problem. That is, he tries to block the event of over-production and instrumentally channel production to a redress of security. Given security outside the context of production, the very event of production can be put to the satisfaction of public needs. This is a type of treatment of the future spread of the phenomena of over-production that has resulted from an unexpected extension of the event of production.

One of the ways in which production and security can be divorced is by having an unemployment compensation system that is cyclically graduated that is, in times of high employment, payments are high; and in times of low employment wages are low. Therefore, when jobs are unavailable, no useful distinction can be made between those who are voluntarily, and those who are involuntarily unemployed. Neither can find work. This would stabilize demand for employment and would not add to the inflationary pressures of full employment.

However, the support of employment and its connection with production as the chief good resides in the value system of the society. Galbraith realizes the importance of the context of production.

"One problem in winning a measure of release from our present commitment to full employment is the

stigma which for a long time will continue to attach to any kind of unemployment. It will continue to be disreputable."³⁷

In redressing the balance between public and private needs, Galbraith criticizes the notion that people get to voice their preference for public or private consumption through their voting prerogative. He notes again the context of the event, that is that private wants are synthesized and created through the devices of modern advertising campaigns. The individual is constantly barraged through all his senses to want certain articles, but no such synthesis is created for better schools, better roads, etc. Therefore, to equate the two types of needs on the basis of desire is obviously unfair.

Galbraith hopes that the event of over-production strikes such an inconsistent effect that the ideas of the conventional wisdom concerning the primacy and the good of production becomes totally irreconcilable to any individual. He points to events that will make this happen--constant inflation, increasing neglect of public services, increasing unemployment, surpluses, subsidies. The circumstance of the event will disprove the ideas of the status quo that are maintained.

³⁷Ibid., p. 230.

BLUMER:

Blumer points out the following in discussing industrialization and social effect:

"I think that the evidence points clearly to the conclusion that industrialization, by its very make-up, can have no definite social effect. It is neutral and indifferent to what follows socially in its wake. To attribute specific social effects to it is to misread its character; to seek in it the causes of specific social happenings is to embark on a false journey."³⁸

"The fact that the context and the field constitute a framework does not mean, however, that the activities carried on in that framework are dictated or predetermined by that framework."³⁹

Blumer does not deal with economic theory, organization, or phenomena however it be termed. Rather he approaches the subject matter of economics by concentrating on the interaction that underlies behavior. Blumer discusses industrial relations and believes that any such study must be based on the recognition that such relations are a moving pattern of accommodative adjustments largely between organized parties.

Blumer characterizes the relations between workers and managers in industry as dynamic, uncrystallized and changing. "Industrial relations between workers and

³⁸Blumer, Herbert. Sociological Quarterly, "Early Industrialization and the Laboring Class," 1:5-14. p. 9.

³⁹Blumer, Herbert. American Sociological Review, "Sociological Theory in Industrial Relations," 12:271-278. p. 275.

management under our economy are intrinsically instable and inherently disposed toward rearrangement."⁴⁰ Basic movement of the worker-manager relation is thus inherent in the relation. Blumer lists some causes which act as conditions to initiate effort: a few of these are competition in business with the inevitable effort to achieve efficient low-cost production and managerial freedom; effort of management to reap the gains of improved efficiency through technological improvements; the shifting and changing of management personnel with divergent philosophies; formation of national unions, leading to uniform demands on diversified industrial concerns. Such conditions lead and coerce workers and managers into new relations as each party seeks to pursue and to protect its respective interest. In response to such forces, industrial relations in our society become tense, changeable and ever moving.⁴¹

What is important and different in Blumer is that these above events, or phenomena do not determine behavior. Behavior is not a result of such things as environmental pressures, stimuli, motives, attitudes and ideas but arises instead from how the individual interprets and handles

⁴⁰Ibid., p. 273.

⁴¹Ibid., p. 273.

these things in the action which he is constructing. Therefore, Blumer negates the possibilities of structural determinism and psychological determinism.

Categories: Blumer's categories consist of the self; the act; social interaction; objects; and joint action.

These categories are based on the following premises:

- 1) Human society is made-up of individuals who have selves.
- 2) Individual action is a construction not a release being built-up by individuals.
- 3) Group or collective action consists of the alignment of individual actions brought about by individual interpreting or taking into account each other's actions.

Economic and Non-Economic Areas: Blumer would refuse to make the dichotomy between noneconomic and economic areas. Both the noneconomic and the economic are parts of a dynamic on-going society. Usually noneconomic refers to how man copes with economic phenomena, and if he does not cope with the phenomena in some rational predetermined way his response is labeled noneconomic behavior. Blumer states that the individual, however, is not surrounded by an environment of pre-existing objects which play upon him and call forth his behavior. This is the assumption usually made by setting up a economic-noneconomic dichotomy. Instead the individual constructs his action on the basis of on-going activity. Therefore, the economic and the

noneconomic are in fact the same. Thus Blumer does not concern himself with the structure of the situation apart from interacting individuals. He does say about the things that others might label economic (those things which to Blumer initiate effort in worker-manager relations, see above) that they are rife in our society and are likely to remain so.⁴²

Therefore, this might be stretched somewhat by assuming the possibility of inferring that Blumer would concede that the conditions or situation of a particular society do contribute to a dimension from which a "proper picture" is constructed. These things are part of the formation process of action in an on-going society.

⁴²Ibid., p. 272.

CHAPTER III

COMPARATIVE ANALYSIS OF SOCIOLOGICAL
AND ECONOMIC THEORIES IN TERMS OF BEHAVIORAL,
STRUCTURAL, AND PROCESSUAL ISSUES

Social and economic theory can be related according to three criteria: behavior, depiction of social structure, and treatment of process and change. It is possible to abstract from the preceding presentations of the two economists and the two sociologists their basic assumptions. This comparison of sociological and economic theory will be advanced according to a basic assumption about the environment made by the economists and implied by the sociologists, that is, the nature of our world is either one of scarcity or abundance.

Given the dichotomy of scarcity versus abundance one may ask what theories of behavior, structure, and process are derived? Is there any means of comparing theories of the economists and the sociologists? If so, are the views of scarcity and abundance, which are primary assumptions in economics, unconsciously or consciously dealt with by sociologists? Do the conceptions of the sociologists toward this issue (scarcity-abundance) color the type of

model employed for advancing the various theories of society.

BEHAVIOR

I Scarcity Model

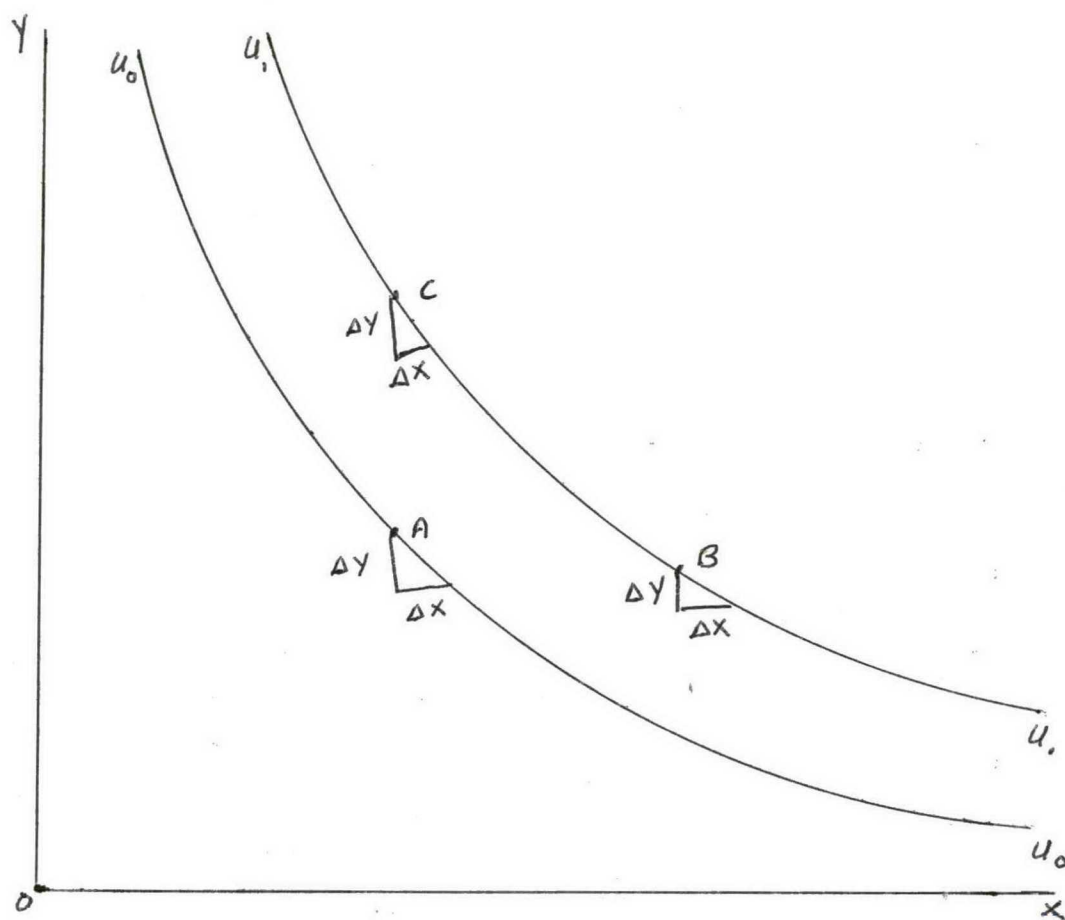
1. Alchian and Allen: Alchian and Allen state that competition expressed through mutual exchange results from a basic conflict of interest in the nature of man. There is conflict of interest because of scarcity in the universe, that is, to some men some goods are scarce; men will compete for these scarce goods. Man's behavior or action in this competitive environment can be depicted by a convex constant utility curve (see chart). The convex constant utility curve is based on the principle of behavior termed "utility-maximization" (see above). The utility-maximization principle states that man has a preference order for goods (either economic or "free goods"). The utility curve assumes that man is motivated to maximize his utility preference; therefore, his behavior or actions are governed by this motivation and, given any individual's preference order, his behavior is determined. Because the definition of utility-maximization includes noneconomic goods (that is goods that are not monetarily equated), this can be defined as a theory of behavior and not simply a limited theory of economic behavior in economic

circumstances. The economic theory of behavior becomes also the social theory of behavior.

The idea of utility-maximization is an idea not solely promulgated in economics, nor is it an entirely new idea. Actually utility-maximization is reminiscent of the hedonistic philosophy. However, utility-maximization behavior, in some form or another, has been advanced by many sociologists as explanations of behavior. For example, Blau believes that all human associations, even those having mainly intrinsic significance to their participants, are due to an attraction based on the potential exchange of some extrinsic reward. "A person is attracted to others if he expects associating with them to be rewarding, specifically, to be more rewarding than alternatives..."⁴³ Attraction is based on the perceived potential of gaining needed benefits from the association. Implicit in this is that man chooses and that in his choice he seeks to maximize the reward he gains while minimizing his costs. Once again it seems that man is "rational."

As mentioned above, by broadening the concept of utility-maximization to include noneconomic areas the concept ceased to relate only to maximization of profits and minimization of losses. Now that utility marks any

⁴³Blau, Peter. Exchange and Power in Social Life, p. 34.



Convex Constant Utility Curves for Some Person

Slope of a curve diminishes along curve as one moves from upper left to lower right. That is, personal valuation of X decreases as one moves from much Y and little X to less Y and/or more X.

preference, it is possible to relate this economic theory to other sociological theories. One such example is Zetterberg's postulate on motivation: "Persons are likely to engage in those actions within their repertoire of actions which maintain their self-evaluation."⁴⁴ Given an order of preference so ordered that actions consistent with a self-evaluation are primary, it still is possible to apply utility-maximization concept. The ordering of the categories and of the goals is changed. Alchian and Allen state that the preference utility order changes for every person and also changes for one person over a period of time.

The above two examples (theories of Blau and of Zetterberg) show that this economic theory of behavior is, in fact, a general theory of behavior. It applies to all behavior not only to what was traditionally termed "economic areas."

2. Parsons: Parsons' analysis of social systems is based on the personality system as well as the cultural system and the behavioral organism, these together form the action frame of reference. Economics is to Parsons a type of social system; therefore, economic behavior is no different from any other type behavior. If the action

⁴⁴Zetterberg, Hans. Sociological Theories in Progress, p. 124.

frame of reference is composed also of a personality and cultural as well as the behavioral organism, then if the realm of economics is effectively seen as a social system, behavior in this system is, according to Parsons, explained by the personality system within the environment of the other systems. In examining the personality system, according to Parsons, we find a model of utility-maximization behavior. Personality is defined as a system of action organized about an individual, it involves motivational integration of socialized human beings. The unit of analysis of personality is the need-disposition. Parsons, as Alchian and Allen, assumes a variety of needs, which assures that some needs can be met. Motivational orientation of the actor presupposes certain need-dispositions that have to be fulfilled. Interaction involves a plurality of actors, the plurality of actors are also defined as being motivated in terms of gratification-deprivation balance.

Parsons deviates from Alchian & Allen in that he adds to the personality the effects of the social and cultural system and says that action with regard to satisfying these need-dispositions is normatively regulated, as well as controlled by the social system:

"First, the situation in which any given individual acts is, far more than any other set of factors,

composed of other individuals, not discretely but in ordered sets of relationship to the individual in point. Hence, as the source of his principal facilities of action and of his principal rewards and deprivations, the concrete social system exercises a powerful control over the action of any concrete, adult individual. However, the patterning of the motivational system in terms of which he faces this situation also depends upon the social system, because his own personality structure has been shaped through the internalization of systems of social objects and of the patterns of institutionalized culture. This point, it should be made clear, is independent of the sense in which the individual is concretely autonomous or creative rather than "passive" or "conforming," for individuality and creativity are, to a considerable extent, phenomena of the institutionalization of expectations. The social system which controls the personality is here conceived analytically, not concretely."⁴⁵

Parsons points out that social interaction, the fundamental point of reference for the dynamic motivational analysis of social process, is a process of complementary interaction which is in a state of equilibrium, because of a tendency to maintain complementation of role-expectations. Complementary interaction is interaction of two or more individual actors in which each conforms with the expectations of the other in such a way that alter's reactions to ego's action of positive sanctions serve to reinforce his given need-disposition and thus to fulfill his given expectation. But as noted above the social system is responsible to a

⁴⁵Parsons, T. et. al., Theories of Society, Volume I, p. 38.

large extent for the institutionalization of expectations.

Parsons diverges from the economic explanation of behavior as exemplified by Alchian & Allen in the norm orientation of motivation which guide the process for satisfying need-dispositions. Parsons points out that institutional roles are at least in some part the source of motivational processes, Parsons sees satisfaction of need-dispositions through mutual exchange or what he terms above "complementary interaction." Alchian & Allen concentrate on exchange but do not eliminate violence, or "nonrational" competition (allocation on ascribed characteristics). Parsons assumes a dominant set of values in any given society so that a society can be treated at least as morally homogeneous. From a dominant set of values, which are essentially nonconflictual, norms are devised. Structure to Parsons always means norms. Norms deal with the system of allocation as well as the socialization process, consequently this is a continual process.

Again let me stress that although Parsons assumes a scarcity model, and in fact a utility-maximization proposition about human behavior, behavior becomes normatively oriented. Therefore, competition for need-satisfaction takes the form of mutual exchange--which is normative type of behavior rooted in the value system or cultural system of society.

This system on the individual level, micro-level of analysis, is in equilibrium because, as stated above, there is reciprocity of role-expectation. Complementary interaction is mutual exchange to satisfy certain need-dispositions. Parsons assumes that there is reciprocity, that there is a tendency to maintain complementation of role-expectations because he does not offer any other alternative for satisfying what he considers basic to the nature of man: the satisfaction of need-dispositions. No other form is offered because role-reciprocity is expected to be complete; it is ideal performance. This point is basic to the equilibrium model both on the micro and the macro level. Role reciprocity is a condition of equilibrium, anything upsetting this attempts to be controlled. The assumption of equilibrium, and man striving for equilibrium is derived from the assumption that mutual exchange in the form of complementary interaction is the one way to solve competition over basic need-dispositions inherent in the nature of man.

II Abundance Model

1. Galbraith: Galbraith concentrates on particular events in a specious present as having consequences for the individual. Structure determines ideas. Galbraith does not assume that man's behavior is determined by utility-maximization as to economic goods: food, clothing,

shelter. These are finite and therefore can be satisfied, the very reason why Alchian & Allen refused to use the term "need." After the satisfaction of these needs are met, Galbraith states that we manufacture or create wants, or desires and the person's behavior is made to conform to the new type definition of utility-maximization (similar to Parsons' explanation of the effect of the social system on the personality). Therefore, man's behavior is determined by the structure, and changing events may change the structure by making old ideas totally incompatible; in this way behavior will change. However, because man eventually sees the consequence of changing events, one would have to assume that Galbraith's man is not totally determined by the structure but is in some way perceptive and able to interpret his actions. Man is seen as more altruistic when the assumption is abundance. The consequence of abundance assumption to the theory of the nature of man makes the assumption of conflict of interest for scarce goods a temporal thing that would, if anything, perhaps serve useful for man's behavior to obtain basic necessities for living. After this temporal stage, an abundance assumption shows that man's behavior, if empirically proven to react to the utility-maximization theory, is really being socially determined, his wants are being created in response to certain situations:

"The mark of a great historical event is that it changes people, or even more precisely, the way they think, so that they are never quite the same again. And because they hear so much about the event and then read about it, their children and their children's children are also different. To have this affect the event must be a matter of experience to all or a large majority of a people."⁴⁶

"Events that are so deeply remembered as the Civil War and the Great Depression are remembered because they have burned themselves into the minds and consciousness of people."⁴⁷

The theory of abundance, is calling for a new theory of allocation, one not based on competition--because competition is not basic to the nature of man. What does influence man's behavior is the changing present, the event. Galbraith sees the world as a dynamic social structure constantly changing or affecting, man's actions. Gerth and Landau in "The Relevance of History to the Sociological Ethos," stress the importance of the comprehension of historical causality to sociologists. Speaking of the great sociologists, Gerth & Landau point out that they all consciously worked within a dynamic social structure:

"and each saw his own age as one of crisis and transition. For Marx it was an age of transition from capitalism to socialism; for Spencer it was an age of conflict between peaceful

⁴⁶Galbraith, John. The Liberal Hour, p. 79.

⁴⁷Ibid., p. 82.

industrial society running according to natural law, and despotic military which threatened chaos. For Max Weber, the revival of imperialism spelled disaster for Germany, which he feared would be devided, along with the rest of Europe, between the 'rule of the Russian officials' ukase and Anglo-Saxon conventionality with a dash of Latin raison thrown in."⁴⁸

2. Blumer: Blumer, following the pragmatic philosophy of Mead sees the human being as an organism having a self. This means that man is capable of orientating his action to himself, that is, he is capable of treating himself as object and of designating things to himself.

This idea has important ramifications for man's behavior, because man is capable of designating things to himself, he is also capable of evaluating, analyzing and judging the things he has designated; he is capable of planning and organizing. "In short, the possession of a self provides the human being with a mechanism which is used in forming and guiding his conduct."⁴⁹ It is important to understanding the implications of this idea of self. The self is a process, it is capable of making indications to itself and of evaluating these indications. Action by man is built-up, not simply released because of

⁴⁸Gerth and Landau, *Sociology on Trial*, p. 28.

⁴⁹Blumer, Herbert. "Sociological Implications of the Thought of George Herbert Mead," American Journal of Sociology, 71, p. 539.

motivational pressures, or need-deprivations. The self, as depicted by Blumer and Mead, is reflective; it is capable of determining its own action.

Behavior is not simply a response to something, but is instead an action toward something. To look for explanations of behavior in the structure of the situation, or as a response to certain motivations, is to discount the idea of the reflexive self capable of acting towards the environment. The individual constructs a constantly changing structure in response to his constantly changing picture of his life situation.

"With the mechanism of self-interaction the human being ceases to be a responding organism whose behavior is a product of what plays upon him from the outside, the inside or both. Instead, he acts toward his world, interpreting what confronts him, and organizing his action on the basis of the interpretation."⁵⁰

This idea of behavior gives man a much more determining position in governing his actions than the structural orientation of Parsons or Alchian & Allen. Behavior, becomes a process to be explained with reference to a dynamic self--structural categories are useless, the self is not something responding with predictable frequency to

⁵⁰Ibid., p.

a situation, but instead is dynamic, self-indicating, ongoing. There is, therefore, an openness to behavior, an unfolding, innovative and creative aspect that does not fit the relative boundedness of an equilibrium model.

SOCIAL STRUCTURE

I Scarcity Model

1. Alchian & Allen: Assuming scarcity, the Alchian and Allen analysis of society, and view of a social structure, is derived from the demand for and supply of productive services. Production, as was mentioned, means an act that creates utility. Since man is a utility-maximizing creature, his society is organized only for increasing utility or is organized basic to this theory. Alchian and Allen describe their analysis as containing no circularity; instead, it is a simultaneous determination of interdependent outputs of various goods--like the simultaneous solution of a set of equations. The analysis is concentrated around two markets: the market of demand, supply prices for goods; market for labor and capital. Also basic to the analysis are the organization of households, business firms, and government:

"Within each market we use the concepts of demand and supply to see how prices are affected by and how prices in turn affect allocative decisions. The flow of money and goods around this circle reflects the summation of those individual decisions in each market. The top half of the circle is the influence of householders' demand

on the supply of goods from producers. The market system determines which productive goods are used to make which consumers' goods; this is the question business firms solve in expressing demand for productive services. We also see how incomes of people are determined, since the prices and quantities of services they sell determine their income."⁵¹

The authors are quick to point out that this analysis is primarily in the context of a market-exchange, private-property system. But they also point out that the basis of economic theory can make discernable some of the differences in cultural, political, and economic consequences of various economic systems. For example:

"if access to an open market is restricted, or if limitations are imposed on permissible bids or offers, the extent of adjustment of output to consumers' market demands is reduced; the efficient allocation of inputs is weakened, and the wealth of the owners of productive goods is made less dependent upon satisfaction of consumers' market-revealed preferences."⁵²

Basic to the analysis is the idea that society functions as interdependent parts, and that these interdependent parts come together to satisfy utility-maximization behavior of man. The system for doing this is presented as a circular flow model (see chart). The authors state that the system can adjust itself to maintain the flow because a basic assumption of this theory states that "substitutability among all productive inputs is pervasive."

⁵¹Alchian and Allen, University Economics, p. 336.

⁵²Ibid., p. 373.



Aggregate Flow of Goods and Income with some of the Institutions and Problems of Economics.

Because the assumption of social structure is one that results from the basic satisfying of wants, and wants are broadly defined, the authors maintain that "the marginal-productivity basis for demand applies to all types of economics. Economics based on different systems of property rights differ in the costs imposed on various types of decisions. This does not destroy the validity of the marginal-productivity theory of demand--whether it be demand for consumer goods or for pecuniary or nonpecuniary productive resources, in a capitalist or in a socialist economy. Nor does it have any bearing on how prices are set. They may be set by decree or custom. But the theory is invalid as an explanation of rates of use of inputs if the allocations are also controlled by decree or custom."⁵³

Therefore, the model is an equilibrium model of society depending on the method of competition advanced. It is only when the assumption is not of competition for resources "if inputs of allocations are also controlled by decree or custom," (above) that the marginal-productivity basis for demand model is not applicable. This is more the case under a totalitarian regime. Even with socialism, the method does not change; what changes is the demanded output, this can easily be accommodated by the equilibrium

⁵³Ibid., p. 357.

model based on marginal-productivity. When the output is changed, the system still works--there is a complementarity between production and demand. When the input is stipulated, it necessarily effects the output--whether it is the output demanded or not; consequently, there no longer operates a equilibrium model based on marginal-productivity, there is no market mechanism determining a complementation of interest. Production is no longer determined by what the public wants, which in turn works to earn money for what it wants; instead production is determined by decree or custom of the rate of allocation of inputs. The system under a totalitarian regime is thus not an equilibrium model of exchange because although production is systematized by the government, the producers themselves are not a part of the process of decision-making; their production is not based on complimentation of interest (marginally-productive); instead it is conditioned by events: famine, war, defense and the like and these decisions of allocation based on these events are made by one party. The market system is not a part of the system. Coercive power determines the method of distribution and an equilibrium of force is maintained. The assumption is still one of scarcity and force is used to allocate resources in the face of this scarcity.

2. Parsons: Parsons defines the economy as a type of sub-system differentiated on the basis of function in the society. The modes of orientation of actors and their relation to the orientations of other actors is through a process of mutually-oriented decisions. Parsons uses a definition of the scope of economics that does not have any behavioral implications:

"The economy is the set of relations of units of social interaction in so far as--within the limits of the 'givens'--their interaction determines prices, quantities, and methods of production."⁵⁴

Parsons shows that this type of interrelations (traditional 'economic areas', those that can be monetarily equated) constitute a sub-system of society that performs the adaptation function for society and has as its own goal, taken as a system in itself, consumption. Goods or services have economic value or significance in so far as they are means of want satisfaction, they add utility by constituting an addition to wealth of the community.

The structure of society is that of an equilibrium-maintaining system, made-up of co-operation by complementary reciprocity of the various subsystems of society. The economy constitutes one such sub-system. This explanation seems quite like the system model of goods and dollars

⁵⁴Parsons, Talcott. Economy and Society, p. 14.

flow that Alchian & Allen advance. Because it is a sub-system, the economy has boundary exchanges with other sub-systems. These are translated into terms of output-input relationships: consumers' goods and labor services as exchange between the economy and the pattern-maintenance sub-system.

The pervading idea of structure is mutual co-operation for mutual advantage coupled with a maintenance of the system. Parsons has merely translated the exchange principle of economics into a description of economy and functionally fits it into a type of sub-system. However, exchange is not the only principle of competition; violence, force, ascriptive factors operate as competitive methods of obtaining resources and these are not governed by conditions of mutual exchange. Parsons states that where coerciveness is dominant there is no chance for the existence of a social system:

"Where the terms of exchange are not arrived at spontaneously and simultaneously by the partners to the exchange relationship, some type of adjudication or settlement becomes necessary. The bargaining or discussion by which they arrive at a settlement might be simply the result of the coercive power of one of the actors over the other. Usually, however, it will not be; for no social system could persist through time and meet most of the functional problems which arise in it if the

terms of exchange in its instrumental couple--both economic and political--were exclusively or even predominantly settled by coercion."⁵⁵

The social system is predicated on a theory of scarcity:

"As a result of the scarcity of the social and nonsocial objects of need-dispositions, the mutual incompatibility of claims might extend theoretically in the extreme case to the 'state of nature.' It would be a war of 'each against all.' The function of allocation of roles, facilities, and rewards, does not however, have to contend with this extreme possibility. ...Without a solution of this problem there can be no social system. It is indeed one of the functions which makes the social system... where the allocative process either interferes with effective collaboration or is not regarded as legitimate--the social system in question will tend to disintegrate and to give way to another social system."⁵⁶

Socialization overcomes conflict of interests. Structure to Parsons is an equilibrium social system based on mutual exchange and predicated on scarcity of social and nonsocial objects necessitating interaction of two or more actors. The system is in equilibrium and is kept there by an re-equilibrating mechanism, the mechanism of social control, which is defined as the motivation process in one or more individual actors which tends to counteract a tendency to deviance from the fulfillment of role-expectations in himself or in one or more alters. The major functional

⁵⁵Parsons and Shils, Toward a General Theory of Action, p. 220.

⁵⁶Ibid., p. 197-198.

problem-foci of the social system are the problems of allocation and integration.

The problems of allocation and integration are simultaneously solved in Parsons' model of the social system and consequently of the structure of society by the principle of a stable system of exchange in which there is reciprocity of goal-attainment. Integration occurs because of the complementation of interest of interaction institutionalized in relationships by which allocation is accomplished.

The social system is composed not only of roles but of differentiated reciprocal interaction systems. The role structure is differentiated according to what is adequate to the functional requirements of a society.

Important to note are the basic assumptions of scarcity and the impossibility of force to maintain a social system.

II Abundance Model

1. Galbraith: As stated above, Galbraith sees the world as a dynamic social structure constantly changing, or affecting, man's actions. Structure of our system is ordered to production, the idea of production as a cure-all of man's woes being related to the central tradition in economic theory of the age of Malthus, Ricardo, and Smith conditioned to the event of industrialization. The

idea of ordering the fate of man according to central economic tradition continued, the system was expected to survive because there was no evident alternative and any effort to modify the system was less efficient.

However, Galbraith argues that: "Our preoccupation with production is, in fact, the culminating consequence of powerful historical and psychological forces...as we shall observe its (productive allegiance) is buttressed by a highly dubious but widely accepted psychology of want; by an equally dubious but equally accepted interpretation of national interest; and by powerful vested interest."⁵⁷

Galbraith states that man's fate is tied to the structure of the society, which in turn was determined by the event. Consequently, ideas such as the Iron Law of Wages and the necessity of capital and profits to sustain the market evolved and became integral parts of the structure. Now the structure of the society is still efficient which to some implies it is still tolerable and offers a reasonable prospect for ordinary man and something better for the individual of exceptional capacities.

However, the changing event, or circumstance, is that production moves from scarcity to abundance and yet we have retained traditional attitudes of production. Galbraith, therefore, recognizes the importance of values, conflict

⁵⁷Galbraith, op. cit., p. 103.

of interests, and protection of status quo. What can change this orientation is the effects of over-abundance which will make the corresponding ideas of output inappropriate.

Production only fills the void that it has itself created. As a nation we value a higher standard of living. The nation is urged to consume and the urge is furthered by the value system which emphasizes the ability of the society to produce goods. Our goals are reduced to symbols of prestige in an affluent society. Production of goods creates wants that the goods are presumed to satisfy. Wants are dependent on production, but wants become less urgent the larger the supply. Eventually, production itself will bring about a situation incompatible with values centered about production. Inflation and wage-price spirals are indicative of the problems brought about by thinking of the necessity of further production.

This system is not an equilibrium model--although the workers and the investors as well as owners and managers continue to adhere to the economic competitive model--since the event of overproduction works towards constantly disturbing any type of balanced relationship. That same overproduction will eventually destroy the value system (ideas) that ascertain the primacy of production. In fact, mutuality of exchange is not what now keeps the economic competitive model alive but rather it is allegiance to

ideas of the importance of competition (values), vested interests (interests connected with maintaining security of certain individuals who have perverted the concept of true exchange), and a false sense of national interest.

2. Blumer: Blumer states that in viewing the relations of men we must visualize human beings "as acting, striving, calculating, sentimental and experiencing persons not as automatons and neutral agents...(we) must further visualize such human beings in their collective character--as arranged in their diverse ways and incorporated in intricate and indirect network relations."⁵⁸

This is not an equilibrium picture of social structure. The social structure is not a determinant of action instead action is a construct made by actors out of what they take into account. Thus, Blumer does not deal directly with the concept of social structure. As Bales points out, he (Blumer) does not totally discount reality or society or social structure, he gives them grudging admission as sets of useful variables but they are only important as they enter into the process of interpretation and definition out of which joint action is formed.⁵⁹ Crucial here is

⁵⁸Blumer, Herbert. "Sociological Theory in Industrial Relations," American Sociological Review, 12, p. 277.

⁵⁹Bales, Robert. "Comment on Sociological Implications of the Thought of George Herbert Mead by Blumer," The American Journal of Sociology, 71, p. 545.

Blumer's formulation that man's behavior is not determined by the social structure but instead in how he interprets and handles stimuli, motives, attitudes and ideas, man is constantly reshaping the social structure.

This is a dynamic element that is introduced to the concept of social structure. Blumer does not believe in a picture of stable societies and nicely ordered associations. He believes that action is built-up, not merely released, and that action is lodged in the individuals who fit respective lines of action to one another, not action in the action of society or in some unit of society. To Blumer, group action consists of collective or concerted action of individuals seeking to meet their life situation, as well as their life situation, is constantly changing; their responses, and indications of their situation are also constantly changing. Social structure is based on on-going activity (or is affected by the on-going activity of changing perspective) and consequently cannot be momentarily stopped and stabilized and analyzed as to motives, socialization processes, role-complementation, and reciprocity because, in the individual, the definition of these things and his action concerning these things changes.

Blumer does not disclaim the situation, the event, or the importance of value as a unifying device; however, he

stresses the necessity of placing the dynamic self within this macro picture as capable of influencing the social structure and therefore, as a dynamic element of any situation. A mountain is still a mountain but man's definition and perspective, his action towards the mountain is capable of change.

Social structure is not seen as an equilibrium system. Scarcity or abundance are a matter of interpretation, and man has an abundant possibility of symbolic associations.

CHANGE AND SOCIAL PROCESS

I Scarcity Model

1. Alchian & Allen: The economic competitive model is considered the backbone of societal structure and the authors discuss change within this model. However, the emphasis is not on change, but on its counterpart--stabilization. When the question of change is approached by questioning how to maintain stability, change becomes an institutionalized process. The authors quote the 1945

Employment Act:

"The Congress declares that it is the continuing policy and responsibility of the Federal Government to use all practical means...to coordinate and utilize its plans, functions and resources for the purposes of creating and maintaining, in a manner calculated to foster and promote free competitive enterprises and the general welfare,

conditions under which there will be afforded useful employment opportunities, including self-employment, production and purchasing power."⁶⁰

This shows that although the statement is general and speaks of no particular criteria, political policy is to maintain the economic competitive model and to increase the factors employed: production, employment, and monetary supply. The authors also state that, within the economic model, all these goals cannot be achieved simultaneously: price-level stability, assured employment, and free markets. There is however, a shuffling equilibrium maintained: when price-level rises too much there is a tightening of production; when there is a too low employment level there is an increase in prices.

Whatever changes come about come through the competitive model. All changes are pledged to increasing the efficiency of this model, both in the economic and in the political sectors of the society. Change is institutionalized. Stabilization policy involves deliberate government fiscal or monetary activities. The government acts as a maintenance force for "spontaneous" changes in consumption and investment that are not self-correcting by the system. In this way, dynamic on-going change brought about by changing perspectives of individuals is kept from being harmful to the overall equilibrium of the model.

⁶⁰Alchian and Allen, op. cit., p. 404.

2. Parsons: Because social systems are organized around values, the integration of social systems in society is not perfect; there are value and role conflicts. "The consequence of such imperfect integration is in the nature of the case a certain instability, and hence a susceptibility to change in the balance of these forces, which is often extremely delicate, is shifted at some strategic point."⁶¹ Change can result from unequivocal institutionalized patterns and also as shift in the balance of two or more positively institutionalized patterns. Also there is an endogenous tendency toward change if the culture emphasizes achievement, for example change through modern science.

All these aspects of change are within the structure of society and, although equilibrium might be described as changing equilibrium, the system still maintains itself. Changes that are external or exogenous factors of change are treated as: changes in the environment external to a social system, changes in technology which are not autonomous, and changes in the social situation of the system.

One of the assumptions Parsons makes about the characteristics of social systems is that there is a tendency to maintain a given order among elements, there is a strain towards equilibrium, a tendency to maintain a

⁶¹Parsons, Talcott. General Theory of Action, p. 231.

given boundary. This equilibrium may be moving or stable. The disturbing element can be retained by the system or repelled. What is necessary to a system is to maintain its boundaries and its equilibrium; this becomes a functional problem that must be solved for any system in order to be a system, and, once solved, it is no longer a question because it is then a boundary-maintenance mechanism. In Parsons' terms, any system that cannot maintain its boundary will cease to be in equilibrium and a new system will evolve that will be in equilibrium. Permanent disequilibrium is an impossibility.

Certainly, the economy and the social structure characterized by the theoretical model of Alchian & Allen are compatible with Parsons' views. There is a tendency to maintain a given order among elements, there is a strain towards equilibrium, there is a tendency to maintain a boundary. The equilibrium is a moving equilibrium, higher stages of differentiation have evolved.

Parsons talks of regulating change within systems but not change of systems, as he states:

"A general theory of the processes of change of social systems is not possible in the present state of knowledge. The reason is very simply that such a theory would imply complete knowledge of the laws of process of the system and this knowledge we do not possess. The theory of change in the structure of social

systems must, therefore, be a theory of particular sub-process of change within such systems, not of the over-all processes of change of the systems as systems."⁶²

Parsons makes this statement after noting that when talking of change one must remember two sets of interrelated considerations of the theory of social systems: 1) it is a boundary-maintaining system, and is assumed in a state of equilibrium; 2) it is a structural-functional level; that is, theory of the social system uses the concept system without a complete knowledge of the laws which determine processes within the system. Knowledge of laws is bridged by structural categories.

In Theories of Society, Parsons does talk of change of the sub-systems: "However fundamental the distinction between dynamic problems which do and do not involve structural change may be, the great importance of an intermediate or mixed case should be emphasized. This is the problem of change involving the structure of subsystems of the social system, but not the over-all structural pattern. The most important case in this category is that of processes of structural differentiation. Structural differentiation involves genuine reorganization of of the system and, therefore, fundamental structural change of various subsystems and their relations to each other. Its analysis therefore present problems of structural change for the relevant subsystems, but not in the same sense for the system as a whole. The problems involved concern the organization of the structural components of social systems, particularly the hierarchial order in which they are placed."

⁶²Parsons, Talcott. The Social System, p. 486.

⁶³Parsons, et. al., op. cit., p. 37.

Consequently, Parsons deals with change within the social system and change is usually seen as a structural process. This is exemplified in Economy and Society, where the subsystem analyzed is the economic subsystem. Change of structure of economy is depicted by use of a seven stage process model which moves towards increased differentiation. An example of economic change that corresponds to the model is the separation of ownership and control.

Parsons and Smelser state that they would like to follow Weber's theory of tendency of social systems toward progressive rationalization relative to a given set of values but "we would like to reformulate the process of rationalization as the tendency of social systems to develop progressively higher levels of structural differentiation under the pressure of adaptive exigencies."⁶⁴

II Abundance Model

1. Galbraith: Change is treated in the very idea of social structure, social structure being depicted as ongoing and dynamic. The event changes the people who in turn change the course of history. (see quote above)

Galbraith urges the necessity of a clear understanding of historical events and their relation to a situation since, in turn, the people affected by an event, by their

⁶⁴Parsons-Smelser, op. cit., p. 292.

understanding, influence change in the social situation which conditions other changes. Insufficient understanding of the Industrial Revolution, for example, leads to an over emphasis of production to create economic security.

Change is caused by the event itself which cannot be predicted, that is, anything can be an event; events are random and it is only in retrospect that we notice the event and attribute to it certain structural changes. This is exemplified by Gerth and Mills when talking of change of social structure:

"The problem of a 'theory of history' is neither one of monistic hunches or principled pluralism, but rather a search for the causes of specific historical sequences; those causes which according to experience and the conventional standards of scientific evidence satisfy our curiosity...The mode of historical change characteristic of a given epoch will thus be more or less an inference from the types of integration which prevail in the social structure we are examining."⁶⁵

That is, we see change from its effect, and it is viewed in the integration of the social structure.

Concerning the event and change and the relation of change to social structure, Mills points out when commenting on Marx's "principle of historical specificity" that 1) any given society must be understood in terms of the specific period in which it exists and 2) that within this historical type various mechanisms of change come to some

⁶⁵Gerth & Mills, Character and Social Structure, p. 404.

specific kind of intersection. Once again, this means that the very basis of social structure is rooted in history, or historical events, of that time and, also, change of structure must be studied within the reference of the importance of these events. But as events influence structure, structure influences events. This creates problems in empirically studying change. Mills states:

"The only meaning of 'social laws' or even of 'social regularities' is such 'principia media' (mechanism of change) as we may discover, or if you wish construct, for a social structure within an historically specific era. We do not know any universal principles of historical change; the mechanism of change we do know vary with the social structure we are examining. For historical change is change of social structures, of the relations among their component parts."⁶⁶

At this point one is capable of saying that change itself is interal to the social structure. Given a perspective of historical change occuring within a given social structure, Galbraith calls for a realization of the event--overproduction--before it has worked itself through, he asks for a certain perception of phenomena. Galbraith believes that man can be perceptive or not perceptive of change as it occurs within a certain situation. As to change and its random nature, he says "the day will not soon come when the problems of either the world or our own polity are solved. Since we do not know the shape of the

⁶⁶Mills, C. Wright, The Sociological Imagination, p. 150.

problems we do not know the requirements for solution."⁶⁷
 Concerning the necessity of perception of the process of change he states, "To have failed to solve the problem of producing goods would have been to continue man in his oldest and most grievous misfortune. But to fail to see that we have solved it and to fail to proceed thence to the next task would be fully as tragic."⁶⁸

In other words, Galbraith believes that man could be perceptive to the effect of increased over-production of private goods and therefore, alleviate the impending disaster. This aspect of man makes change not completely a historical determinate but puts forward the possibility of man influencing, to some extent, the nature of the social structure, this is all within the historical context.

2. Blumer: Blumer's ideas of change can best be introduced by some quotes from his writings:

For Blumer: "human beings are seen as living in a world of meaningful objects--not in an environment of stimuli or self-constituted entities. This world is socially produced in that the meanings are fabricated through the process of social interaction. Thus, different groups come to develop different worlds--and these worlds change as the objects which compose them change in meaning."⁶⁹

Change is a function of interpretation.

⁶⁷Galbraith, op. cit., p. 274.

⁶⁸Galbraith, op. cit., p. 274.

⁶⁹Blumer, Herbert, op. cit., p. 540.

This statement, as Bales pointed out, does not totally discount reality of society or social structure, but society and social structure are only important in so far as they enter into the process of interpretation out of which joint action is formed. Rose defines society as a network of interacting individuals--with its culture, the related meanings and values by means of which individuals interact--which precedes any existing individuals. This is not to say that one is culturally determined, but only that all men are born into an on-going society and are socialized in some significant degree into behavior which means the expectations of its culture; but variations and change of the culture is continuous for several reasons, for example, new situations; demand for innovation; wide range of expected behavior.

This is also the picture of society that Blumer portrays, although Blumer is concerned with the on-going aspect of society caused by a constantly changing interpretation and definition out of which comes joint action.

"There are such matters as social roles, status positions, rank orders, bureaucratic organizations, relations between institutions, differential authority arrangements, social codes, norms, values and the like. And they are very important. But their importance does not lie in an alleged determination of action nor in an alleged existence as parts of a self-operating societal system.

Instead, they are important only as they enter into the process of interpretation and definition out of which joint actions are formed. The manner and extent to which they enter may vary greatly from situation to situation, depending on what people take into account and how they assess what they take account of."⁷⁰

Blumer states that social change in fact becomes a continuous indigenous process in human group life instead of an episodic result of extraneous factors playing on established structure.

Change is continuous, the actions of people are constantly changing as they redefine their situations, society is on-going, in that it is not an established structure but rather people meeting their conditions of life, action is a formation process made by actors.

The question of equilibrium of the system is absurd because society is depicted not as a system:

"whether in the form of a static, moving or whatever kind of equilibrium, but as a vast number of occurring joint actions, many closely linked many not at all, many prefigured and repetitious, others being carved out in new directions, and all being pursued to serve the purposes of the participants and not the requirement of the system."⁷¹

That change, from this perspective, is indigenous to society is evident.

Blumer's picture of a society and consequently of

⁷⁰Ibid., p. 541.

⁷¹Ibid., p. 542.

change is in terms of joint action. Several important aspects of joint action are: 1) the essence of society is an on-going process of action (again because of this basic assumption, change is endemic to the argument): 2) society, to be understood must be grasped in terms of the action that comprises it; 3) each joint action must be seen as possessing a career or a history; 4) this career is generally orderly, fixed repetitious by virtue of a common identification or definition of the joint action that is made by its participants; 5) careers of joint actions must also be seen as open to many possibilities of uncertainty.

The situation, the event, that gives rise to joint action, that demands an interpretation, is in turn influenced by that interpretation. This is reminiscent of Galbraith's emphasis on the changing event and the lagging idea. Also, Galbraith states that man can be perceptive of the effect of the change and consequently influences it. Blumer points out that, generally, man has a common definition of the joint action made by participants but that this may change. Although Blumer recognizes the importance of the events, of even greater importance is the interpretation of the event and the joint action that is formed.

CHAPTER IV

EVALUATIONS AND CONCLUSIONSBehavior:

Although the choice between the dichotomy of scarcity and abundance involves a basic assumption of the environment, this assumption alone does not qualify a behavior theory as a dynamic interchange of personality and environment. Alchian and Allen relate their theory of behavior to environment, but they assume a constancy of the environment--perpetual scarcity:

"In the wide gamut of economic problems of every society, there is, then a common dominant element throughout--one pervasive, inescapable, inevitable fact: scarcity. That is the starting point of our analysis, and behavioral consequences stemming directly or indirectly from it is our subject matter."⁷²

Alchian and Allen revert to the environment for their theory of behavior but they assume a static environment by advancing an assumption of permanent scarcity.

Parsons introduces scarcity and equilibrium in his action frame of reference, i.e., that goal-directed behavior is motivated in terms of the gratification-deprivation balance. A second way in which this is done is

⁷²Alchian and Allen, University Economics, p. 2.

in the restraints placed upon behavior by the three interpenetrating action systems--personality, social system, and culture. In effect, the author gives greatest weight to the gratification-deprivation basis for behavior since all other systems rest upon this and are relevant only in so far as they affect this balance.

As in the case of Alchian and Allen, behavior is extra-environmental in that environmental variation merely affects a behavior built upon scarcity but does not change its basis. Both of the above theories appear to reflect the ideology as it is presently functioning in the population as Galbraith might argue.

Galbraith points out that structure determines behavior and that structure is constantly changing. Galbraith believes that man can be perceptive and sensitive to these changes and consequently influence the direction of succeeding structural changes. Behavior changes as the environment changes.

Blumer centers his theory of behavior about the importance of the social environment or the subjective frame of reference. This is a matter of emphasizing that the physical world and its events can affect the individual only as he perceives or experiences them.

Social Structure:

The various theories of social structure can be evaluated according to precision and scope. In both Alchian and Allen and Parsons the limitation of scope of theory of social structure is important; in Galbraith and Blumer problems of precision of interpretations are central.

Alchian and Allen premise an unchanging environmental situation of scarcity. Scarcity results in a conflict of interest which is resolved through various methods of behavior either competitive or cooperative. Competitive or cooperative behavior is a function of a utility-maximization orientation of man. Given conditions of private ownership of property, mutual exchange is the method of behavior exemplified in society and society is organized according to this principle. All these structural categories occur within the realm of scarcity. There is naturally a close interdependence of fact and theory in refinements of structural corroboration. There is a close dependence of the items of evidence upon the theory which organized them. The theory is qualified by other items of evidence which bear upon it.

In order to effectively evaluate a theory one must turn to a criticism of the structural hypotheses which determine or qualify the postulates in question. That is,

one cannot use the evidence itself to disprove the theory, one cannot use utility-maximization to disprove scarcity. A critique of the theory has to center on the basic hypotheses that generate the categories. In this case one would have to critique the assumption of scarcity. A scarcity assumption limits the scope of economic theory to that of a stable environment. The structural limitation imposed by scarcity determines a non-dynamic system: a system that interprets events solely in terms of the assumption of scarcity, an unchanging environment.

Parsons view of structure is far better developed within the scarcity model, much of this within the past decade (assuming mutual exchange). In 1953, Swanson pointed to a number of concepts that were not then developed within Parsons' action frame of reference:

"There are no derivations of interpersonal relationships subsumed under social processes (cooperation, competition, conflict, assimilation) there are no interpersonal influence (authority, legitimacy, conflict, assimilation, power, coordination, influence) there are no highly generalized categories for description of social system (integration, division of labor, mobility, stratification); an entire range of concepts that refer to organizational form are not derived (crowd, social class, bureaucracy, social movement, mass action)."⁷³

⁷³Swanson, Guy. "The Approach to a General Theory of Action by Parsons and Shils," American Sociological Review, 8, (April, 1953), pp. 125-134.

While the criticism about social processes is still relevant, Parsons' development and elaboration of interpersonal influence and social structure since that time has been extensive. The limitations of this view of social structure though do not rest in its lack of development or elaboration but in the scarcity-equilibrium model.

Galbraith and Blumer advanced theories which evolved concepts stating the environment as experience. Continual change in environment and in man's relation to it lead to a continually changing social system. Although this orientation increases the scope of factors that can be dealt with, there does arise a question of precision of interpretation of these facts. How are they explained? As Pepper has pointed out:

"The universe has for these theories the general effect of multitudes of acts rather loosely scattered about and not necessarily determining one another to any considerable degree. The cosmos for these theories is not in the end highly systematic--the very word 'cosmos' is not exactly appropriate. They regard system as something imposed upon parts of the world by other parts, so that there is an inherent cosmic trend to impose it. Pure cosmic chance, or unpredictability, is thus a concept consistent with these theories even if not resorted to or emphasized by this or that particular writer."⁷⁴

Bales, in his critique of Blumer, makes this same point. He states that as researchers we are not able to

⁷⁴Pepper, Stephen, World Hypotheses, p. 143.

follow the self-indicating process of perception of situation which builds-up action that Blumer advances. Bales said this lack of precision makes necessary the use of structural variables as indexes of probable meanings.

Processes and Change:

Treatment of social change is depicted along somewhat comparable lines as behavior and social structure. An organic type theory can explain change only within the organism but not change of the entire organism or changes arising from outside of the structural categories of the organism. Change is seen as a moving equilibrium.

If one relates to a stable type environmental situation and makes the assumption of that stability, the resulting theory is conditioned to equilibrium. When that assumption changes, the theory of the social system will be capable of incorporating complete change within the scope of the theory. Adherence to a stable environment (or to man's interpretation of that environment) or to organic processes of determining action rules out treatment of change of the system.

Relation of Economic and Social Theory:

The two disciplines are related as to assumptions they make about the universe and the nature of man. Theory models are similar. One, a defense of the status quo,

derives basically an equilibrium model. The assumption of the universe is that it is one of scarcity. This is stated by Alchian & Allen and implied by Parsons. Action is a response to certain motivational forces. Action is dependent on this and predictive possibilities are related to this; i.e., to certain motivational givens. The other basic model is one of a dynamically changing present, as opposed to the equilibrium model, this model states that concepts are relative to certain situations and are constantly changing. The nature of the universe is constantly changing. One must not look for systems of ordered relationships but merely accept each fact as it is to be described in a particular setting. There are predictability limitations relative to this perspective.

Blumer talks of psycho-social changes of environment in man's perception. Galbraith speaks of changes brought about by changes in structure, but yet speaks of man's ability to perceive these changes and the consequent effect of his perception of phenomena.

Although theory building in the two disciplines has grown independently, there are certain similarities in the development of economic and social theory. Whether economics is considered a sub-area of sociology or vice-versa, the diversity within each field and the consequent rising of two distinct explanations or views of society

and behavior are comparably developed within each discipline.

Essentially there is not too great a difference between the theory of Parsons and the theory of Alchian & Allen. Alchian & Allen are not attempting to advance a general theory of action; however, they do in their introduction claim to have expanded economic theory to a broader class of social behavior via non-market forms. Also in their assumptions they do come close to allying themselves almost identically with basic assumptions of systems made by Parsons. Alchian & Allen tell, however, where their theory is not applicable, Parsons merely states that not enough evidence has been gathered to explain fully all phenomena.

Blumer and Galbraith are also not entirely dissimilar. Blumer does not treat specifically of economic areas, instead he talks of social action. Galbraith also speaks of behavior, and although he concentrates on economic areas, he does not limit his explanations of behavior or of society to the economic aspects. He speaks of man being able to perceive his situation and the structural determinants of the time. His perception of the events colors his action in the future. Blumer also defines behavior as a built-up process brought about by the interpretation of the life situation of the individual by the

individual.

Therefore, the basic differences that dichotomize the categorization of the theorists in their respective disciplines can be related on the basis of assumptions made of the universe and the nature of man that each of these theorists premise as the foundation of their theory. That there is a relation was shown by analysis of behavioral, structural, and processual implications of the theories. A relationship of the scarcity and the equilibrium model and a relationship of abundance and process can be a possible way of relating the field of economics and sociology for understanding of theoretical developments. Conflicting theories in each discipline are the result of different perspectives of basic assumptions of the universe and of man. As was pointed out in the introduction of this thesis it is not that any perspective is "right" or "wrong," but rather that each perspective focuses attention on a different aspect of what is being considered and that all perspectives are important in judging a situation or in considering a theory.

A scarcity models illuminates the market mechanism flow model, while perhaps an abundance approach would better help the planning of under-developed countries. The equilibrium model serves as an explanatory model of the existing status quo, but perhaps a focus on the

processual change would better contribute to understanding the formation of publics.

It is concluded that there are basic trends in the development of theories in the social sciences and that these trends are comparable among the disciplines developed as shown by this thesis.

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