A Conversation with Amitai Etzioni

EEJ: Many of us have become aware of socio-economics as an alternative for explaining human behavior. Since this departure from the neoclassical view is by no means the first effort toward more “realistic” assumptions in economics, may we begin by delineating in what way the paradigm in whose development you are taking a leading role differs from the mainstream?

Etzioni: The kernel of the emerging new discipline is its recognition of the interactive role of community and individual. This “I & We” paradigm recognizes, among other things, that both individual rights and duties to the community have the same basic moral standing; that people often do not make choices by rational means; and that people’s preferences are not fixed. By contrast the neoclassical model assumes that people all have one overarching goal: to satisfy their typically materialistic needs and wants.

EEJ: Isn’t it fair to recognize that mainstream theory has moved beyond that simplistic a view of human nature to include satisfactions derived from altruistic acts?

Etzioni: That is true. But the basic motivation remains self-centered and hedonistic. According to the neoclassical paradigm, people are always motivated by their own interests, even if their goals are seemingly selfless. Research in this tradition further assumes that a person’s tastes can be neatly ordered into one unitary pattern of desire — a notion at the heart of economics. The I and We model, on the other hand, assumes that people have a dual nature — that while they have self-serving desires, they do not pursue them mindlessly. Instead, one’s “judging self” examines one’s desires and evaluates them according to several criteria, the most important of which are moral and social values. A struggle then ensues. Under some conditions, desire wins out and under other conditions, values triumph. Our moral commitment and our desires do not often pull us in the same direction, and much of human life can be explained in terms of the struggle between the two forces and the conditions under which one or the other prevails.

EEJ: Once the conflict has been resolved and a goal chosen, how does one decide on the means to achieve it?

Etzioni: Neoclassicists say that the resolution is achieved rationally, that is by using empirical evidence and logical inference. But a very persuasive literature now exists which argues that people do not make choices on rational grounds. Thus, what socio-economics is seeking to build is a new model of decision-making that will tell us how people *do* decide, rather than that they are often not rational.

The idea that most people’s choices are influenced heavily by their values and emotions provides a beginning for such a model. Entire categories of means to ends, whether efficient or not, are judged to be unacceptable and are automatically ruled out.

EEJ: Can you supply us with any examples?

Etzioni: Well, an obvious one is to be found in the quite substantial number — about one third I am told — of the people entitled to welfare benefits who refuse to apply on the ground that “it’s not right.” Examples such as this make it clear that emotions and values often influence people against using means that may be efficient in the narrow sense but are morally wrong or hurtful to others. That is, our values influence *both* our choice of goals and the way we proceed to accomplish them.

EEJ: What about the more complicated problem of explaining *changes* in behavior? Would you fault the mainstream economist for the way in which he explains changes? What alternative approach are you urging?

Etzioni: Again, let’s take a simple example. Say that it is observed that in 1985 Americans consumed less liquor than in 1980. A neoclassical economist will ask whether prices had increased, the drinking age been raised, bar hours been shortened, and so on. That is, if behavior has changed between two

points in time (recall they tend to deal in "comparative statics," not in processes of change), it is typically assumed that the change "must be" due to changes in "constraints," not in preferences. By contrast, other social scientists will likely suggest that the fitness-and-health movement and, more recently a neo-temperance movement, may explain why the "taste" for liquor has declined. This is a somewhat parsimonious interpretation of such changes in taste for the same factor may also explain, in part, whatever changes have occurred in constraints; for example, the imposition of higher taxes on "sinful" consumption.

EEJ: How can we account for the apparently intractable notion so dear to the hearts of neoclassicals, that preferences are fixed?

Etzioni: I think one reason for the adherence of neoclassical economists to the notion that preferences are fixed is because they fear that if preferences are changeable they also can be manipulated. This would fly in the face of the notion of consumer sovereignty and the cherished assumption of individual autonomy. Michael McPherson has, indeed, gone so far as to suggest that they are committed to the fallacy implication assumption because they subconsciously believe that if their theory were free from manipulation, then the real world will also be free from it. Once the impossibility of tailoring the world to fit a theory is brought into the open, resistance to idea that preferences are not necessarily fixed, a main barrier in the way of more collaboration between economics and other social sciences will be removed.

EEJ: It is quite clear that the traditional assumption about unchanging preferences is the basis for much of the thinking we associate with neoclassical views of behavior. But, by itself, the giving up of that assumption hardly seems the basis for the grand-scale paradigm shift you seem to be envisioning.

Etzioni: You are quite right. The paradigm shift my colleagues and I are seeking to achieve will also require significant further theoretical and empirical work, and development of institutional underpinnings from professional associations, meetings and publications, to programs and divisions in professional schools, to graduate departments, grants and fellowship programs. All of these elements together will lead to further growth of a new paradigm, that encompasses, rather than ignores, the concept of community; that balances, not replaces, individualistic tendencies with concern for others; and that extends beyond material incentives to the role of values, particularly shared values, as long as they are freely endorsed and not imposed. It is our belief that the concurrent training of socio-economists will make them competitive with MBA's as policy analysts to serve as managers in the community at large. Analogously, they should be trained to serve in place of neoclassical economists; in business and management schools as well as in undergraduate and high school social science departments.)

EEJ: That is, indeed, an impressive list of prerequisites. How rapidly are you or your colleagues advancing toward establishing the collegial environment you think you need for further progress?

Etzioni: Socio-economics has rapidly advanced many of the elements which are necessary for a grand-scale paradigm shift to occur. A major step was taken in 1989 with the founding of an International Society for the Advancement of Socio-Economics at the Harvard Business School. It is my privilege to have been elected the Society's first president. Within one year the Society has grown to encompass more than 600 members, and has created the tools of a cross-disciplinary organization: executive council, elected officials, representative fellows in 18 countries. We have already established annual meetings with our 1990 conference in Washington, D.C. In 1991 we meet at the Stockholm School of Economics and in 1992 we will gather in California. Other components are also falling into place with several publications in the works. M.E. Sharpe will publish several volumes of socio-economic papers, including one edited jointly by Paul Lawrence and myself. A second is planned for 1991 edited by Richard Coughlin. A reader in socio-economics is also being assembled. Special issues of scholarly journals devoted to socio-economics are on their way (e.g. *Journal of Behavioral Economics*, Summer 1990, *Journal of Economic Psychology*, and *Human Relations*.) The *Journal of Socio-Economics* will begin publication in 1991.

EEJ: Does a consensus appear to be emerging about the basics of the new paradigm.

Etzioni: There is considerable consensus on its basic substance. This is reflected in the "minimum platform" of the Society for the Advancement of Socio-Economics. What is needed is a paradigm that combines concepts and variables of economic and other social sciences (such as psychology, sociology, and political science). The specific assumptions, elements, and details of socio-economics are yet to be developed, although important contributions have already been made by numerous individual scholars.

EEJ: That is a very general prescription. Could you be more specific?

Etzioni: Yes, I can identify the following minimal criteria that seem to draw the boundaries of socio-economics: I think you will agree the last is really quite substantial:

- (a) The *independent variables* in any proposition have to include *at least one non-economic variable and one economic one*. For example, if we study productivity rates (as a dependent variable), independent variables may include capital per worker, levels of pay and other such economic variables but must also include at least one variable from another social science (for example, level of commitment to work ethic), to qualify. Without it, the proposition would be a proposition of economic theory. Similarly, if all independent variables are non-economic, say they include commitment to work ethic, degree of self-esteem, and size of social groups at work, we are dealing with sociological, psychological, or socio-psychological propositions but not in socio-economics.
- (b) *Core substantive assumptions*: (i) *competition is a sub-system* imbedded within a societal context that contains values, power relations, and social relations. The societal context both enables and restrains competition. That is, socio-economics assumes that self-interests are not necessarily or automatically complementary and harmonious; societal sources of order are necessary. (ii) *Individual choices* are shaped by their values, emotions, and knowledge. There is no prior assumption that people act rationally, or that they pursue only or largely self-interest or pleasure.
- (c) *Methodological approach*: Inductive studies are co-equal in their methodological standing with deductive ones. For example, a study of how firms actually behave has the same basic merit as treating the firm as an analytic concept or mathematical model. Inductive inputs and deductive derivations are assumed to correct, and thus balance one another.
- (d) Socio-economics is both a *positive* and *normative* science. That is, it openly recognizes its policy relevance and seeks to be self-aware of its normative implications rather than maintain a mantle of an exclusively positive science.
- (e) *Institutional expressions*: Socio-economics may be a suitable subject for: (i) a specialization within a social science department or an economics department; (ii) department organization, within the context of universities (as social psychology is a separate department from sociology and psychology in some universities); (iii) a division, program, or group within a professions school such as business or policy school (especially in need of interstitial disciplines); (iv) research programs or institutes.
- (f) The development of this *socioeconomics-paradigm* is *not to replace neo-classical economics*, or any the social sciences' treatments of economic behavior, but to parallel them. Socio-economics is akin in this sense to social-psychology, which does not replace psychology or sociology but provides a third *interstitial discipline*. Bio-chemistry is another such interstitial discipline.
- (g) Socio-economics does not entail a commitment to any one ideological position, implied in terms such as political economy and social-economics, but is open to a range of positions that share the view of treating economic behavior as involving the whole person and all facets of society. I hope that this point by point summation will serve to draw the boundaries of socio-economics which are, of course, extended considerably beyond those of economics qua economics.

EEJ: Are you envisioning that there is likely to be substantial agreement on most of the concepts and theorems you have outlined?

Etzioni: A new approach does not really require a detailed agreement on all, or even most, concepts and theorems. What is required is shared conceptual, philosophical and ethical foundations. Socio-economics already has such foundations. They allow numerous individual scholars who have long been working in complementary directions (including Kenneth Boulding, Barbara Gray, Albert Hirschman, Daniel Kahneman, Paul Lawrence, Melvin Lerner, Harvey Liebenstein, Drazen Prelec, David Sears, Herbert Simon, Neil Smelser, Michael Useem, and many others) to join together. Moreover, socio-economics builds on the efforts of several well recognized groups including institutional economists, social economists, behavioral economists and evolutionary economists. In short, socio-economics provides a community and shared framework for much of this work rather than starting from scratch. Hirschman best captured the spirit of socio-economics when he commented during a dinner honoring him at the founding meeting of S.A.S.E.: "I have been doing this work for thirty years, but it was so lonely . . .". If there is any particular reason socio-economics seems to take off more rapidly than previous groups, aside from the fact that it stands on their shoulders, it is that unlike them, S.A.S.E. is openly and deliberately dedicated to the new paradigm.

EEJ: Are there studies which establish the predictive or explanatory power of socio-economics?

Etzioni: Yes indeed. Several studies with significant socio-economic relevance are now available. Specifically there is now verification that standards of fairness influence the behavior of firms (Kahneman, Knetsch & Thaler, 1986); also that tax compliance is encouraged by social sanctions and commitments (disapproval of friends, value of honesty) as well as legal sanctions (National Research Council study, 1989); that energy use is affected by attitudes towards conservation as well as price incentives (Stern, 1984); that people's informal empirical reasoning is very bad while their preconceived expectations and theories distort attempts at "rationally" gathering information and making decisions (Nisbett & Ross, 1980); that job turnover is explained as much by commitment, intent to stay, and job satisfaction, as by economic factors such as training and pay opportunities (Price & Mueller, 1981); that both deterrence and moral commitments significantly affect people's predispositions to commit crime (Grasmick & Green, 1981); that voting behavior is more strongly determined by people's sense of civic duty than by self-interest (Sears, et al. 1980); and so on. These studies are more powerful, both in terms of predictive and explanatory criteria, than are neoclassical attempts to deal with the same phenomena.

EEJ: Do you envision the possibility of creating a graduate program that will further the new paradigm? What room, specifically, would there be for economic analysis in this context?

Etzioni: Socio-economics needs graduate departments that will train socio-economic PhDs for teaching and research. There is more here than meets the eye. Obviously if the scholarly, intellectual and empirical work of socio-economics is to grow, it requires more people systematically trained in it. But paradigms rest on more than philosophical assumptions; they have institutional underpinnings, ranging from job markets to grant giving committees. Indeed, control of these institutions is one major force that keeps neoclassical economics as powerful as it still is. As a consequence, for example, after Tom Jester presented powerful findings that contradicted neoclassical economics and supported socio-economics (he stated that people prefer a work/leisure mix over leisure; they care about nominal wages and not merely real wages; and so on,) he added that he would still urge his students to study neoclassical economics because "that's where the jobs are."

EEJ: It is my impression that there is some small headway that is being made on the grants scene.

Etzioni: There appears to be some. National Science Foundation committees have recently begun to consider applications by socio-economists, though these are still dominated by persons partial to the neoclassical paradigm. The Russell Sage Foundation is another exception. It has a small program in behavioral economics that supports both kinds of economists. Most foundations of course support

only the "old" kind. Clearly we will have to acquire many more institutional underpinnings if we are going to provide both the collegiality and the jobs needed to create a critical mass and a market for socio-economic faculty. They, in turn, could generate the teaching materials and research to sustain the growth of socio-economics and train a steady stream of graduates to serve in the community.

EEJ: It is my hope that this interview, in identifying some specifics with which everyone is probably not familiar, will also be remembered as a small contribution toward the objective you have articulated for us. Congratulation also on the publication of *The Moral Dimension* as a paperback.