Economics, sociology, and the best of all possible worlds

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WHAT are the boundaries that separate the social science disciplines from each other? Where (if anywhere) do we draw the line between those problems that call for the expertise of the economist and those that demand the skills of the sociologist, or the psychologist, or the political scientist? This is *not* the kind of methodological question that interests only those scholars who don't want to get on with the job: it is at the center of some debates in Washington about past and prospective decisions on public policy, and has an inescapable intellectual importance as well.

Some of the debates about the roles different social sciences should have in the policy-making process were provoked by two relatively recent innovations in public policy. One of these was the President's directive that the Planning-Programming-Budgeting System, which is an outgrowth of economic analysis, should be used in all departments of the federal government. This prompted disagreement about whether an economic approach is the most appropriate for dealing with the "social" programs of government, or suited to an inevitably political environment. The other innovation was the decision to prepare a trial-run "social report," akin to the Economic Report of the President. This latter innovation is more relevant here, as it raises the question about the relative roles of the different social sciences in a most obvious and ineluctable way.

The "economic" and the "social"

The responsibility for the development of the trial-run social report has been given to the Department of Health, Education and Welfare. This department obtained the help of a Panel on Social Indicators, composed of leading social scientists from universities and research organizations, who work on this Report on a part-time basis. Daniel Bell, co-Editor of *The Public Interest,* and Alice Rivlin, Assistant Secretary for Planning and Evaluation, in the Department of Health, Education and Welfare, are the co-Chairmen of this panel. I have the immediate responsibility for the effort, and this fact partly explains the perspective I bring to this subject. On the legislative side, Senator Walter Mondale and ten other senators have introduced a "Full Opportunity and Social Accounting Act"; this bill would provide for a Council on Social Advisers, which would advise the President on social policy and issue an annual social report on the state of the nation. The hearings on this bill have elicited testimony from a wide variety of scholars and public officials.

Inevitably these hearings, and the discussions in the Panel on Social Indicators, have raised the question of the division of labor among the social science disciplines, in general, and between economics and sociology, in particular. Several of those who testified on the Mondale bill wondered whether it might not be better to create a combined Council of Economic and Social Advisers rather than two separate councils. And there has been no agreement about how the "economic" and "social" spheres could be distinguished, so that there could be a clear allocation of responsibilities between the Council of Economic Advisers and any new Council of Social Advisers. Proponents of the Mondale bill are especially anxious that the President get more advice about the problems of the poor and the disadvantaged. The problems of these groups certainly are "social" problems, and the counsel of the best sociologists, psychologists, and political scientists should of course be available to the policy-makers who deal with them. But, if poverty is not an "economic" problem, then nothing is. Moreover, social programs require scarce resources and that is what economics is all about. No consensus is emerging on what the respective roles of the different social sciences should be.

The debate in Washington about the mix and organization of the social science input in government obviously reflects the hazy and diverse definitions of the spheres of the various social sciences in the universities. Many leading scholars trespass on what are supposed to be the territories of disciplines other than their own. As an economist with experience of some of the more exotic uses of economic theory, I am naturally best able to cite economists who have

made contributions to other social sciences. There is no doubt in my mind that Kenneth Arrow, Duncan Black, Kenneth Boulding, James Buchanan, Anthony Downs, John Harsanyi, Albert Hirschman, Charles Lindblom, Jerome Rothenberg, Thomas Schelling, and Gordon Tullock have made significant contributions to political science or sociology, and others equally important could be named. It would be possible to compile similarly long lists of scholars in each social science who have made major contributions to other social sciences.

If the problem of distinguishing the spheres of responsibility of the various social sciences has not been solved, and if this problem complicates even current discussions of governmental organization and public policy, then there is the need to give it some careful thought. As we shall see, this problem can be understood by looking at some of the most profound problems and fundamental theories in social science.

The comprehensiveness of theory

The social sciences have not been adequately distinguished from one another largely because it has not usually been understood that the fundamental differences between the social sciences involve not the subjects they study, but rather the preconceptions they have inherited, the methods they use, and the conclusions they reach. To distinguish the defining features of the social science disciplines, we must look at the ways in which scholars in various disciplines work, rather than at the nature of the phenomena they study. For the theories or tools of thought of the social science disciplines are so general that each discipline's theory encompasses objects or problems that convention puts in the reservation of some other discipline. This comprehensiveness, which is manifest most clearly in economics and sociology, is not generally understood.

Thus, the general applicability of economic theory has not usually been understood by laymen, and indeed many of the older generation of economists also interpret economics too narrowly. This is probably due in large part to the special historical circumstances in which economic theory first came to have coherence. The great economists of the eighteenth and nineteenth centuries were often inspired to intellectual innovation by immediate practical problems. They were for the most part caught up in the political controversies of their time and were sometimes passionate ideologues. Most of them, at least in Great Britain, were advocates for the rising middle classes and the mercantile and industrial interests. They were usually utilitarians, democrats, internationalists, and passionate advocates of laissez-faire. Indeed, in nineteenth-century Britain, the word economist was often taken to *mean* an advocate of laissez-faire in general and free trade in particular. The belief that economic theory is ap-

plicable only to goods that fetch a price in the markets of "capitalist" economies of the kind the classical economists admired has survived to the present day.

In fact, economic theory not only is, but (if it is to avoid arbitrariness and error) *must be* so general that it also applies to "goods" that are *not* traded in markets—and also to traditional and communistic societies. If an economist is studying the housing market, he cannot ignore the fact that some locations have more prestige than others, are in areas occupied by different races or social groups, are in different political jurisdictions, and have different aesthetic attributes. Obviously any of these factors can affect the satisfaction an owner would get from a house, and the market price of that house, as much as its material characteristics.

Indeed, it is in general *not* possible to give an entirely accurate explanation of economic behavior in a situation unless *all* of the perceived advantages of a given alternative, to the actor being studied or advised, are counted as "returns," and all of the disadvantages of that alternative, as perceived by the relevant actor, as "costs." The economist will frequently—but by no means always—predict that the actor being studied will tend to choose the alternative that promises the largest excess of returns over costs, which is by definition most advantageous in terms of the actor's values.

Of course, the actor may lack the intelligence, information, or detachment needed to choose the alternative that is best in terms of his own preferences. He might be a "satisficer" rather than a maximizer, or operate according to an erroneous traditional rule, or let biases distort his perception of the facts. In such a case the economist can take comfort from the fact that the actor being studied may be in the market for a consultant! In any event, economic theory will have relevance, in a normative, if not always positive, way.

The general relevance of economics

Economic theory is, indeed, relevant whenever actors have determinate wants or objectives and at the same time do not have such an abundance of the means needed to achieve these ends that all of their desires are satiated. The ends in question may be social status or political power, and the means will be anything that is in fact conducive to the attainment of the ends, whether or not these means can bring a price in the market. *Economic (more precisely microeconomic) theory is in a fundamental sense more nearly a theory of rational behavior than a theory of material goods.*

To be sure, economic theory in its most general form can be as vacuous or trivial as it is broad. Many situations are so difficult, or so simple, that no formal method of thinking will be of any practical help. Economics, moreover, has not got very far with the problems

of uncertainty, of strategic interaction (in the game theory sense), of acquiring or getting along without information, not to mention other problems we need to understand better before we can have anything like a complete or adequate theory of rational behavior. And where economic theory is not in itself deficient, economists often are: they sometimes lack the fullness of mind, the judgment, and, above all, the imagination needed to apply economic theory to problems outside their traditional purview. In any event, the purpose here is not to glorify or belittle economics, but rather to argue that some of the basic theories of social science, including economic theory, are limited not so much in terms of the objects they can be used to study as in other ways.

The generality of economic theory with respect to the objects of study is illustrated not only by the politically or sociologically relevant work of men such as those named earlier, but also by other recent developments. The output of the United States Department of Defense is not sold for money, yet the economic approach inherent in the Planning-Programming-Budgeting System has proved most helpful there. This system has even shown great promise in departments, such as my own, which deal in such obscure intangibles as health, education, and welfare, and which are relatively far removed from the market place. In the specialty of international relations, too, one finds that insights of economic theory have sometimes been decidedly relevant, as the work of Kenneth Boulding and Thomas Schelling shows, yet these men have dealt with the political-military, rather than the material, wants of nations, and often ignored the market sector in their models. The nations of Eastern Europe have an institutional environment vastly different from that which the classical economists knew or wanted, yet many economists there are beginning to use the same economic theory we know in the West, and sometimes find it helpful in suggesting ways in which their *existing* Marxist-inspired institutions might be made to work more efficiently. (Indeed, economic theory has escaped the original ideological limitations on its generality to such an extent that I have read some interesting work by economists who, as I later learned, were avowed Communists, but whose work was such that, if asked, I would have guessed they were typical Western intellectuals, if not laissez-faire enthusiasts.) Finally, the developing areas of the world, different and diverse as their cultures and conditions may be, have nonetheless proved to be about as amenable to ordinary economic analysis as the Western democracies.

"Better off" and "worse off"

The fact that economic theory has no unique application to material goods, but deals with any objectives that people value in con-

ditions of scarcity, cannot be adequately documented in any brief discussion. But it may nonetheless be useful to mention one basic idea that has an important—if in many respects overly simple—application to politics. This is the notion of "Pareto-optimality," which is defined as a situation such that no individual in the group at issue can be made better off without someone else being made worse off. This idea is normally used to describe resource allocations that are efficient and ideal, in the sense that they satisfy individual wants to the maximum possible degree, given the available resources, the state of technology, and the distribution of income. If someone could get more without anyone having less, that would mean a way had been found to get more output from the available resources.[1]

The generalization to politics comes from the fact that when we say a Pareto-optimal situation is one in which no one can be made better off without someone else being made worse off, we need not define "better off" or "worse off" in terms of material goods alone. *Indeed, if we consider only these so-called "economic" wants of the individuals concerned, the whole analysis could be invalid*—for the only relevant measure of value in this context is that of the individuals concerned, and if one of them values a given degree of social status or political power more highly at the margin than some material good, he will be "worse off" if he has to give up that degree of social status or political power in exchange for the material good. An attempt to "sub-optimize" by considering only material objectives could be meaningless, for a step that seemed efficient because it increased the output of material goods might in fact be inefficient because the social or political goods that had to be sacrificed were worth more than the material goods gained. There is thus no way of defining a situation as Pareto-optimal without taking all of the things people value into account.

When "better off" and "worse off" are understood as they must be, it becomes clear that Pareto-optimality is a condition of political equilibrium in democratic societies. (I use the word "equilibrium," which is the object of much controversy in political science and sociology, with the same meaning it has in economics.) If there is some step or combination of steps that will make one or more individuals better off, without making anyone worse off, there is always the possibility some political or administrative entrepreneur will respond to the incentive inherent in the situation and organize a change in policy. This is, to be sure, only one of a vast variety of necessary conditions of political equilibrium, and perhaps a rather weak one. But can we conceive of a complete theory of political change, or of

[1] Pareto-optimality means a little more than that aggregate income is a maximum, for the income or value of the goods and services produced depends on relative prices, which in turn depend on the income distribution in the group.

the politics of consensus, that would leave Pareto-optimality out of account?

Some of the other political insights that can be got from the notion of Pareto-optimality have, however, been explored. The Swedish economist Knut Wicksell pointed out more than a half century ago that optimal measures should be able to command something approaching unanimous support, since by definition there will be some possible distribution of the benefits and costs such that everyone would have an incentive to favor such measures. (This would not be the case under a *complete* unanimity rule, where an individual might withhold his then indispensable vote in an attempt to extort a larger share of the total gains from the measure.) More recently, Professors James Buchanan and Gordon Tullock have, in their important book on *The Calculus of Consent*, argued that reasoning of this sort shows that the majority rule principle is in certain respects arbitrary and unsatisfactory, and that the bicameralism, two-thirds rules, and general checks and balances of the American system have the admittedly unsuspected virtue of preventing passage of many policies that are not toward Pareto-optimality.

A reoccupation with Pareto-optimality can, admittedly, sometimes support a classical-liberal opposition to the coercive redistribution of income. Redistribution cannot be expected to attain anything like unanimous support, yet it may be overwhelmingly important. But there is nothing inherently conservative in the political use of the concept of Pareto-optimality. I have, for example, argued elsewhere that there may sometimes be a tendency toward what has been called public squalor in the midst of private affluence because of the fact that many Pareto-optimal measures for *local* areas may not be able to get majority support in the *national* government. Though the gains from a Pareto-optimal measure are by definition greater than the costs, the number of gainers will be smaller than the number of losers when the benefits are local and the taxes are national. Fortunately, "logrolling" may make it possible for a number of local Pareto-optimal measures to pass as a package. (Logrolling thus does not necessarily deserve its evil popular reputation.) But logrolling requires complex and costly bargains and accordingly often will not occur.

The general relevance of sociology

What I have tried to argue is true of economic theory is quite as true of sociological thought. The perspective of the sociologist has important implications for *all* the other social sciences.

In attempting to illustrate this argument about sociological theory, I am handicapped in three ways: First, as an economist, I don't know the sociological literature as well as I would like to. The argument

must therefore be based on what at best is a random sample of that literature. But for all the shortcomings of my knowledge of sociological thought, the major generalizations I will make about this literature will still almost certainly be correct; my sample could hardly be so untypical as to make me wrong about some of the great themes of this major intellectual tradition.

My second handicap stems from the fact that sociological thought is more pluralistic than economic thought: it is not a single, well-defined, almost monolithic entity like economic theory, but rather a collection of diverse and often independent theories. When I refer to "sociological theory," I will be speaking not of sociological thought as a whole, but of one particular sociological theory. That is the one associated with the tradition in which Professor Talcott Parsons has been the dominant contemporary figure. This is unfair to the *many* sociologists who use entirely different conceptions. It will also be unfair to Professor Parsons, whose views should properly be distinguished from those who share only some of this thought.

The third handicap results from the particular nature of Parsonian theory. This theory is not, like economic theory, a logically elaborate but unified hypothetico-deductive system susceptible to succinct (or even mathematical) description. Indeed, it is not "theory" in the sense in which that word is used in some other disciplines. It is rather an uncommonly rich and varied style of thought, replete with special insights, distinctions, and definitions, which makes *any* short summary insufficient and unfair. There is no alternative here, then, to a *Reader's Digest* level of oversimplification; this will naturally prove offensive to the connoisseur of Parsonian sociological literature.

Even the most casual glance at sociological theory of the Parsonian type reveals that it is very general and that it includes the traditional domains of economics and political science, and part of the field of psychology as well. Parsons explicitly makes economic theory, as well as almost every type of systematic study in social science, a special case of his General Theory of Action. This unusual emphasis on generality has been criticized, but I do not think the criticism is justified. Right or wrong, Parsonian theories are general, and have to be.

The necessity of this generality stems largely from the basic role this theory (like many other sociological theories) gives to the process of "socialization." The central preconception of this type of theory is that people do what they are brought up to do. It holds in effect that the hand that rocks the cradle does indeed rule the world. Even when particular individuals fail to want to be true to the values and norms that were inculcated in their childhood, they are still subject to the sentiments society passes on from generation to generation, since societies tend to set up mechanisms of social control, ranging from informal social pressure to the sanctions of the

legal system, which enforce the patterns of behavior that they were brought up to believe were right.

The theory at issue holds that through socialization people acquire not only general attitudes relating to society as a whole or its major groupings, but also conceptions of particular "roles," such as husband, wife, businessman, priest, doctor, and soldier. The person who is born in a particular society is educated to expect that people who perform particular roles will act in certain ways—that mothers will care for their children, that doctors will care for the sick, and that businessmen will seek profits. In a well-developed and stable society, there is "institutional integration"—i.e., laws, organizations, and popular attitudes (as well as other mechanisms to ensure conformity) are extensive, elaborate, and in harmony with one another. Mutual role-expectations tend to be consistent. This reduces the amount of stress and alienation and strengthens the tendency to follow the pattern of behavior inculcated by the processes of socialization. There is a pronounced tendency in this tradition to regard extensive and consistent institutionalization as desirable for the health and stability of society, partly on the grounds that it minimizes alienation.

The Parsonian sociologist's emphasis on the socialization of common beliefs and conceptions of roles through families, religions, schools, and other institutions inevitably forces him to encompass many "economic," "political," and "psychological" aspects of reality. For the same processes and institutions that give an individual his social values also inculcate attitudes about economic and political life, and influence his whole personality. The same family that teaches a child social usage passes on a sense of what occupational achievements and political principles are expected. The churches, schools, media of information, and other agencies of socialization are similarly comprehensive. And often the values, ideologies, and religions passed on are themselves so general that they influence diverse aspects of life. It is thus not surprising that probably the most famous work in the sociological tradition at issue—or rather, one of the sources of that tradition—is Max Weber's *Protestant Ethic and the Spirit of Capitalism.* Though much subsequent research has tended to discredit Weber's substantive hypothesis, his heroic attempt to explain the singularity of the early modern European economy in terms of the Calvinistic religious ideas which many Europeans were taught remains a prototypical example of the style of sociology I have described, and of the fact that the sociological perspective is inevitably relevant to economic behavior.

The difference between economics and sociology

It is now possible to see the closest thing there is to a basis for a distinction between economics and sociology in terms of the object

studied. If we define sociology as the discipline that studies the formation and transmission of wants or beliefs of all kinds, and economics as the discipline that studies the ways in which people strive to obtain whatever it is that they want, we would be much closer to the truth than those who think of sociology as something such as the study of life in groups and economics as the study of material gain in the marketplace. The proposed distinction would, for example, make it clear why both economists and sociologists should be interested in poverty. The economist is interested in poverty because the poor do not have the resources to meet even their important needs. If the economist *qua* economist is asked how the poor are different from us, he says "because they have less money." But if the sociologist *qua* sociologist is asked how the poor are different from us, he says "because they were brought up in the culture of poverty."

Still, it won't quite do to say that sociologists specialize in the study of the formation of wants and economists in the ways to satisfy them. There are a number of reasons for this. One is that they tend to use different methods, the economists relying on a nontrivially deductive theory, emphasizing quantification, and using simultaneous-equation techniques, the Parsonian sociologist using a less deductive method, relying occasionally on the case study, and often bringing a fuller knowledge of the history and context of a problem to bear. There are also differences of preconception, with some economists almost assuming that rationality is universal in the human animal, and with some sociologists almost treating rationality as a cultural peculiarity of those with the Protestant or capitalistic Ethic.

The economist and sociologist also often differ in the substantive conclusions they draw about the same problem. For example, when economists are asked to explain the choices about work and saving made by those who receive public assistance, they will often deplore the traditional 100 per cent tax on any wages or savings beyond a trivial minimum, and argue that recipients of welfare checks be allowed to work without sacrificing their claim to virtually all assistance. Some social workers of my acquaintance who have studied a great deal of Parsonian sociology, on the other hand, seem to assume that the habits and attitudes people form are more or less independent of the incentives they face, and that larger amounts of public assistance to those not working would best provide the basis for the development of middle class values. Another difference of conclusion typical of the two disciplines is that some Parsonian sociologists explain the choices a society makes in terms of what it needs (the "functions" that need to be performed) or in terms of what the people in it want. The economist, on the other hand, will not consider as an explanation anything like the

statement that something exists because it has a function in a society, and will emphasize that the relation between wants and social outcomes is complex and even paradoxical (so that, for example, when everyone wants and tries to save more, they may all end up saving less).

What holds a society together?

The differences in method, preconception, and conclusion that distinguish modern economics and Parsonian sociology are perhaps best illustrated by considering the question of what it is that holds societies together or allows them to collapse. The stability of a society is perhaps as central as any concern in sociology. This problem is important in its own right, and draws added interest from the recent race riots and student demonstrations. It is obviously also relevant to any attempt at a social report, for one guide to the health of a society is its degree of unity and the probability that it will hold together.

This is not the place (and I am not the writer) to go into the manifold sociological controversies about the determinants of the stability of societies. But many sociologists, in the tradition considered here, build their explanations of the coherence of societies around the existence of common processes of socialization. They contend that it is mainly the similarity of values, norms, collective attitudes, and role expectations that holds a society together. If people are brought up to want and believe in the same things, they won't need to fight each other. There must in any event be a consensus about the most important things that will keep any divergencies and conflicts within tolerable bounds. Differences in culture, religion, family patterns, or educational systems so great that they inculcate basically different patterns of beliefs and wants are then held to be inimical to the stability of a society.

Economists do not often explicitly consider the question of what holds a whole society together, but they do consider some of the factors that favor the survival of an economic union. And this is enough to reveal that Parsonian sociologists and orthodox economists operate with preconceptions and methods that lead to drastically *opposed* conclusions about the determinants of a society's coherence and unity. The economist who is asked whether a group of nations should form a common market will usually argue that the more diverse the cultures and natural resources of these countries are, the greater the advantage of a common market, other things equal. The more diverse the resources, technologies, and tastes of the nations, the greater the gains from trade among them. Expecting nations that are practically identical to gain vast amounts from a common market is about as realistic as expecting to maximize

motherhood by bringing women together. A rough index of the gains from trade would be the differences in the relative prices of different tradable goods in the different countries in the absence of trade. The larger these differences in relative prices, generally the greater the gains from selling what has been relatively cheap in one country in return for something that would be expensive if produced at home, but which is not expensive in the country with a comparative advantage in producing it. Many economists would assume that the greater the gains from trade, and therefore the incentive to trade, the greater will be the interest in preserving the common market or other institutions that allow the mutually advantageous trade to take place.

If the logic of this argument about economic unions is generalized and applied to states and societies, it provides a perspective different from that of most Parsonian sociology (though not altogether different from that of Durkheim's concept of "organic solidarity"). To see the general applicability of the economic approach, imagine a society in which everyone was socialized to think that all vacations should be in August and at the beach. That society would tend to suffer congestion and conflict at its beach resorts in August, and a lack of essential services at home for those who couldn't squeeze in (this is not an altogether unrealistic example: the French have been concerned about the need for policies to reduce the number of August vacations). If, on the other hand, some of the people in the society have been brought up to prefer a skiing vacation, or a summer cabin in the mountains, there will be less to fight about, and everyone can get what he wants for less. To take another example, suppose that a common culture and a common process of socialization mean that in a given culture everyone is brought up to strive to be a leader. Life in such a society will be a constant struggle for power and the society may therefore collapse. But if some of the people in the society should prefer to follow, there would be mutually advantageous relationships between leaders and followers which they would wish to preserve, along with the society that made these advantageous relationships possible. The use of the economist's method and preconceptions therefore seems to suggest that the more diverse the backgrounds and beliefs of a people, the greater the incentive they will have to continue their association.

It is in cases such as these, where different disciplinary methods and preconceptions lead to apparently opposite conclusions, that the lack of serious, detailed communication between economics and and the other social sciences is most tragic. A lack of mutual intellectual esteem is often enough evident in the references some economists and sociologists make to each other's discipline, but this is no substitute for extended confrontations based on continuing research. Disciplinary specialization, though obviously beneficial on

balance, is partly responsible. As I see it, there is today some effective censorship of extended interdisciplinary confrontations, not because of any desire to still debate, but because disciplinary parochialism prevents the use of the methods of one social science on the substantive problems that are sometimes supposed to be in the province of another. The absence of constructive communication between economics and sociology is suggested by the ease with which new insights are gained when particular positions of the two disciplines are compared. This can be illustrated with the problem of social cohesion just considered.

Collective and noncollective goods

In order to do this, we will first have to draw a distinction between collective and noncollective (or, as they are more often, but less precisely called, public and private) goods. Leaving some definitional niceties aside, a collective good can be described as a good such that nonpurchasers cannot feasibly be excluded from its consumption. Defense is the classic example of such a good, since it is not practically possible to exclude anyone living in a country from the benefits (or dangers) of the nation's defense system. To a great degree the benefits provided by the police and the system of justice are also collective goods. A constitutional monarch is a particularly neat example of a collective good; the benefits of his reign reach all of his subjects, from those who are more royalist than the King to those who are Republicans.

Noncollective or private goods are, by contrast, goods such that nonpurchasers *can* be kept from consuming them. Thus, if an individual buys bread, or a car, others can be and usually are excluded from the consumption of what he has bought. There is, in other words, no joint or communal consumption of a noncollective good.

Now that the distinction between collective and noncollective goods has been drawn, the opposition between the economic and sociological views can be resolved, and the outlines of an argument that is apparently better than either developed. The conclusion of that argument is that a society will, other things being equal, be more likely to cohere if people are socialized to have diverse wants with respect to private goods and similar wants with respect to collective goods. A "good," in this language, is not of course necessarily a material good, but can be anything that people value. So what has been said means simply that, where individuals have objectives that they can consume or enjoy without others having to participate in this consumption, they will tend to cohere better if they have different tastes and productive capabilities, because this will maximize the gains from exchanges among them; on the other hand, where individuals have objectives such that if they are achieved

for some they are automatically also achieved for others, the greater the similarity in their tastes and situations the easier it will be for them to agree on a common policy. Thus in a marriage it is helpful for one spouse to like fat and the other lean, but it is a danger if they want different numbers of children or different types of houses. Any gains from a comprehensive Middle Eastern common market would be increased by the fact that the Israelis and Arabs have different cultures and skills, but the possibility of a common regional government with a single established religion would (to put it mildly) not be increased by the fact that the peoples of the Middle East have experienced different processes of socialization.

To be sure, many Parsonian sociologists seem to have sensed (as Durkheim did long ago)[2] that some differences in wants and value systems could somehow enhance unity, and almost every economist must have realized (if he had ever considered this question) that in certain areas divergencies of wants could disrupt a society. A point as obvious and important as this could hardly be altogether novel. Still, most discussions of the question of social cohesion are thoroughly misleading, if not largely wrong, because they do not make the distinction between collective and noncollective goods and also make no effort to reconcile the perspectives of economics and sociology.

The "ideal" society in economics

The divergences in methodology, presupposition, and conclusion that differentiate modern economics and Parsonian sociology can also be illustrated by contrasting the "ideal" states of society that are envisaged by each discipline. The contrasting conceptions of the "ideal society" held by each of these intellectual traditions have considerable practical importance, for they help to determine what advice scholars of different disciplinary backgrounds offer to policy-makers. They are, moreover, absolutely fundamental to any possible

[2] Emile Durkheim distinguished "organic solidarity" resulting from the division of labor and "mechanical solidarity" due to similar sentiments. Durkheim drew this distinction in the last century, and did not, of course, know the distinction between collective and noncollective goods, so his analysis on this point is accordingly wrong in many respects. Nonetheless, it is far superior to most modern treatments of the subject. Significantly, Parsons has repeatedly belittled Durkheim's notion of organic solidarity, subordinated it to an elaborated conception of mechanical solidarity, and failed to develop anything like the needed distinction between collective and noncollective goods. See Parson's fascinating but flawed article on "Durkheim's Contribution to the Theory of Integration of Social Systems," in Kurt H. Wolff, ed., *Essays in Sociology and Philosophy* (New York: Harper Torchbooks, 1964), pp. 118–153, especially where it distinguishes values, differentiated norms, collective attitudes, and roles. See also his *Structure of Social Action* (2nd ed.; New York: The Free Press, 1949), pp. 301–342, and Emile Durkheim, *The Division of Labor in Society*, trans. George Simpson (Glencoe, Ill.: The Free Press, 1947).

"social report," for they provide alternative standards by which to gauge a nation's advance or decline.

My use of the words "ideal society" may, however, create some misunderstandings. Neither economists nor Parsonian sociologists are normally utopians; they do not necessarily believe that their "ideal societies" can be achieved. The purposes these ideal conceptions serve are entirely different from those of, say, the utopian socialists, or of Plato's vision of an ideally just state run by philosopher-kings. They serve, not usually as visions of what we can and should obtain, but rather as intellectual models that can clarify and help to indicate whether a given policy leads in a desirable or undesirable direction. Some misunderstanding may also be caused by the fact that, while the economist's conception of the "ideal society" is at times almost explicit, the particular sociological conception I have in mind receives only tacit recognition. But this difference in the degree of explicitness of the ideal conception does not mean that the one ideal is necessarily more influential or important than the other, so we must strip these two ideal conceptions of their very different clothing and then set them out in a way that will facilitate explicit comparison.

One part of the economic ideal has already been set out in the literature of welfare economics, which describes the necessary conditions for an "efficient" and "optimal" allocation of resources, so there is no need for a rigorous statement of it here. Roughly speaking, a society with given resources and state of technology can be described as efficient if it is "at the frontier of every production possibility function," which means in plainer English that no more of any good can be obtained without giving up some amount of some other good (including leisure and future consumption as goods, to subsume the possibility that more resources would be devoted to production). *Efficiency* says nothing about whether the goods that are produced are those that would provide the most satisfaction, so it is not a sufficient condition for *optimality*. A necessary condition for an optimal allocation of resources is that no reallocation could be made which would make anyone better off without making someone else worse off. The standard of optimality is then the concept of Pareto-optimality mentioned earlier, and Pareto-optimality is not achieved unless the society is *also* efficient.

The society will not, of course, be economically ideal unless the distribution of income is right, and the "just" distribution of income cannot be scientifically determined. The constructs of welfare economics nonetheless can claim general interest, for they describe necessary conditions that would have to prevail if an economy were to be optimal, *whatever* the ideal distribution of income might be. The necessary conditions for Pareto-optimality in a society are stated principally in terms of a series of marginal conditions. These

marginal conditions, and the many shortcomings in this sort of analysis, will not be discussed here, since this paragraph is meant to be only impressionistic, and because the welfare economics texts that set out this analysis more carefully are easily accessible.

Welfare economics is static in that it leaves innovation and the advance of technology out of account. Economists have done a great deal of work lately on innovation and on the economics of education and research, but this has not usually been explicitly tied in with welfare economics. In the rough and ready fashion in which we are operating at the moment, this can perhaps be done. In essence, the economically ideal society would maintain a Pareto-optimal allocation of resources at every moment in time *and* at the same time continually change to the best attainable production functions as knowledge advances. The rate of accumulation of productive knowledge and other forms of capital would be the maximum consistent with the society's rate of discount of future versus present consumption. This statement, alas, brushes over a number of unsettled issues (such as the possible Schumpeterian conflict between short-run allocative efficiency and long-run innovation) and many profound complexities (involving particularly what the economists call "optimal growth" theory). But hopefully the subsequent discussion will reveal that these complications are not so important for the very particular purpose of the moment. That purpose is to suggest that most economists have some fairly clear but incomplete models from welfare economics, and some vaguer notions about the importance of rapid innovation, which can be taken to represent something in the nature of a vision of an economically ideal or optimal society. This vision derives from the elemental goal of maximum income, which demands an optimal allocation of resources at each moment in time plus a dynamic technology. This vision is an ideal in the sense that (vexing problems of "second best" solutions notwithstanding) it serves as a standard which economists use to help them judge practical policies.

The "ideal" society in sociology

The school of sociology considered in this paper does not contain any models of "optimality" that parallel the constructs of welfare economics. But there is probably implicit in it a vision of something like an ideal society, which ideal would serve heuristic purposes and influence judgments about public policy. This implicit ideal might be more easily evident in the literature on "mass movements" than in Professor Parsons' own writings, but it is also evident to some degree in his works. The sort of sociological ideal at issue is, moreover, far too complex and comprehensive to be susceptible to brief summary. It is the result not only of extensive theoretical writing, but also of

subtle insights that have emerged from many lifetimes of empirical research.

But perhaps the most basic dimension is that ideal can be mentioned, if not precisely defined. That dimension is "alienation." However much they differ in other respects, a whole family of sociological studies unite in treating alienation, or some similar psychological estrangement, as the principal sociological pathology. To say that the minimization of alienation plays a role in many sociological studies not unlike the maximization of satisfaction (or utility) in economics is to enumerate a half-truth—a statement that makes those who believe in the other half angry. Yet it is a half-truth that, because it refers to a part of the truth that has been neglected, should now be emphasized.

Though the minimization of alienation is in a sense the most fundamental variable in this particular sociological ideal, it is not perhaps the most important, or at any event the most often discussed in the theoretical literature. The degree of "integration" of a society is probably even more central, and the ideal is that this degree of integration should be maximized. The degree of integration, or "institutional integration," as it is more carefully called, is important not only because it affects the amount of alienation, but also because it affects in other ways the chances that the society will cohere.

The degree of integration tends to increase with the extent to which a set of individuals forms a "community," and would be nil in a situation in which a set of individuals had no social structure, common values, or institutions. It would be high in a situation in which everyone in a society has tied into the social order by bonds to a wide variety of associations, in which social structure was elaborate, in which common values, norms, and institutions were cherished, where individual roles were well understood, and where mechanisms of social control were well developed. The number and degree of group associations and affiliations, and the degree to which behavior is institutionalized, or organized, structured, and regularized, tends to be a very high, if not indeed at a maximum level, in this ideal society. It is not only the extent of group association and institutionalization that is emphasized, but also its mutual consistency and stability. If the demands or values of different groups or associations with overlapping memberships or objectives are incompatible, and different people have conflicting expectations about what people with particular roles should do, then the degree of integration is limited and the possibility of societal disintegration increased.

It may be possible to give an impression of this ideal type with some examples. Many of the sociologists whom Parsons has influenced give a great deal of emphasis to "voluntary" associations and other "intermediate" groups (organizations smaller than the state).

This is especially true of the literature on the causes of what sociologists call "mass movements," and Professor Parsons has aptly said this literature constitutes a "new pluralism." There are many relevant types of intermediate groups, but perhaps the professional association, the labor union, and the organized pressure group are the leading examples. The professional association is perhaps most important of all. Some of these who share the Parsonian perspective think all types of economic life should be organized the way a profession such as medicine is organized, with a powerful guild organization and a pervasive occupational ethic controlling each industry. To be sure, this idea got most of its strongest support before the Parsonian school began—it was urged by Emile Durkheim, R. H. Tawney, the guild sociologists, some syndicalists, and by some advocates of a corporate or Fascist state. But the systematic conceptions needed to justify a system of economic organization modeled on the professions was developed by Professor Parsons, and he has repeatedly emphasized the functions that professional ethics, institutions, and associations perform.

The labor union and the organized pressure groups have also received special attention. One of the most interesting assertions in this literature is that labor unions, and perhaps even Marxian labor unions, may reduce the chances of a revolution in a modern society, because the labor union, however radical its ideology may initially have been, will provide a source of group participation for many workers, and the sense of belonging or group participation that results may reduce alienation and thereby the desire to overthrow the social order. There is perhaps also a tendency to emphasize the sense of group identity and the feeling of participation fostered by a pressure group rather than its practical impact in the political system. In the sociological conception, it would probably be a necessary condition for an ideal society that there be many groups of the sort we have just discussed.

There will be objections that this ideal is unsatisfactory in its own terms, quite apart from the merits of other types of ideal societies that may be imagined. Many people—probably even some of those who have contributed to the dissemination of this ideal—would say that they personally prefer unstructured and mainly unorganized, if not disorganized, societies. Many of us love ill-defined roles and feel confined by extensive associational networks. A new generation of sociologists, mindful of Marx, emphasizes the inevitability—or even desirability—of social conflict, and thus has only contempt for the Parsonian prediction of consensus. Many people who look at the literature on group participation would agree that more attention ought to be given to the *impact* or share of power that organizational membership can bring, and less to the fact of belonging per se. But the disadvantages of the sociological

ideal described, and the impressionism and injustice of this brief and selective description of it, are not so important for the special purpose of the moment, which is to show how economic theory and a prevalent type of sociological theory can lead to conflicting conclusions.

Ideals into nightmares

The point is that *the economic and sociological ideals described are not only different, but polar opposites: if either one were attained, the society would be a nightmare in terms of the other.* There are no doubt many social arrangements so inept that society is inside what the economist would call the production possibility frontier; that is, in a situation where it could get closer to either the economic or the sociological ideal without getting further from the other. An example of this would be a society with total anarchy, in which a step taken to promote integration, such as the establishment of a government that created law and order, would bring both the economic and the sociological ideals nearer. But these positions that are inferior by both standards are not very interesting. The important question is how much of the one ideal to give up in order to get more of the other when you can't get more of both. This is an important matter, for in terms of the values of most people I know (whatever their disciplinary backgrounds), there is profound merit in both ideals. The economic and sociological ideals, far from both being destroyed by their contradiction with one another, are in fact expressions of the most fundamental alternatives human societies face. The fact that most of us want to choose compromise positions between these polar ideals does not negate their value as intellectual constructs that can give us a clearer understanding of the implications of a marginal move in one direction or another.

The fundamental character of the conflict between these two ideals may not, however, be immediately evident, so we must first show how one ideal prevents the achievement of the other. The economic ideal required that there be an optimal allocation of resources at any moment in time and rapid innovation over time. An optimal allocation of resources requires that a series of marginal conditions be satisfied throughout the society; the marginal rates of substitution of any two factors of production must be proportional to the ratio of their prices and the same in all employments, and so on. But if there is rapid growth, the demands for different goods, the methods of production, the location of production, and the marginal products of particular factors of production will change incessantly. A Pareto-optimal allocation of resources will therefore require *constant reallocations of resources.* This will mean that

factors of production, including labor, must frequently move from firm to firm, industry to industry, and place to place.[3] Since methods of production are rapidly changing, the same *combinations* of labor and other resources won't be needed very long: new *groupings* of workers are needed as the economy changes. This means that individual mobility is normally required, and this in turn means that the rewards of the incentive system must be offered on an individual basis.

Rapid change and growth in an economy means great gains in one area and vast losses in another, for incentives are needed to induce the needed mobility of labor and capital, and the changing pattern of incentives means many *nouveaux riches* and *nouveaux pauvres*. Both social and geographical mobility are at a maximum in the economically "ideal" society, and there can be few if any stable group relationships, apart from those in a nuclear family in which *only one* member is in the labor force. There can be no group loyalties or organizational constraints that limit individual mobility in response to changing incentives. There can be no organizations or other mechanisms that give those whose legitimate expectations are frustrated by the pattern of change the power to defend their interests, for this will (except where normally infeasible "lump sum" transfers can be arranged) pervert the pattern of incentives needed to bring about the resource reallocation which is entailed by the economic ideal. No group with a role in the productive process can restrict mobility by regulating entry, giving privilege for seniority, or "featherbedding."

I have elsewhere discussed some aspects of the relationship between rapid economic growth and social and political stability in more detail,[4] so there should be no need to spell out the argument here. It should in any event already be evident that the society that enjoys the benefits of the economic ideal will, because of the magnitude of social and geographic mobility and the dearth of stable group relationships, for that very reason be one in which individuals are constantly uprooted and in which alienation is probably at a maximum. The rapid change will also work against stable institutions and ethical norms. Moreover, the plurality of intermediate organizations, such as professional associations, labor unions, cartels, and lobbying organizations, which the sociological ideal cherishes,

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[3] It is logically possible that reallocations of resources could be constant, but the rate of reallocation might still be so slow that social costs were small. Only those with a wanderlust, or the young adults who are leaving their parents' homes anyway, would then have to move. Rates of economic growth that are rapid by modern standards could, however, require much faster reallocations than could be handled in this way if the marginal conditions necessary for complete economic efficiency are to be satisfied at all times.

[4] "Rapid Growth as a Destabilizing Force," *Journal of Economic History*, XXIII (December 1963), 529–552.

cannot be allowed, for such organizations, by defending the *group* interests of their clients through the political system, by limiting entry or exit, or by preventing the adoption of new methods of production, would prevent the maximum growth which the economically ideal system will by definition achieve.

It should similarly be obvious that, *when the particular sociological ideal at issue has been achieved, the society will tend to become economically stagnant.* The guild-like institutional integration and regulation that is inherent in the sociological ideal tends to prevent change (just as the medieval guilds did). Without change, there can be no growth, so that the "professionalization" of economic life is one of the surest ways to prevent economic advance. The familiar argument that the Parsonian sociological tradition has a conservative bias turns out to be an heroic understatement when the economic aspect is considered, for the minimization of stress, alienation, and the elaboration and integration of institutions that it involves will tend to prevent economic even more than political change—and opposition even to economic change is indeed conservative! But this ideal must nonetheless not be belittled—its importance is evident whenever we examine the implications of its opposite.

At the most general level, what has been said is that the typical individual's need for some degree of stability in group relationships, and therefore also some institutional stability, can in a wide range of situations work against the maximum attainment of all other individual objectives. To put it another way, the continuous reallocations and rearrangements that are needed to satisfy maximally all of our other individual wants (be they material or not) is not usually consistent with the stable or enduring interpersonal relationships that most people apparently value and need. The ideal situation, interpersonal relationships aside, has been stated, in part explicitly, by economists. A set of ideal arrangements for group interaction, all other things aside, has been described, albeit implicitly, by sociologists. There are many ambiguities and shortcomings in both of these ideals, and even greater failings in my hurried vulgarizations of them, but it surely cannot be denied that it is often important to keep something like both of these polar cases in mind.[5]

These polar cases are not, however, always kept in mind in

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[5] It might be supposed that even the desire for stable interpersonal relationships can be subsumed under the economic mode of analysis, thereby allowing a clear delineation of a single, comprehensive ideal. The society must "trade off" stable group relationships with the other things it wants, and accordingly needs some conception of an "ideal compromise." Unfortunately, the economist's tools of thought are not well adapted to dealing with situations in which different individuals' wants are highly interdependent (as they are when they cherish given group relationships) and economists have not usually studied this aspect of reality. Thus, in practice, there is still the need to keep both ideals in mind.

scholarly discussions, for each of them is monopolized by a different discipline. This has greatly hindered intellectual advance in the study of such topics as the labor union or foreign aid. It has also made it more difficult to develop methods for helping the country answer questions such as "what is the socially optimal rate of migration of Negroes from the rural South to the urban North?" It also presents a special challenge for a social report, since a social report which keeps only one or the other of these ideals in mind could mislead a nation about some of its profound problems. *The choice of a position along the continuum between the economic and the sociological ideals must be made by the political system.* But scholars fail to do their duty if they do not help a society understand the implications of alternative choices.

Social reality as a whole

All of this argument brings us back to the original thesis: it is futile to attempt to determine the division of labor between social science disciplines in terms of the objects they are supposed to consider. Reality cannot be divided into departments the way universities are, and no logically defensible division of subject matters is possible. The various disciplines are, however, distinguished by their prejudices and their methods. Economics, sociology, psychology, and political science must therefore be whatever economists, sociologists, psychologists, or political scientists do, or rather what they do best. But that can't be definitely determined before each discipline has tried to solve whatever problem is at issue. Therefore we should hope for a great deal of disciplinary overlap so that every problem that might benefit will, if the available resources permit, get the attention of scholars with different attitudes and methodologies.

If the spheres of the separate social sciences cannot properly be defined in terms of the nature of the reality studied, we can also conclude that a government should not in general seek advice about one segment of reality from only one discipline, and advice about some other segment of reality only from another discipline. We should not be surprised that the economic approach embodied in the Planning-Programming-Budgeting System can improve social programs. We should not be surprised when sociologists, psychologists, and political scientists contribute to the study of poverty, or business organization, or labor unions. Above all, we should conceive of any social report in multidisciplinary terms: all of the social science disciplines must be exploited if such a report is to achieve its full potential.

The division of emphasis between the Economic Report and a social report might pragmatically be determined in keeping with the Council of Economic Advisers' traditional and proper preoccupa-

tion with "macroeconomic" questions—the problems of recession and inflation, or the fluctuation of the market sector as a whole. "Microeconomic" questions—those that relate to particular sectors and groups—and "social" problems have not been given much attention in the Economic Report, or in any major government document. There is accordingly a need for the systematic public assessment of these problems, and this need suggests that a multidisciplinary social report could be quite useful.

A final conclusion is that the need for interdisciplinary communication and collaboration is even more urgent than it is usually said to be. If the argument of this article is correct, such communication and collaboration is essential to assure that all competing explanations of a particular phenomena are debated and compared, and to assure that society makes an informed compromise between the polarized ideals cherished by different disciplines. Yet interdisciplinary undertakings become steadily more difficult, as the scholarly market grows larger and the house of intellect expands. The very advance of scholarship can make it more difficult to see not only social science, but also social reality, as a whole.

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