

Autobiographical Notes of a Socio-Economist

There are many routes that led to my interest in socio-economics. One personal experience, however, is at the core. It took place while I served as a Senior Advisor to the White House (1979-1980). Since the routes I traveled to the White House are relevant to what happened while there, these need first to be briefly told.

When I was taking my undergraduate studies at the Hebrew University in Jerusalem one was required to have a "major" and a "minor." Sociology was my main love; economics, the minor. Sociology was taught by Martin Buber (who saw to the social philosophical side), Yonina Talmon, and S.N. Eisenstadt (who had strong foundations in Parsonian sociology). Economics was taught by a young professor who had just arrived from Chicago, a sterling neoclassicist, Dan Patinkin. Neither of these faculties particularly expected their students to play around; nor was the post War-of-Independence era conducive to taking life lightly. By the time I graduated, I was thoroughly introduced to both disciplines.

My next step took me to the Ph.D. program at University of California at Berkeley. Needing employment, I worked at the Institute of Industrial Relations where S. M. Lipset was studying the economic and social foundations of democracy; Reinhard Bendix' work was in industrial sociology and Clark Kerr was studying labor unions. Others similarly combined social sciences and economics quite routinely.

In the next twenty years at Columbia University, my office was in Fairweather Hall,

as were the offices of Gary Becker, Kelvin Lancaster and a long string of other neoclassical economists. While we all respected each other (sociology at Columbia in those days was considered one of the best departments in the world), the interaction was largely social, not intellectual or cross-disciplinary.

In 1978-1979 I served as a guest scholar at the Brookings Institution, a Washington think tank in which economics and other social sciences mingle frequently. There I learned from Alice Rivlin, Henry Aaron, Joe Pechman, Martha Derthick and a score of others. I was working on the concept of reindustrialization. Basically, I argued (in the late '70s) that the U.S. has entered (like the U.K.) into a new category of countries not developed, not developing, but under-developing. The U.S. had achieved a high level of economic development and it was gradually deteriorating on many accounts. The idea behind reindustrialization was to repeat the process of industrialization by shoring up six of the seven elements I argued are essential for economic vitality, and that had deteriorated over the years. The six elements were *energy* (in the post 1973 environment the US lost cheap, reliable supplies of energy on which it had previously been building); *transportation* (the decline of railroads, due to poor maintenance, caused freight to travel as slow as ten miles per hour in some parts of the country; the highway system and especially bridges were severely under-maintained as well); *human capital* (weakened as the work ethic waned after years of affluence and the counter-culture); the *legal and financial institutions* (highly favorable to industrialization in the 19th century and first half of the 20th, turned excessively restrictive); *capital* (people were not saving as much as they had); *research and development* (vital for innovation, had declined). Only *communication* (due to the invention of computers and satellites) was a vigorous sector.

The preceding analysis led me to advocate (see *An Immodest Agenda*, 1983) a program to shore up weakened sectors a process that I

called reindustrialization. I stressed that I did not mean industrial policy (which is typically understood to involve government agencies, like the Japanese MITI, selecting winners to receive special favors while leaving the designated losers to founder). Nor did I mean rebuilding necessarily the same old structures (railroads) or industries (for example, steel), but the same *functions* need to be served. Thus, if the economy relied less on oil for energy, it would need more, say, solar energy. And if the railroads declined, more cargo planes should be built, and so on.

My approach was quite well received (for instance on the front page of *The Wall Street Journal*) by segments of the public and some colleagues, and led to the invitation to serve on the White House staff. Once inside, though, I discovered that while second-layer people were quite supportive to the ideas of reindustrialization, the first-line staff, closest to the President, were opposed. The President was strongly committed to balancing the budget as an economic and political article of faith and reindustrialization entailed major outlays. His closest advisers shared his beliefs.

In February 1980, panic struck the corridors of the White House. Inflation was escalating (rising from a 14% annualized rate to 20%); gold ran up to \$875; the bond and stock markets were reeling; there was a general loss of confidence. We were also into an election year, with a challenge to Carter from the conservative side by a governor of California, Ronald Reagan. Neoclassical economists in the White House argued that the way to break the back of inflation was to announce a balanced budget. This was expected to cool inflationary expectations and stop hedge buying. People, at that time, were buying *more* as prices *rose*, fearing still higher prices to come and in the process driving inflation up further. I argued that since the actual budget could not be balanced (at best, that of the *next* year could be), and because people's expectations were likely to be affected more by their behavioral experiences than by statements of a president who was considered ineffectual and politically motivated in an election year, other measures were called for.

If the goal was to cool inflation, especially restraining credit seemed the way to go. (It immediately cuts purchasing power while presidential statements attempt to affect expectations, and through them—behavior.) At the same time, I maintained that causing another economic slowdown would have no lasting beneficial effects because the quality of infrastructure would continue to deteriorate and hence, soon after the recession was over, the economy would inflate again. It was like slowing down an overheating locomotive to cool it instead of refurbishing it. With this approach, the economy would never be able to travel faster than 2.5 percent GNP growth per year, a rather meager rate, without overheating. As the only sociologist on the staff, I lost the debate. Millions lost their jobs as a result of the 1980 recession that Carter induced; it helped defeat the Democrats in the election, and made me feel very under-prepared and inadequate. If only I had more evidence, arguments and like-minded colleagues...

I decided to stay in Washington and accepted a "chair" at George Washington University. I spent two years reading neoclassical economics to get re-tooled. In doing so I learned a lot about many colleagues, especially Joe Cordes, Bryan Boulter, Robert Dunn, Bob Goldfarb, William Griffith, John Kwoka, and Tony Yezer. I started working on a critique of neoclassic economics. However, in reading further I discovered that this work had been done to perfection in many books, especially by Lester Thurow in *Dangerous Currents*, and by Fred Allvine and Fred Tarpley, Jr. in their book *The New State of the Economy*. What was needed was a new paradigm that would encompass what neoclassical economics has to offer but which would include the neglected elements from the other social sciences, especially individual and group psychology, the study of institutions and historical forces, and the role of values. As I was working on papers that later turned into chapters of *The Moral Dimension*, I heard a lecture by Fred van Raaij at George Washington University that impressed me a great deal. It was dedicated to the positive role

of affect. He also shared with me a copy of an unpublished article that Rik Pieters and he had drafted (later published as “The Role of Affect in Economic Behavior” in *Handbook of Economic Psychology* by van Raaij, etc., 1987). I learned a great deal from it. I also benefited from the writing of Danny Kahneman and his colleagues. I studied with Danny at the Hebrew University, exchanged ideas with him in the early sixties at Berkeley, and caught up with him during one of those interminable conferences. The conception that he and his colleagues developed, the Prospect Theory, provides essential building blocks for socio-economics. So does the work on anxiety and affect by Irving Janis, Leon Mann, and Alice M. Isen.

As my own papers on the subject were published, one of the first in the *Journal of Economic Psychology*, the Vice President for Academic Affairs of George Washington University, Rod French, asked me to start the first GWU faculty seminar. I chose the new synthesis, then labeled the seminar, “socio-economics”. Aside from the GWU faculty, colleagues from across Washington participated such as Jessica Einhorn from The World Bank, and John Anderson from the editorial board of the *Washington Post*, among others. We created a culture of non-defensiveness: Neoclassicists and other social scientists agreed not to challenge one another but to be open about the shortcomings of their own discipline and to try to learn from each other. We had excellent speakers including findings, conceptions, and a new paradigm to study economic behavior and choice in general.

We are hardly the first. In Europe excellent work is being done by groups such as The International Association for Research in Economic Psychology and the European Association for Evolutionary Political Economy. In the U.S., social economists and institutional economists have long worked this field.

This is not the place to discuss what parallels and what separates these groups. (One may well question if they should be separate.) One point, though, deserves brief discussion

because it concerns a matter of principle, as to how scientific paradigms change. SASE’s uniqueness is that it does not seek to directly convince neoclassicists; it tries to develop a positive paradigm through dialogue and to work together with those who share this goal. SASE’s mission will not succeed if its endeavors are constantly interrupted by neoclassicists trying to show that their discipline can provide the answers and encompass the challenges; especially when this is done with much hubris. It seems necessary initially for socio-economists to work with one another and find the concepts and tools to work out their paradigm and show that it is predictive, explanatory, and ethically sound all of which I believe we are increasingly doing. Indeed, I am quite confident that the next time a colleague finds him or herself in the White House or in any other major place an expert voice needs to be heard, they, armed with socio-economics, will be more effective than I was.

Amitai Etzioni

Vita

Born: Köln, West Germany, January 4, 1929
Widowed, five children

Education:

B.A. The Hebrew University, Jerusalem 1954
M.A. The Hebrew University, Jerusalem 1956
Ph.D. University of California, Berkeley 1958

Employment Experience:

Instructor, Columbia University 1958-1959
Assistant Professor, Columbia University 1959-1961
Associate Professor, Columbia University 1961-1967
Professor, Columbia University 1967-1980
University Professor, The George Washington University 1980-
Director, Center for Policy Research 1968-
Research Associate, Institute of War and Peace Studies, Columbia University (part-time) 1961-1971
Senior Staff Member, Bureau of Applied

Social Research, Columbia University
1961-1970
Associate Director, Bureau of Applied Social
Research 1969-1970
Chairman, Department of Sociology,
Columbia University 1969-1971
Guest Scholar, Brookings Institution,
Washington, D.C. 1978-1979
Senior Adviser to Richard Harden, Special
Assistant to the President, the White House
1979-1980
Thomas Henry Carroll Ford Foundation
Professorship (Visiting Professor),
Graduate School of Business
Administration, Harvard University 1987-
1989

Affiliations:

Core-member, American Academy of Arts
and Sciences, Summer Institute 1962
Federation of American Scientists 1963-1969
National Board, Americans for Democratic
Action 1963-1968
Foreign Policy Commission, Americans for
Democratic Action 1964-1969
Fellow, American Sociological Association
1964-
Member, Committee on International Order
1963-1969
Chairman, Committee on International Order
1968-1969
Member, Committee on Nominations and
Elections 1966-1967
Member, Committee on Professional Ethics
1967-1968
Member, Committee on the Regulation of
Research (American Sociological
Association) 1983-1986
Member, Commission on Sociology and
Society 1984-
Member, Executive Committee of the Eastern
Sociological Society 1969-1971
Fellow, Hudson Institute 1964-1969
Sponsor, The Atlantic Council of the United
States 1964-1979
Board Member, Canadian Peace Research
Institute 1964-1969
Member, Advisory Committee for the
National Study on Student Unrest

(American Council on Education) 1968-
1970
Founding Member, Research Advisory Group
of the World Order Models Project. Yale
University Law School (World Law Fund)
1969-1971
Member, Commission on Urban Affairs,
American Jewish Congress 1969-1971
Member, Science Information Council,
National Science Foundation 1969-1974
Member, Administrative Board, Research
Institute on Communist Affairs, Columbia
University 1970-1974
Member, Social Problems Research Review
Committee, National Institute of Mental
Health 1970-1972
Member, Board of Open Channel 1971-1974
Member, Sociological Research Association
1972-
Member, Committee on Public Understanding
of Science (American Association for the
Advancement of Science) 1972-1974
Member, Research Committee on
Sociotechnics of the International
Sociological Association 1972-1973
Member, Governing Council, American
Jewish Congress 1973-1975
Member, Advisory Panel, Population Society
1973-1975
Member, International Society for Research
on Aggression 1973-1975
Member, Hudson Basin Project 1973-1974
Member, Council on Foreign Relations 1976-
1988
Founding Member, International Society of
Political Psychology 1977-
Member, Research Advisory Committee of
Resources for the Future 1976-1980
Member, National Research Council
Assembly of Engineering Committee on
Technology and Health Care, National
Academy of Sciences 1977-1979
Member, Animal Kingdom Fund Committee
1978-
Member, Electromagnetic Radiation
Management Advisory Council, U.S.
Department of Commerce 1979-1982
Board Member, Science Program Group 1978-
1979
Member, National Advisory Board, Center

for National Policy 1982-1986
 Member, Economic Forum, Conference Board 1983-1986
 Member, Advisory Board, SABE, Society for the Advancement of Behavioral Economics 1987-
 Member, Editorial Advisory Board (EAB) of the Living Economics/Living Economy Network Initiative 1988-
 Member, National Advisory Committee of the Institute of Government and Public Affairs 1989-
 Member, Special Committee on Lawyering in the 21st Century, American Association of Law Schools 1989

Editorial Experience:

Member, Editorial Board, *Journal of Peace Research* 1965-1972
 Member, Editorial Board, *Administrative Science Quarterly*
 Associate Editor, *American Sociological Review* 1965-1968
 Member, Editorial Board, *Sociological Inquiry* 1967-1974
 Contributing Editor, *Psychiatry and Social Science*
 Associate Editor, *Sociological Abstracts* 1968-1971
 Member, Editorial Advisory Board, *Current Contents, Behavioral Social and Management Sciences* 1969-
 Member, Editorial Board, *International Journal of Group Tensions* 1970-1976
 Member, Editorial Board, *Social Policy* 1970-1974
 Member, Editorial Board, *Science* 1970-1972
 Member, Editorial Advisory Board, *Administration and Mental Health* 1972-1975
 Member, Editorial Advisory Board, *Social Sciences Citation Index* 1972-
 Member, Editorial Board, *Sage Professional Papers on Administrative and Policy Studies* 1972-1974
 Member, Editorial Board, *Israel Social Science Research* 1982-
 Member, Editorial Board, *Journal of Accounting and Public Policy* 1983-

Member, Editorial Advisory Board, *International Journal of Robotics and Computer Integrated Manufacturing* 1983-
 Member, Editorial Board, *Journal of Public Policy* 1984-
 Member, Editorial Board, *Futures Research Quarterly* 1984-
 Member, Editorial Board, *Journal of the American Association of University Administrators* 1985-
 Member, Editorial Advisory Board, *Robotics and Computer-Integrated Manufacturing* 1985-
 Member, Advisory Editorial Board, *Journal of Social Behavior and Personality* 1986-
 Member, Editorial Board, *Transaction/SOCIETY* 1987-
 Editorial Adviser, *Work, Employment and Society* 1987-
 Editorial Adviser, *Nonprofit Management and Leadership* 1989-
 Member, Editorial Panel, *Management Committee of "Human Relations,"* The Tavistock Institute of Human Relations 1990-
 Member, Editorial Review Board, *Business Ethics Quarterly*, Journal of the Society for Business Ethics 1990-1995

Honors:

Meir Heifetz for an Essay "Rewards in the Industry of 20th Century U.S. and China," Hebrew University Jerusalem 1952-1953
 Faculty Fellowship, Social Science Research Council 1960-1961
 Fellow, Center for Advance Study in the Behavioral Sciences, Stanford, California 1965-1966
 Faculty Fellowship, Social Science Research Council 1967-1968
 William Mosher Award for the most distinguished academic article of the *Public Administration Review* 1967
 Guggenheim Fellowship 1968-1969
Genetic Fix nominated Science Section, National Book Award 1974
 Certificate of Appreciation for Outstanding Contribution to the Nation's Bicentennial Commemoration 1976

Delivered the Abraham Weckstein Memorial Lecture, New York University (March 12)1977

Guttentag Memorial Lecture. Plenary Session Annual National Meeting, Evaluation Research Society, Washington, D.C., November 4, 1978

Fellow, American Association for the Advancement of Science 1978-

Commencement Address, University of Connecticut June, 1979

Franklin Foundation Lecture, Georgia State University 1978-1979

Honorary Degree of Doctor of Letters, Rider College 1980

Wherrett Memorial Lecture, Graduate School of Public and International Affairs, University of Pittsburgh 1981

Fellow, Public Agenda Foundation 1981-1982

Member, National Board of Invited Distinguished Jurors. National Forum of Educational Administration and Supervision 1984-1985

George S. Eccles Distinguished Lecture, Utah State University Logan, Utah May 3, 1984

Jane Globus Distinguished Lecture, Baruch College, New York October 19, 1984

Winner, first annual competition for papers in the area of behavioral economics, "Entrepreneurship, Adaptation and Legitimation", The Society for Advancement of Behavioral Economics January, 1986

Honorary Degree of Doctor of Humane Letters, Governors State University 1987

Lester F. Ward Distinguished Contributions Award in Applied Sociology, Society for Applied Sociology 1987

Distinguished Speaker, Academy of Management Annual Meeting May, 1988

Scientific Achievement Award, Washington Academy of Sciences 1988

Eli Goldson Lecturer, Babson College 1988

Distinguished lectureship speaker, Eastern Sociological Meeting (March, Philadelphia)1988

The Duncan W. Clark Lecture, Annual Health Conference, Committee on Medicine in Society of the New York Academy of Medicine 1989

The 1990 Annual Conference of the Society for Business Ethics, special Distinguished Scholar presentation, (August, San Francisco) 1990

The Royal Netherlands Academy of Arts and Sciences meeting to honor Amitai Etzioni (November, Amsterdam) 1990

Consultant:

Public Health Service on Health Science Administration

Altro Rehabilitation Workshops United States Office of Education

Office of Economic Opportunity National Foundation on the Arts and the Humanities

Arms Control Disarmament Agency

President's Commission on the Causes and Prevention of Violence Advisory Committee on Campus Unrest and Change (Study of the American Council on Education)

Commissioner, Commission on Education for Health Administration 1972-1974

National Center for Health Services Research and Development (Health Care Technology Division) 1973

Ministry of State, Urban Affairs, Canadian Government 1974

National Institute of Mental Health 1978-1979

Alcohol, Drug Abuse, and Mental Health Administration (ADAMHA) 1978-1979

General Services Administration (GAO) 1978-1979

Elected Office:

Member, Council, American Sociological Association 1983-1985

Member-at-Large, Section K (Social, Economic, and Political Sciences), American Association for the Advancement of Science 1987-1991

Member, Trustee, Executive Council, Association for Social Economics 1991-1992

Judgeships:

Managing Committee for the American

Association for the Advancement of
Science Socio-Psychological Prize 1969-
1970

The Science in Society Journalism Awards,
sponsored by National Association of
Science Writers, Inc. 1974

The Douglas MacGregor Memorial Awards,

sponsored by the *Journal of Applied
Behavioral Science* 1974

The Edward L. Bernay's Foundation Award,
sponsored by Emerson College 1974

The Great American Family Award,
sponsored by The White House 1985

Part I

**The Behavioral and Socio-Economic
Perspective**

