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John B. Davis and Edward J. O'Boyle

As is clearly evident, the contributors to this volume generally believe that the reconstruction of market economics and the market economy involves adopting a more comprehensive, more holistic view of economy and society. For them, mainstream economics can be faulted for failing to explain real economic relationships and for its pursuit of an overly narrow, excessively scientistic conception of the economy. The change in vision we believe necessary in economics is represented here by a general statement of the goals pursued by the alternative thinking in the essays in this volume and specific illustrations of what such an approach may uncover in the experience of everyday life. We thus first describe how we believe a rethinking of market economics involves a rethinking of human nature, and then go on to describe four recent examples in which innovative thinking about workplaces and neighborhoods permits people to address human need. From this we discern a number of lessons from a socioeconomic approach to the concept of need, which we believe should guide future research in economics. Respecting these lessons would do much to bring the practice of professional economists back into line with self-understanding of the people whom they study.

Social Economics: A Reconstruction of Mainstream Economics

Mainstream economics is widely recognized to have sacrificed a broad understanding of human nature for a restrictive model of rational behavior tailored to the requirements of a supply-and-demand explanation of the market process. Thus social scientists and humanists often bemoan the narrowness of contemporary mainstream economics, arguing that economists abstract from all that is interesting and difficult to explain in human behavior because it does not fit rational choice theory. Economists themselves are generally content to limit their interest in human nature to a narrow set of possible choice characteristics on the assumption that this does not prejudice their ability to predict economic behavior. The premise of the essays collected in *The Social Economics of Human Material Need* is that economic life cannot be adequately understood apart from a broad view of human nature. A rethinking of market economics consequently presupposes a rethinking of human nature, and both together are required for an adequate and informative account of human need.

Rethinking Human Nature

The chief fault in mainstream economics' characterization of human nature is its omission of the social dimension of human nature. Human nature is two-dimensional, both individual, as mainstream economics has always recognized, but also social, a fact ignored by most contemporary economists. Attention to the latter dimension, moreover, is essential to the analysis of individual needs, since understanding individual needs depends upon seeing individuals as members of a society with generally accepted standards of deservingness and personal well-being. Rethinking human nature, then, means first and foremost coming to an understanding of those social values that determine our conceptions of individual need and that explain the general standards society recognizes as defining human dignity and personality.

The omission of the social side of human nature is perhaps

most evident and most harmful in regard to mainstream economics' general stance toward public policy regarding markets. Perceiving economic agents as only individual in nature, mainstream economists abstract from social differences in wealth and advantage across individuals, and argue that because individuals only trade when they expect to make themselves better off, markets should be free from government intervention. Yet this recommendation gives tacit approval to a variety of undesirable market outcomes in the name of a defense of the social value of individual freedom. Moreover, when individuals' differences in well-being and consequent bargaining power are believed to be relevant to economists' analysis of markets, then defending the market process also requires attention to the terms and conditions on which individuals enter markets. This broader framework for economic policy, which typically entails concern for access to education, job training, equitable income distribution, fair tax burdens, safety in the workplace, discrimination, and so on, requires a greater vision of individual human beings in economic life than arises from the individualistic paradigm of mainstream economics.

Human beings taken in this larger perspective possess two fundamental material needs that derive from their nature as persons. First there is physical need. As living creatures, human beings clearly possess physical requirements for survival. There are many ways that this dimension of need can be expressed as dictated by differences across societies and individuals regarding the sorts of things that satisfy this basic level of need. Nonetheless, individuals' essential materiality makes the simple fact of physical need self-evident to us all. Second there is individuals' need for work. Because human beings are conscious, intentional creatures, they exercise their skills and capacities upon activities and objects of their work. An existence without activity is destructive of the individual, and thus individuals must be able to apply their talents with a conscious deliberation to insure their very survival as human beings. In mainstream economics, in which labor is treated as an input to production no different than any other input, this important dimension of life and need is altogether unrecognized.

What, then, are the social values that make possible this minimal conception of human need? As argued by Peter Danner above, freedom, equality, and community constitute the three principal social values that comprehend a broad conception of human nature as both individual and social. Freedom, of course, is well recognized in mainstream economics, since the expression of individual nature in market choices is central to the analysis of rational choice. Even equality as a social value receives significant attention from mainstream economists, since the standard efficiency critique of market power and monopoly presupposes that competition must be carried out on an even playing field. Yet as one would expect from the lack of attention in mainstream economics to the social side of human nature, mainstream economists rarely grasp the importance of community as a social value in economic life—this despite the fact that fraternity, free associativeness, and democratic participation are values deeply embedded in much of our life together in all its spheres.

A rethinking of human nature in economics, therefore, involves developing a better understanding of the human being's social side, particularly as explained by the social value of community, and then integrating this with an appropriately reformulated conception of the human being's individual side. In *The Social Economics of Human Material Need*, this has been taken to be tantamount to replacing the traditional view of the economic individual as *Homo economicus* with one termed *Homo socioeconomicus*. Practically speaking, this shift in focus entails the development of a research program in economics that devotes more attention to the variety and array of socioeconomic institutions that enable individuals to organize their interactions with one another in markets in a fashion suitable to their dual-dimensioned human nature. These institutions in the chapters above are broadly classified as those fostering competition, intervention, and cooperation—systems of organization that are respectively tied to the three social values of freedom, equality, and community. Within this broader framework for understanding human nature and economic behavior, the reality of material need can become the subject of economic policy making as the-

ory in economics becomes more attuned to the genuine features of the world in which we live. It is to this task that this collection has been dedicated.

Rethinking Market Economics

What, however, are the specific deficiencies of mainstream economics with its one-sided view of human nature and the principles underlying economic organization in the modern economy? How precisely is it, that is, that the mainstream view of human nature and economic behavior produces oversights and misconceptions regarding the real world of economics in the theory that it advances? Recalling the circular flow of expenditure and income, we can identify two fundamental areas of concern, resource markets and product markets, from which further comment on the general view of the market system naturally follows.

In resource markets, where in mainstream theory firms purchase inputs for production, the highly individualist conception of economic agents enforces a conceptual separation between transactions and the individuals involved, the agents of firms, and members of households. Market economics as it is currently pursued only examines the immediate conditions of supply and demand of commodities without at the same time investigating the social and human aspects of market participants. But the individuals who offer goods and services as inputs to production possess a need for income and work that defines them as human beings. The individuals who bargain for the firm on the demand side possess similar needs in work and income. These further characteristics of individuals cannot be separated from our examination of the things—the resources—that they bargain over, since the true terms on which individuals interact in markets are those that follow from their overall human nature. A rethinking of market economics in the sphere of resource markets, then, requires an analysis that reunites transactions and a full understanding of market participants.

Integrating these aspects of the lives of individuals who transact with one another in resource markets, in fact, is something many of us do unconsciously. We are often aware of

those with whom we deal and incorporate this awareness in our responses to others in markets. The problem with mainstream economics is that it formalizes market transactions on the narrowest of grounds, so that its conclusions typically discourage our better intuitions. In resource markets, it seems that it is only the characteristics of the inputs to production that determine the organization of production rather than the decisions of living individuals. Worse, when it comes to economic policy, we may be inclined to disvalue those sides of individuals that fail to receive ready statement in our supply-and-demand judgments about the functioning of markets. Should an individual, say, feel compelled to work at an undesirable wage and employment, mainstream economics is only able to say that for an individual happening to possess such-and-such a laboring capacity and other resources this choice must have been preferred to another not pursued (even more unfortunate!) or it would not have been taken. Mainstream economics, then, cannot begin to investigate felt compulsion and the extent to which it is located in individual need, because it lacks a means of examining the broader aspects of human nature that enter into market decisions.

There are similar difficulties with mainstream economics' analysis of product markets. Because the traditional approach concentrates its attention on the goods and services that pass from firms to consumers, allowing the individuals involved to enter into the explanation in only the narrow choice theoretic sense, the full range of rationales behind production and consumption in a society are obscured. Thus, should consumers, say, convince producers that they believe certain goods and services are harmful to the natural environment, this expression of opinion regarding the need for a healthy environment only gets registered in mainstream economic thinking as an unexplained change in preferences. Of course it may well be fair to say that such choices reflect a kind of reasoning that can be characterized as rational and utility-maximizing. But this takes us very little distance toward understanding actual product markets, since our understanding of the deeper rationales and intentions behind individuals' decisions is central to our judgments about the differences between the markets in which individuals interact. Thus, it is only when we incorporate our fullest view

of human nature and its attendant behavior in both its individual and social aspects that we are likely to gain insight into the operation of markets.

In the market economy, then, supply-and-demand analysis represents only a first step in explaining individuals' economic interaction. Employers and employees and buyers and sellers all complete their transactions with one another in exchanges that have foundations in more than simple responses to relative scarcities. While we observe the allocation and reallocation of resources across alternative uses in conjunction with the operation of the price mechanism, there is more that needs to be said to explain how the market process functions. Behind the scenes, so to speak, individuals' needs determine strategies of action that are ultimately manifested in their supplies and demands. When, for example, an individual trading for necessaries meets one trading for luxuries, a focus upon equilibrium prices and quantities deflects attention from how relative to need uneven bargaining powers both lead to a minimal production of necessaries and generous production of luxuries and a comparatively high price for necessaries and a comparatively low one for luxuries. Moreover, though consequent market behavior can be explained in terms of market participants' allocation responses to changing prices, behind the scenes individuals with needs explained by their full character as human beings adopt strategies of survival and self-development that provide the real explanation of their future involvement in markets.

What is required to transform current thinking about market economics, then, is a fundamental change in vision. The very object of the science of economics has been misconceived since it has been things rather than persons that have preoccupied economists. Indeed, in their haste to become scientists on the model of such disciplines as physics, economists have been reluctant to include the human side of the economy in their theories. Less manageable theoretically, and deeply dependent upon the often complex realm of social value, economics with a human face has rarely been economists' chief object. Economists have sought concepts and notions such as "equilibrium" to explain market behavior, though the concept of "agreement" better characterizes the relationship between living, historical persons

in the marketplace. Economists have made the mathematical model the paradigmatic representation of economic behavior, though the social value constituting framework of the marketplace cannot be represented in quantitative terms. Economics, in short, has long missed the real target of explanation, because its vision of its subject matter has been misconceived. The collections of essays here provides a path forward to better understanding of economics and economic life. Their common premise is that rethinking market economics first and foremost involves rethinking human nature, and that only in this way can modern societies and economies be understood.

The Dilemma

The authors of this collection are under no illusion regarding the difficulty of the task they contribute to in their respective essays. The very framework of mainstream economics makes a deeper investigation of the market economy a particularly awkward prospect. On the one hand, mainstream analysis of allocation and reallocation decisions is explained by market participants' responses to shortages and surpluses. On the other hand, market participants' responses to shortages in regard to fulfilling their needs and surpluses in regard to their resources operate in directions and patterns not always captured by supply-and-demand behavior. Thus, the mainstream theory of the market can well misdirect the search for better understanding of the market process because of its special focus. And indeed the appeal of a well-established theory with apparent professional prestige should not be underestimated.

Against this, however, are the implications of the fact that it is the market economy which the last years of the twentieth century have shown to be the dominant mode of economic organization for the future. This single fact necessitates that economists develop a workable and accurate theory of the market, irrespective of their limited success in the past. Though inertia, habit, and the desire for peer approval are likely to discourage many economists from going beyond their customary approaches to explanation, because the market will in large degree constitute the framework in which needs will either be

met or go unmet, strong incentives exist for developing a better understanding of the market process. Indeed, not to seek this further understanding is to imperil future economic development, since whether or not needs are recognized in economic theory, individuals will pursue their fulfillment at all opportunities. Thus, as an indication of new directions economic analysis may travel given the foundations laid down in the essays here, we close with a brief investigation of how the market economy might be reformed through the reform of some of its most important institutions.

The Social Economy: A Reconstruction of the Market Economy

The reconstruction of the market economy requires remaking such socioeconomic institutions as business enterprises, government, labor organizations, trade associations, financial institutions, media, and educational institutions. In what follows, the necessary institutional reform is addressed at two venues—the workplace and the household—because it is there that unmet human material need is felt most acutely. The success of any reconstruction turns critically on whether it is able to provide additional economic security for both workers and consumers without interfering overly much in the economy's resource (re)-allocation process.

As to this reconstruction, innovations are required that strengthen cooperation and community without weakening competition and freedom. Reforms with these characteristics are of central importance in the reconstruction because renewed cooperation and stronger community are necessary for dealing more effectively with unmet human material need while vigorous competition and undiminished freedom are necessary for markets to allocate resources efficiently. Clearly, the reconstruction required is a demanding entrepreneurial task.

In the discussion that follows, four examples of specific, creative reforms in the private sector are presented. With regard to the unmet need of workers and the workplace, the innovations that are highlighted take place at the interfirm or suprafirm level (in chapter 6 Severyn Bruyn examined intrafirm innova-

tions at great length). As to unmet need among consumers and in households, attention focuses on the reconstruction of the neighborhood spearheaded by persons acting collectively as a private group. At both venues, private-group action as opposed to public-group action is underscored (in chapter 4 Anthony Scaperlanda covered the role of government with regard to human material need). All four examples demonstrate that private-group decision making need not be cartel-like.

Helping Workers Achieve Greater Economic Security: The Workplace Venue

Dysfunction and Cooperation

In the product market especially, the organizing principles of competition and intervention appear to be sufficient to provision human physical need because the typical transaction involves buyers and sellers acting as individuals. If one party is systematically disadvantaged in an exchange, the state may intervene as in the case of government farm price supports to raise the incomes of farmers, making them more nearly sufficient to meet their own needs and more nearly the same as nonfarm incomes.

In the workplace, however, competition and intervention clearly are not sufficient to provide for human physical need because work is organized around not just individuals but groups as well—teams, crews, sections, and shifts, for example. At the intrafirm level, the group organization of work is critical and highly visible. At this level, the need for cooperation—a disposition on the part of the worker to perform certain tasks through collective action in order to produce a specific good or service that could not be produced by means of individual action—is virtually universal.

Without cooperation, the workplace disintegrates into envy, disorder, and inefficiency. Relationships between labor and management become adversarial. Conflicts are resolved in zero-sum or even negative-sum fashion. Quality deteriorates, productivity sags, costs escalate, and increasingly the firm finds itself at a competitive disadvantage. The workplace becomes a scene of absenteeism, accidents, slowdown, rework, jurisdic-

tional disputes, strikes, vandalism, violence, and other dysfunctions—no place to provision either physical need or the need for work as such.[1]

Work is performed not just through individual action but collective action as well. That is, both competition and cooperation are necessary for organizing the workplace. Workplace dysfunction is not a matter of too much (too little) competition or too much (too little) cooperation. Rather, it is a failure to blend the two in a way that maximizes workplace performance and thereby provision human material need as well as humanly possible.

Workplace dysfunction attributable to some failure relative to contributive justice (a disposition on the part of the member of a group to contribute to the support of that group) may derive to some extent from a (mis)perception of humans as having only one aspect to their nature—the individual side. That is, extreme or rugged individualists might have no sense of obligation to the group because they deny being a member of any group or "mob."

More likely, the insufficiency of contributive justice stems from a lack of awareness of one's responsibilities to the group in the workplace. This ignorance follows from (1) continuous change occurring in the workplace that requires continuous redefining of specific individual responsibilities, (2) an economic ideology that persuades humans that they meet their obligation to the group by pursuing their own personal gains, (3) a political ideology, political customs, and legal practices that focus more on individual rights than on individual responsibilities, and (4) a vast welfare state that dulls the individual's sense of obligation to the group.

Over the past several years, major steps have been taken at the intrafirm level to deal with workplace dysfunction. Some of these initiatives have been promoted explicitly as efforts to foster cooperation in the workplace, including quality circles, participatory management, just-in-time scheduling, and incentive plans based on group performance (e.g., gain sharing). Given the tight linkage between cooperation and contributive justice, practices such as these that are initiated in the name of

cooperation have the effect, whether explicitly intended or not, of dealing with an insufficiency of contributive justice.

Interfirm and Suprafirm Cooperation

In this section, dysfunction in the marketplace and the workplace is addressed in terms of interfirm cooperation or suprafirm cooperation. Suprafirm cooperation is private-group decision-making through a distinct, formal body that has a staff of employees or volunteers. Interfirm cooperation is private-group decision making that is not characterized by such arrangements. Reducing or eliminating such dysfunction makes possible the better provisioning of human material need.

Cooperation is identifiable by its positive-sum outcomes. Some if not all of the various parties involved in or affected by a specific cooperative arrangement at the suprafirm level or the interfirm level derive real economic gains from collective action that can be used to meet human material need and that are not available through individual action, while none of the parties experience any economic losses. The cartel, on the other hand, is identifiable by its zero-sum and, at times, negative-sum outcomes.

Private-group control of decision making in the workplace or the marketplace directs the individual members of the group to address the dysfunction(s) that they cannot resolve by means of individual action through voluntary agreement on the responsibilities of the various members of the group itself in collective action. The individual members are brought together because of some unsatisfactory performance or outcome in the workplace or the marketplace. They form into a group in order to deal with the dysfunction that each one, acting individually, is unable to resolve.

Both the common good and individual responsibility are clarified and specified in terms of reducing, eliminating, or preventing specific dysfunctions in the workplace or the marketplace that affect the various members of the group. Cooperation means a willingness on the part of the individual members to act collectively in a dysfunctional area without at the same time surrendering individual initiative in areas where there is no

dysfunction. Cooperation may even mean acting collectively and therefore noncompetitively in one area all the while acting individually and competitively in others.[2]

Cartels are much different. The members of a cartel are especially mindful of opportunities to enhance personal gain. They are takers and exploiters; they are self-serving. The individual members of the cartel are encouraged to be irresponsible in that cheaters are rewarded because they are able to continue production without the help of other group members.

Private-group control of decision making based on cooperation that is identifiably positive-sum in nature means that the individual members are mindful of dysfunctions in the workplace or the marketplace: they see common problems and seek common solutions. They are givers and contributors; they are caring. The individual members are encouraged to be responsible in that cheaters are not rewarded since they cannot continue to operate as well without the help of the group.

The principle of subsidiarity—larger, more powerful groups in the socioeconomic order should not take away the functions of smaller, less powerful groups but should help the less powerful groups operate effectively—is instructive as to where control of decision making should be situated. In the case of workplace or marketplace dysfunction that contributes to unmet human material need or raises barriers to provisioning that need and that the private individual is not able to address satisfactorily alone, help is to be sought first through a private group and, only if that fails, from the state. To be a separate level of decision making, cooperation must be independent of the larger and more powerful public authority. Suprafirm cooperation and interfirm cooperation must be voluntary so as not to usurp control from a member of the group that is functioning satisfactorily. Additionally, cooperation of this kind should be representative of the various private-individual organizations that are linked in the workplace or the marketplace either directly through membership and participation or indirectly through competent spokespersons so as to know more precisely its own domain and to avoid zero-sum strategies.

The suprafirm level private group should be helpful in the sense that if an individual member encounters organization-

specific dysfunction in the workplace or the marketplace and asks for assistance in managing a problem that other individual organizations do not have, the group should be ready and willing to provide whatever help it can to deal with the dysfunction in satisfactory fashion.

Private-group control does not diminish property rights. Rather, it actually protects those rights and enhances the net worth of the individual firm by helping it function more effectively through collective action and thereby contribute more effectively toward provisioning human material need.

Two Examples of Marketplace/Workplace Cooperation

IMAGE (Involvement and Management Advance Growth and Employment) is an independent association of private firms in the construction industry that was established in 1977 and that covers twenty-six counties in southern Illinois including the counties that form the Illinois part of the St. Louis metropolitan area. IMAGE is patterned after St. Louis's PRIDE, which is a suprafirm private group that was founded in 1972.[3]

IMAGE was organized to address the common and pervasive problem of bad labor relations in the construction industry on the East Side (of the Mississippi River). IMAGE operates through what are called "targeted projects." A targeted project is one on which the various parties involved are agreed to accept the assistance of IMAGE in working out solutions to whatever problems may occur on the job site. IMAGE provides assistance through a two-person team of volunteers, one representing the contractors in the area and the other representing the unionized craftsmen.

The superintendent on an IMAGE project receives an IMAGE "Super Kit," which includes an IMAGE job-site poster, a series of payroll-envelope stuffers that remind the workers of their responsibilities to the industry, IMAGE bumper stickers and hard-hat decals, along with copies of the Memorandum of Understanding[4] and an IMAGE newsletter. These materials are sent to the project superintendent by the IMAGE co-chairperson.

Establishing trust is critically important for IMAGE to be successful in changing labor relations from an adversarial basis

to a cooperative basis. IMAGE is willing to work with contractors in the area to relax the conditions set forth in the collective bargaining agreement in order to make local contractors more competitive. Contractors that are competitive are especially important to area construction users that have comparable facilities located out of the area and that, on an intrafirm level, are competing with one another. The need for competitive contractors was strongly reinforced by A. O. Smith's decision to close its facility in the area because construction costs at the company's facilities elsewhere were more favorable. IMAGE makes a difference in the marketplace for the customers of area contractors by making a difference in the workplace with the various work crews that are brought together on a common task.

The East Side experienced significant economic deterioration during the recession of the early 1980s. Decline in economic well-being, however, is not a recent phenomenon in the area. Fully one-third of the total income in the two major metropolitan Illinois counties comes from transfer payments (Franke, 138). In East St. Louis, economic development problems are intertwined with severe social pathology. Contractors no longer bid on jobs in East St. Louis because the city is dangerous even in daytime.

IMAGE has been criticized for not having enough committed volunteers from the various trade unions and building contractors to cover targeted projects properly. Consequently, only a small number of projects are covered (the larger ones) and the quality of the coverage varies from project to project depending on the volunteers. IMAGE seems to rely too much on its co-chairperson to work on targeted projects.

In the absence of sufficient data to support firm conclusions, two impressions remain. First, IMAGE is not as successful in achieving its objectives as is PRIDE in St. Louis. This could follow from the fact that IMAGE is concerned about something intangible—the labor relations image of the East Side—whereas PRIDE sets more tangible objectives such as jurisdictional disputes and work rules. Second, IMAGE faces more difficult obstacles to the realization of its goals than does PRIDE. Indeed, Franke states that it is remarkable that IMAGE has survived (147).

Reed St. James is a licensing program for men's clothing

and accessory items that is geared especially for discount stores and the budget operations of department stores.[5] Sixteen manufacturers are included in this suprafirm cooperation: Arrow, Wembley, Haggar, Duofold, Jockey, Jantzen, Levi-Strauss, Cluett Hosiery, Aris Isotoner, Dumont Enterprises, Host Apparel, Hush Puppies, W. Shanhouse, Roytex, Resistol/Dobbs, and Swank. Haggar provided the leadership that resulted in this private collective action in the men's fashion industry.

Without compromising the quality for which they are known, the sixteen partners sell a comprehensive line of clothing and accessories under the Reed St. James label exclusively to mass merchandisers and budget stores. Advertising expenses are shared by the sixteen vendors at least in part through licensing royalties.

Reed St. James allows discounters and department store budget operations to feature clothing and accessories items that are coordinated and have a unified look because the manufacturers meet four times a year for that purpose. Before Reed St. James, these retailers typically sold casual sportswear and diverted brand-name merchandise. Reed St. James allows mass merchandisers to enter the market of fashion-conscious consumers who are willing to pay more for quality and style. This new label and cooperative marketing agreement allow consumers to buy at lower prices the equivalent quality available elsewhere due in part to efficiencies that mass merchandisers enjoy in receiving and shipping at their central warehouses. That is, the agreement makes possible a better provisioning of human physical need.

Finally, it allows the vendors to enter a rapidly growing market without offending their department store customer base that handles their well-known brand-name merchandise. Reed St. James is offered to discounters with the stipulation that the names of the parent brands not be connected with Reed St. James in any way.

Lessons for Mainstream Economics from the Workplace Venue

At the interfirm and suprafirm level, mainstream economics condemns out of hand all collective action without regard to outcome. This presumption has been a part of conventional

economics for more than two hundred years. "People of the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the public, or in some contrivance to raise prices" (Smith, 128). Presumption, in other words, is taken for fact. Positive-sum solutions to pressing dysfunctions that complicate the provisioning of human material need are not uncovered precisely because all collective action is stereotyped as zero-sum or worse.

Three main conclusions follow from these and other cases of interfirm and suprafirm cooperation. First, greater cooperation, whether in the workplace, the marketplace, or both, commonly is a response to dysfunction in the marketplace relating to deliverability, quality, or service.

Second, because human beings are no less social beings than individual beings, collective action is as natural a remedy for dysfunction as is individual action. Put in terms of organizing principles, cooperation is as natural a remedy for dysfunction as is competition.

Third, collective action can be as entrepreneurial as individual action because, as indicated above, collective action is as much a part of human nature as is individual action. It follows that by dismissing collective action, mainstream economics misrepresents entrepreneurship and thereby misconstrues economic development.

A social economics based solidly on the twin activating principles of competition and cooperation, along with the limiting principle of intervention, provides a better representation of production, distribution, exchange, and consumption, because it derives from a more accurate understanding of human nature and insists that an entire class of human action that helps meet human material need cannot be written off by means of a presumption that has remained largely unchallenged for more than two centuries.

Helping Consumers Achieve Greater Security: The Household Venue

Neighborhoods and the Social Economy

Human need is at the very heart of any authentic neighborhood.[6] As with the workplace, neighborhoods help meet the

need of human beings to belong. In addition, neighborhoods are marketplaces for the exchange of goods and services that satisfy human physical need. As long as there are unmet needs of these types, human beings will continue to build, maintain, and protect neighborhoods.

Mainstream economics, along with modern societies, largely ignores the centrality of neighborhoods to individual well-being and family life. As stated previously, conventional economists reduce the organization of economic affairs to competition and prize especially the social value of freedom.

In contrast, social economists recognize that competition and freedom are not sufficient for an orderly, tranquil, and efficient economic order. The organizing principle of cooperation and the social value of community are required for that purpose and the neighborhood is an expression of that organizing principle and its associated social value that is as old as city life itself. There is no social economy, no reconstruction of the market economy, without functioning neighborhoods.

If economic institutions are to be effective in responding to unmet human material need, they must be sensitive to that need and that means being close to human beings and their families and being accessible. The occasional practice of marching on Washington and the various state capitols underscores the problem of addressing a specific unmet human need in a group environment where the leaders with the necessary resources are distanced from the persons in need. Historically, the neighborhood has functioned as an intermediate body addressing unmet human material need with varying success. Chicago's "Back of the Yards," "The Hill" in St. Louis, and "Brighton Beach" in New York are examples of neighborhoods that, in the past at least, have been effective in helping men and women and their families achieve greater economic security. The reconstructed neighborhood offers considerable promise as a means for coping with the dilemma of the market economy—to meet human material need all the while using unmet need to (re)allocate economic resources—for several reasons. First, the neighborhood helps reduce the bewildering complexity of the modern U.S. society to proportions that are more understandable to those in need. The neighborhood is much better proportioned

to humankind than is the city—the next larger organizational unit in the social order. For that reason, the neighborhood in principle is more likely than much larger institutions to be democratically governed.

Second, the natural communications networks of the neighborhood make it more difficult for needy persons, even those who are too proud to admit their unmet need, to remain unnoticed for long. These networks expedite the delivery of the goods and services that help satisfy human physical need.

Third, since the residents of different neighborhoods by definition hold different social values or assign different importance to otherwise common social values, reconstruction at the level of the neighborhood allows each one to customize its response to unmet human material need in such a way as to reflect its own unique blending of values and customs. Coercion and repression of individuals are reduced because those who are different have some freedom to leave and those who remain tend to become more alike.

Fourth, the initial and continuing organizational task is of manageable proportions. Therefore, the task of recruiting and retaining persons who are capable of designing and implementing a strategy to help meet human material need is much less demanding than it is for much larger units in the social order, such as the city or the state.

Fifth, from neighborhood to neighborhood different strategies can be tried and compared in order to help identify the ones that work best. Any mistakes in a neighborhood strategy for meeting human material need are limited to that neighborhood and therefore are confined to a relatively small population.

Sixth, even neighborhoods that have deteriorated badly commonly retain institutions, such as schools, churches, and associations for amateur team sports, that can serve as a foundation for reconstruction and revitalization. In the following section, we discuss briefly how a few families in a Chicago neighborhood established a boys club as one of the first steps in neighborhood revitalization.

Seventh, additional employment opportunities are a *sine qua*

non of any strategy to help meet human material need effectively. Most new jobs are created in small-business enterprises and, given the physical dimensions of both, neighborhoods are well suited to fostering small-business development.

Eighth, and last, neighbors are much more likely to make the mutual commitments necessary to effectively address human material needs than are strangers. Commitment to neighbor, which we define as a willingness from time to time to voluntarily subordinate one's own interest to the need of one's neighbor, is a critical component of a neighborhood strategy because unsubordinated self-interest in effect deals with the dilemma of the market economy by ignoring it, by walking past it without taking notice.

The rhetoric of mainstream economics notwithstanding, there is no "invisible hand of the market" to help meet human material need. There are only the visible, human hands of caring, hard-working human beings for this task. People living next door to one another are not neighbors by virtue of their proximity to one another. They are neighbors only when they are committed to helping each other.

Because neighborhoods are defined in terms of boundaries, the problem of discrimination arises: How to prevent neighborhoods from becoming ghettos on the one hand or country clubs on the other? A person may encounter discrimination for who he or she is (e.g., black, immigrant) or what he or she does (e.g., speaks another language, practices an alien religion). Discrimination is community carried to extremes.

The solution to the problem of discrimination is not found in abolishing or bulldozing neighborhoods. What is needed is *Homo socioeconomicus*, the person who is aware of his or her social nature and social duties and is ever mindful of his or her own rights and the rights of others.

Respect for the rights of others and faithfulness in one's obligations to others are two principal deterrents to discrimination. Caring is another. Good neighborhoods, in other words, are a reflection of the virtues of the persons who live there.

Neighborhoods are vulnerable to another extreme: too much freedom. Street crime is one example of freedom carried to

an extreme. Rioting is a more obvious threat to a neighborhood's viability. The remedies here are the same as for discrimination: good neighbors make good neighborhoods.

Two Examples of Neighborhoods That Work

Lincoln Park is a neighborhood on Chicago's North Side.[7] At the end of World War II, it was a blue-collar area with some light manufacturing enterprises. The population at that time was predominantly of German, Italian, and Eastern European origins. A small number of blacks lived in the southwest corner of Lincoln Park. During World War II, the housing stock deteriorated as larger buildings were divided into rooming houses or small apartments and maintenance was deferred for lack of resources that could be applied to such ends.

By 1950, one-fourth of the housing units in Lincoln Park were classified as substandard or dilapidated. Vacancies in commercial buildings climbed as residents took their retail trade to larger shopping areas with parking. More and more low-income families moved into Lincoln Park, the building stock deteriorated further, and it appeared that the area would become a ghetto. During the late 1960s, three major institutions—DePaul University, McCormick Seminary, and the area hospitals—decided to remain rather than relocate to the suburbs. Their decisions turned out to be crucial in the eventual renaissance of Lincoln Park. These three institutions were influential in steering a development course toward more community and less individualism. Community, in turn, is central to the quality of life in Lincoln Park.

Urban planning and renewal, along with various neighborhood organizations, also played an important role in bringing about what has been a truly remarkable rebirth of the area. The most significant factor, however, was the creative response of a small number of homeowners in the southeast corner of Lincoln Park known as Old Town who in the late 1940s decided to stay and restore their properties. Indeed, it was a few families on one block in Old Town that triggered the change. One of the first steps taken by their newly established neighborhood association was the opening of a boys club to provide recreational outlets

for the troublesome youth in the area, many from Ozark and Appalachian families who migrated to Chicago during World War II. The club became a success not only for the boys but for other residents as well.

The early agents of neighborhood change experienced numerous problems along the way, including trash pickup and enforcement of the building and zoning codes. Financing was another. Lincoln Park at that time was red-lined by the savings and loan industry. Area savings and loan institutions were investing the shares of Lincoln Park residents in suburban housing. Commercial banks in the area were supportive of local businesses but applied only a small portion of their assets to home mortgages and improvement loans.

More funding became available through a few savings and loan institutions in the mid-1960s. The terms, however, were stiff: a 50 percent down payment was not unusual.

Lincoln Park began to attract high-income white professionals and middle-income black professionals, Hispanics, and Asians in the late 1960s and early 1970s. At the same time, low-income families were pushed out due importantly to large residential rental increases. Between 1964 and 1984, one single-family house in Lincoln Park appreciated in value from $25,000 to $475,000. Increases of that magnitude were commonplace. Retail businesses began to flourish, especially boutiques, bars, restaurants, book stores, and toy shops.

Violent resistance to change and to pushing out poor families surfaced in the late 1960s. The violence ended at the time of the U.S. withdrawal from Vietnam without bringing neighborhood change to a halt. The only effect was the revision of urban-renewal plans to include more housing for low- and moderate-income families.

Expelling poor or near-poor families through otherwise meritorious restoration and renewal efforts presents a particularly perplexing question for the social economist. If every human being by nature has a right to housing because shelter is necessary for human survival, how can persons of conscience approve such efforts?

One answer is that the right to shelter is not an absolute

right to a specific housing unit or parcel of land. The good of all is a telling consideration in such matters as is attested by the long-standing legal principle of eminent domain.

As suggested previously, the answer is that the restorers and the renewers have an obligation to the poor to offer some alternative housing that minimally is the equivalent of their former housing. Better yet, the restorers and renewers might deliberately develop better educational, training, and employment opportunities to improve the ability of the poor to extricate themselves from their often disabling unmet human material need.

A second example is not a specific neighborhood but a grassroots institution for revitalizing distressed urban neighborhoods and rural communities across the U.S.[8] The origins of the community development corporation (CDC) may be traced to the Bedford-Stuyvesant Restoration Corporation, in Brooklyn, New York. It was established in 1966 with the encouragement of Robert F. Kennedy and the support of the Ford Foundation. It was one year after the riots in the Watts neighborhood of Los Angeles. By 1970 there were fewer than a hundred CDCs in the entire U.S. By the mid-1980s, their numbers were estimated at three thousand to five thousand. From the beginning, CDCs have been based on the premise that even impoverished communities and neighborhoods have their own substantial resources and that, under the right circumstances, the residents have the desire and the will to solve their own problems, including unmet human material need.

CDCs are characterized by (1) community control, (2) economic development, and (3) targeting. Community control is achieved through a board of directors that is made up of mainly residents from the community. Economic development means that CDCs are involved directly in community economic development projects. Targeting is a focusing on a clearly defined geographic area with a large concentration of persons in need. The goal of every CDC is to relieve the severe economic, social, and physical distress of the community residents.

First-generation CDCs received considerable financial support from the federal government. Over the past ten years, however, that support has eroded both in nominal and in real terms as a result of the severe domestic budget cuts initiated

by the Reagan White House. Some federal support remains, but more and more CDCs are forced to turn to state and local governments for funds and to private sources such as foundations, corporations, churches, and financial institutions. Most CDCs have few paid employees, operate from rented quarters, and rely on contributed services from professionals such as accountants and attorneys and from corporate enterprises.

One innovative source of financial backing is called "linkage." Linkage is a requirement that private developers contribute to low-income housing and other programs of assistance to the needy in return for zoning clearances or permits. The linkage strategy has been employed in several major cities including Boston, San Francisco, Miami, Seattle, Hartford, and Washington. CDCs have taken root most notably in the cities of the Northeast and Midwest and to a lesser extent in the Far West. Chicago and Boston are regarded as having the most highly developed CDC networks. CDCs have not taken hold in the Great Plains, the Pacific Northwest, in most cities in the South, or in rural areas west of the Mississippi River.

CDC activities may be classified as (1) advocacy of minority leadership and empowerment of the poor or (2) specific economic development projects. Over the years, community leaders have split over which of the two is the more appropriate and should receive the greater support. William Duncan, who heads a CDC in Kentucky, asserts that CDCs become more powerful when they are able to merge advocacy and specific development projects into one effort.

Results have been impressive. In many cases, the development projects have been entrepreneurial. In others, they have been visionary. For instance, in Boston in a recent two-year period, an estimated 80 percent of all new low-cost housing was CDC built. In South Bronx, herbs are raised for commercial purposes in the U.S.'s first hydroponic greenhouse—a CDC project. In Kentucky, a CDC enterprise buys, stockpiles, and resells hardwood products from several small lumber mills thereby helping protect them from a volatile marketplace. In Pittsburgh, a seven-step financial scheme with multiple partners allowed a CDC to refurbish an abandoned building for industrial use. Two years after its opening, the building was fully leased.

The CDC story is really the story of certain key persons who are committed, respected, and entrepreneurial, with the vision and the hope to see promise in the midst of the rubble of deteriorated and desolate urban tracts. These persons include Genevieve Brooks of the South Bronx, Charles Bannerman of the Mississippi Delta, Veronica Barela of Denver's Hispanic Westside, Sandra Phillips of Pittsburgh's Oakland section, and Mary Nelson of Chicago's West Garfield Park. Women, according to Pierce and Steinbach (51), are more effective in CDC leadership roles because they are better than men at conflict resolution, have a greater capacity for detailed work, and are not filled with braggadocio.

CDCs serve as intermediaries between residents in need and the larger and more powerful elements in the social order with the resources to meet that need. During the 1980s, a number of what might be called "second-tier" intermediaries emerged between the CDCs and the rest of the social order to help them serve their neighborhoods and communities more effectively. They include the Local Initiative Support Corporation, which makes loans and grants to support CDC projects, the Enterprise Foundation, which provides funds and technical assistance on CDC projects, and the Development Training Institute, which improves the skills of CDC directors and senior development managers.

Some CDCs have not been successful and some have been managed inefficiently and dishonestly. Even so, the growth in numbers especially in the face of substantially diminished federal support points to an institutional viability at precisely where it is most needed: among those persons who are the direct casualties of the market economy or its unfortunate collateral damage.

Lessons for Mainstream Economics from the Household Venue

First, in a market economy, change is inevitable and some change is destructive. For some persons and families, this destruction is too great to bear alone. Without help, some of the victims of this change may never recover.

Second, urban neighborhoods and rural communities, even those that are severely depressed and run down, can be reborn

to provide the assistance required to help the needy lift themselves out of economic insecurity. An important aspect of rejuvenating a neighborhood or community is showing the needy how to develop and use their own skills and talents to address their own need.

Third, one person can make a difference in mobilizing a neighborhood or community toward collective action in response to unmet human material need. Typically, such persons do not have to be imported from outside the area. They already live in the neighborhood.

Fourth, the "invisible hand" does not assure the viability of neighborhood and community organizations that serve the needy. Without the visible hands of the more powerful elements in the social order, such as private business enterprises, city governments, state governments, and the federal government, neighborhood and community organizations will fail, leaving behind either ghettos or country clubs.

Final Remarks

Two vastly different but intertwined reconstructions are necessary to make economics a more effective tool for understanding economic affairs and to transform the market economy into a better means for provisioning human material need. For economics, this means reconstructing the discipline around the two dimensions of human material need: physical need and the need for work as such. For the economy, this means reconstructing the workplace and the neighborhood so that both become more effective in provisioning that need.

It would be a pity for economics itself if the first reconstruction fails. In addition, such a failure would further complicate the second reconstruction. Worse yet, any failure as to the second reconstruction would be a tragedy for many of the poor whose material future depends importantly on the help that should come from and through a reconstructed workplace and a revitalized neighborhood. The second reconstruction effort simply will not bend to the "invisible hand of the market." It requires flesh-and-blood human beings to make it happen.

Notes

1. Not all workplace dysfunction derives from some failure in cooperation. However, the specific dysfunctions cited have been selected as wholly or partially reflective of failed cooperation.

2. Von Hippel (76–92) in 1988 stated that ten of eleven surveyed steel minimill firms reported informal know-how trading with competitors.

3. For more information about PRIDE, see O'Boyle (140–41). See Lohman and Mayer (330–38) for information on Top-Notch, which operates in the construction industry in Indianapolis, and *Labor Relations Today* (3,7) regarding PALM, which operates in Philadelphia. Information about IMAGE derives from two sources: a 1984 study prepared by Southern Illinois University at Edwardsville and the writer's two-to-three-hour luncheon meeting with two IMAGE representatives.

4. The Memorandum of Understanding is a statement made by private parties in the industry in which each one voluntarily sets forth its obligations to the rest of the local industry. The Memorandum makes no reference to individual rights or the state. IMAGE operates as a private group without government fiat and without government funds.

5. Information from materials provided by Jantzen during a 1988 site visit to its (since relocated) facility in Eunice, Louisiana.

6. By "neighborhood" is meant a relatively small, clearly identifiable place where the residents generally know one another, share some common values—especially social values—and have some regard for one another. For our purposes, whole towns and places in rural areas may be regarded as neighborhoods.

7. An unpublished manuscript about Lincoln Park by William Waters and Maurice Forkert is the basis for our remarks about that North Side Chicago neighborhood.

8. Peirce and Steinbach's monograph is especially instructive regarding the origins, characteristics, and accomplishments of community development corporations.

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