

The National Economy and Mainstream Economics: A Sociologist's Take on the Economy and Mainstream Economics

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If you are not an economist or deeply trained in economics, you may well think what mainstreamers think of as the economy is quite strange. This sociologist argues it is also misleading.

Sociologists generally see the world somewhat differently than economists do. Most are more interested in empirical research, especially in organizations and other groups, and less interested in explaining the world through deduction and models.

I oversimplify but make this point to explain that what follows is a sociological view of this paper's subject: the American economy, usually just called "the economy." Consequently, I emphasize the desirability of empirical studies of actually existing economic organizations and other bodies.

To begin with, this sociologist is puzzled that economics, or at least mainstream economics, is sharply divided into microeconomics and macroeconomics. Microeconomics looks at individuals and firms, while macroeconomics is devoted to the country's economy. Samuelson and Nordhaus describe it as the study of "the overall performance of the economy" (1998, 5).

The dictionaries define the economy as the system that produces goods and services that are sold and bought. Krugman and Wells define it as "a system for coordinating society's productive activities" (2009, 2). The system, at least in America, is usually described as a market.

Sociologists do not make such a drastic division between their macro and micro analyses and they rarely see America as a system or a set of systems. Instead, they see people, and the relationships, social groups, and structures in and with which they live. Groups can range from families to nationwide organizations and institutions.

Consequently, sociologists focus on the economic groups that conduct and affect economic activities, and from their research perspective,

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economists' definitions of both macroeconomics and the economy are incomplete.

For one thing, they do not pay sufficient attention to the many economic groups that connect individuals and firms to the overall economy. They also underemphasize the economic activities of noneconomic groups.

Many if not most of these groups produce goods or services and therefore have workers, payrolls, and budgets as well as customers, although they may be called members or clients. Even places of worship must give some consideration to supplying the demands of their worshipers.

Moreover, economists, especially mainstream ones, pay too little attention to organizations that play a direct or indirect role in the productive economy, such as trade and professional organizations, unions, lobbies, regulating agencies, reform groups and movements—for example, environmental groups that propose policies having major effects on the economy.

They also limit their analyses of government, mainly analyzing its impact on and intervention in the market system, rather than studying it as a major economic actor in the overall economy.

THE ECONOMY AS CONSTRUCT

This sociologist would add another shortcoming: the economy, however defined, is not an actually existing phenomenon that can be studied empirically. It has no producers, sellers, customers, or other participants and thus cannot carry out economic activities. Only actually existing organizations can carry out such activities.

In reality, the economy is a construct. It is, however, a necessary construct, because most people believe it to exist and therefore treat it as such.

In addition, the construct summarizes the characteristics and activities of actually existing economic organizations for the citizenry in one word. This word enables public officials, journalists, researchers, and all others who have to describe and analyze the nationwide activities of the country's economic organizations to inform the laity untrained in economics.

The construct is even useful for economists, because it enables the discipline to distinguish itself from the other social sciences. In fact, most of them have similar one-word descriptions: sociology uses society, and anthropology, culture.

The economy construct has yet a further advantage, lending itself to quantitative measures that help to concretize it. Indeed, the economy could well be described as the sum of these measures.

Measures like the Gross Domestic Product, the Dow Jones Index, and the unemployment rate make the economy look like an actually existing body. The GDP may be the most significant of such measures because it reports

the sum of all activities defined as products, and it is typically viewed as a proxy for the economy.

Thus, the GDP lends itself to being used to compare America's economic condition to that of other countries and to indicate its standing among the world's other developed economies. The measure is also an essential number in the constant international trading and other competitions. When the GDP is growing, diplomats, the business community, and others can sell and otherwise use the country's economy in those competitions.

Similarly, present GDPs can be compared to past ones, making it especially useful as a bragging device or attack tool for politicians and others.

Even so, the economy does not create the products measured by the GDP, buy or sell the stocks reported as the Dow Jones Index, or create unemployment. All the activities that are part of the measure of the economy are carried out by actual, existing economic and noneconomic organizations, and the measures are themselves constructs.

The prime disadvantage of the economy construct and many of its various measures is its simplicity. When the country's huge array of economic activities and organizations are represented by a single word and a few numbers, they give the appearance that the country's economy is a homogeneous whole.

However, in reality, that array is diverse, consisting of a huge variety of participants, whether sellers, buyers, noneconomic groups, or others with distinctive and often conflicting interests.

ECONOMIC WORLDS

Perhaps the economy is better described as a set of separate but often interrelated economic worlds.

Few commonalities exist between the worlds of the corner grocery, the multinational corporation, and the public agencies that are charged with supporting or regulating them. The economic worlds of financial firms are different from those of manufacturing firms—and even more so from academic ones that produce knowledge.

Each of these economic worlds has a different set of effects on those for whom it creates and supplies goods and services, beginning with economic and noneconomic benefits and costs.

The diversity of economic groups and their effects, as well as the existence of many economic worlds, should be, but often is not, reflected in the analysis of economic processes that are studied by macroeconomics.

Economic growth is typically treated as a homogeneous process and measured by a few simple measures, but only some of the economic organizations in some of the economic worlds are growing at any given time.

Also, the diverse economic groups whose output and incomes are growing can nevertheless have a variety of effects. Some people and organizations

are helped by economic growth but many are not affected one way or the other. Some may actually be hurt.

Even during the mid-twentieth century era of affluence, when a rising tide was thought to raise all boats, many boats stayed exactly where they were, and some sank—and most people had no boats. These days, the rising tide mainly benefits those who own yachts and other huge boats, or can afford to buy them.

Further, there is no empirical reality called the market despite the central role it plays in economics.

Supply and demand can be measured, and there are many economic places in which people, firms, and other economic organizations come together, directly or indirectly, to buy and sell, including corner groceries and the stock market. They rarely behave like the market portrayed in economics, however, for many sellers have the power to set prices that buyers cannot fight. And many seek to buy low and sell high whenever possible.

The national labor market is another construct, and even empirically researchable labor markets are scarce. Slave markets were actually existing organizations but are now only a dark chapter in American history. Industrial labor shapeups are virtually obsolete, and there are not many urban and suburban street corners where day laborers and sex workers selling themselves can be bought.

Most of today's hiring is done in employment offices, or via Craig's List, classified ads, and word of mouth. To be sure, hiring can be studied as a process resembling a labor market. Even so, the process and the people and organizations involved in hiring and being hired are stratified in many different ways, with differential effects on those being hired—and fired.

IMPLICATIONS

The above analysis has several implications for economics.

First, the economy and other constructs are human creations. As a result, they can be changed or rejected, and alternative ones can be created.

If economists and others find that the existing ones are not helpful for the full understanding of the country's economic activities, or get in the way of economic policy making, they can and should be replaced.

Second, even the currently useful constructs are too general and need to be made more specific or supplemented by others to recognize the diversity of the country's economic groups and of its array of economic worlds.

Without systematic and detailed empirical investigation of the benefits and costs of their economic activities, policy analysts and policy makers may not see all those reaping unfair benefits, paying economic and noneconomic costs they cannot afford, or creating destructive effects.

Third, none of the paper's observations claim to be original but they do look at the economy from a more empirical angle than that commonly applied by economists.

In all fairness, however, many economists work outside the narrow limits of mainstream micro and macro economics and a growing number are undertaking empirical research.

Some of that research now reflects conceptual and other input from the other social sciences. However, so far it relies too often on psychological explanations, particularly those derived from experiments.

Hopefully, more empirically inclined economists will realize that they must also look at the structural and cultural contexts within which economic groups and their activities are embedded and thus also turn to sociological and other social science explanations as well.

FOR FURTHER READING

Krugman, Paul, and Robin Wells. 2009. *Economics*. New York: Worth.

Samuelson, Paul, and William Nordhaus. 1998. *Economics*. New York: McGraw Hill.