

# Community and Economy

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Community and economy are two distinct realms of social life. In communities, we largely deal with one another as persons. We value people not only in their own right, but also as neighbors, friends, and those with whom we share a concern for the common good. In the economy, we largely deal with one another as buyers and sellers, as consumers and marketers, and as management and labor. In this realm we often seek to maximize our self-interest. In Martin Buber's (1971) terms, the community is the realm of the I-Thou, the economy that of the I-It. The opposition is not complete. Some people will seek advantage in the realm of community; for example, they may seek to form business connections in the country club. Other people do develop relationships of friendship and loyalty at work. Still, there are basic differences between the two social realms that exist along the lines previously mentioned.

Societies differ according to the relative importance and scope that they accord to community and economy. In earlier historical periods, most if not all societies were more community minded and less economically minded. The terms modernization and industrialization, or the rise of capitalism, are used as markers to indicate when the economy rose in importance and the community declined in importance. In recent decades, societies such as China and India have begun moving in the same direction as other societies did before them. Even today, societies differ significantly in the value that they place on economic achievement versus nurturing various communal goals.

The US is widely regarded as the society most concerned with productivity, profit, efficiency, and other such economic goals. Americans work longer hours ([Anderson 2003](#)) and have fewer vacation days ([Valenti 2003](#)) than those who live in other industrialized countries.

There are two profoundly different ways of thinking about the relationship between the realm of community and that of the economy. One treats the economy (sometimes referred to as the market) as self-sustaining and self-regulating. People in the economy are said to seek to increase their well-being. They realize that they can best serve this goal by a division of labor in which each participant specializes in making some product or service and selling it. The division of labor in turn leads to a natural coming together of interests and hence the "market" requires no regulation from outsiders. On the contrary, "interventions" in the market tend to "distort" the market, and make it less efficient. People who subscribe to libertarian and *laissez-faire* conservative social philosophies, as well as many mainstream economists, hold this view.

In contrast, others view the economy as a subsystem of the society; that is, the economy is embedded in society. The society provides a capsule of sorts, which contains the economy, sets goals for it, and guides it through values and political instruments. (This is the main point of an influential book by [Parsons and Smelser, 1956](#).) Government regulations, for instance, limit what the market can do in order to protect workers, children, consumers, and the environment, among other social assets. The government also seeks to affect the economy through its various tax, budgetary, and federal banking policies. The purpose of this is to stimulate the economy to grow faster, to prevent it from overheating (driving prices too high), to smooth out the business cycle, and to increase savings and many other socioeconomic goals. From the second viewpoint the issue is not whether an economy can and should be guided or interfered with, but rather what is the extent to which such interventions are needed and what are the proper interventions. Many liberals, social democrats, and social scientists hold this viewpoint.

The first viewpoint, that of treating the economy as free standing and not as an integral part of society (and community), tends implicitly to assume that the actors are small and hence powerless vis-à-vis the market. It views the economy as composed of many hundreds of thousands of shop keepers, small businesses, and workers. None of them can control the market and the market guides their behavior. Thus if a corporation would set prices above what the market “tolerates,” then it is said that such a corporation would be unable to sell its products, and if it set them too low, it would be unable to cover its costs. In either case, those who do not abide by the market will soon be out of business. In contrast, the second view sees the markets as being subject to manipulation by larger corporations that control large segments of the economy. Various anti-trust policies have been used over the years to break up such power over the market, although most of these attempts have not been very effective.

To illustrate, [George J. Stigler \(1968\)](#), a Nobel Laureate in economics, argued that the farmers have no say on the price of their products, as each competes with many thousands of others. However, Stigler ignored the rise of agribusiness and larger farming corporations: Oxfam estimates that in the US, 50 percent of all agricultural products come from 2 percent of the farms, 98 percent of poultry comes from large corporations, 80 percent of beef comes from just four firms, and 60 percent of pork comes from four firms ([McCauley 2002](#)). Stigler also ignored the fact that farmers use their political power – which they exercise “outside” the economy, in the society – to set prices and improve their returns. This is done through gaining subsidies, obtaining credit below market terms, and limiting entry into their markets (via import quotas).

## **SOCIOECONOMIC BEHAVIORS**

Individuals are, simultaneously, under the influence of two major sets of factors: their pleasure and their moral duty ([Etzioni 1988](#)). There are important differences in the extent to which each of these goals drives economic behavior, and which sets of factors are different under different historical and social conditions, and within different personalities under the same conditions. Hence, a study of the dynamics of the forces that shape both kinds of factors and their relative strengths is an essential foundation for a valid theory of behavior and society, including economic behavior (a key subject for the sciences of socioeconomics).

The independent effects of social values versus prices can be highlighted by the findings of the combined role of information and values in a four-year field experiment with the time-of-day pricing of residential electricity in Wisconsin (Stern & Aronson 1984). Individuals were experimentally assigned to a variety of electricity rate structures. Those individuals who believed that lowered demand in peak periods would be good for the community (e.g., by allowing utilities to shut down inefficient and polluting power plants) and who also believed that households as a group could make a big difference in peak demand, felt a moral obligation to lower electricity use in peak periods (Black n.d.). People who felt an obligation to change their behavior had lower electricity bills than people who felt no moral obligation, but who were charged the same electricity rates.

Another study correlates both income and social/moral attitudes with tax compliance (as measured by the propensity to evade paying taxes that are due). It found that income correlated somewhat more strongly with compliance than did moral attitudes, but only after the study broke rejection of the governing regime, policies, or values into six factors. Even given this procedure, the correlation of compliance with income level was 0.3560, while that with general alienation was 0.3024, followed by a correlation with distrust of 0.2955, with suspicion (“others cheat”) of 0.2788, and so on ([Song & Yarbrough 1978](#)). Disregarding the question of relative strength, clearly both economic and moral attitudes are at work. Both seem to account for significant chunks of the variance in behavior.

## **HAPPINESS**

There is a considerable deal of social science evidence that shows that human contentment ceases to increase as income grows beyond a fairly modest level. To cite but a few studies of a large body of findings, [Andrews and Withey \(1976\)](#) found that the level of one's socioeconomic status had a limited effect on one's “sense of well-being” and no significant effect on a person's “satisfaction with life-as-a-whole.” [Freedman \(1978\)](#) discovered that levels of reported happiness did not vary greatly among the members of different economic classes, with the exception of the very poor, who tended to be less happy than others. [Myers and Diener \(1995\)](#) report that while per capita disposable (after-tax) income in inflation-adjusted dollars almost exactly doubled between 1960 and 1990, 32 percent of Americans reported that they were “very happy” in 1993, almost the same proportion as did in 1957 (35 percent). Myers and Diener also show that although economic growth slowed between the mid-1970s and the early 1990s, Americans’ reported happiness was remarkably stable (nearly always between 30 and 35 percent) across both high-growth and low-growth periods. Easterlin's (2001) work found that happiness remains generally constant throughout life cycles. Typically, income and general economic circumstances improve throughout one's life until retirement, but happiness does not experience a comparable level of growth; nor is the leveling off of income during retirement accompanied by a decrease in happiness. In other words, once basic needs are satisfied, the high production/consumption project adds little if anything to human contentment.

SEE ALSO: [Community](#); [Economy \(Sociological Approach\)](#); [Management Theory](#)

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