

THE PARSONIAN APPROACH TO ECONOMICS¹

It is somewhat embarrassing to review a work by a distinguished author whose system of thought makes no appeal whatsoever to the reviewer. The senior author of the work under review is an eminent Harvard sociologist who is pre-eminently a Man with a System. The system is an elaborate taxonomy of social phenomena according to a fourfold pattern. It is developed in great detail in Parsons' earlier works—a summary only is provided in the present volume. The system has an elaborate terminology of its own, a terminology devised so that practically no word in it shall enjoy its common meaning in the English language. It is consequently difficult for the reader to follow: learning Parsons is almost like learning a new language. The theory is internally coherent, and it is unquestionably *one* way of organising thought about social phenomena. The question is whether it is a *useful* way, and especially whether it is useful enough to warrant the considerable expenditure of time and energy which is required to master it. The present volume is important because it promises to be in a sense a test case of the Parsonian system. The economic system is clearly a sub-system of a larger social system, of which the Parsonian theory purports to give an account. The test, therefore, is whether the Parsonian system can be applied to the sphere of economics in such a way as to yield insights into the operation of the *economic* system which economics by itself cannot provide. This is the task of the present volume. It is a congenial one to the authors: Parsons himself was originally trained in economics, and his associate, Smelser, is a sociologist who has also received training in economics with the deliberate end of applying the Parsonian system to economic problems.

It is unfortunately impossible in a brief—or even in an extended review—to give any adequate summary of the Parsonian system itself. We can only say here that it analyses social life into four parts or aspects, named by the four letters *A* (for Adaptive), *G* (for Goal-Gratification), *I* (for Integration) and *L* (for Latent-Pattern Maintenance and Tension Management). In so far as one can identify these systems with *parts* of the social universe, the *A*-system is best represented by the economic system, the *G*-system by the political system (or, as Parsons calls it, the Polity); the *I*-system and the *L*-system are less easy to identify, but may be roughly equated with Religion (sport, morale, ethics, etc.) and with the Household or the Social Individual as a “boundary maintaining” system. We must beware, however, of identifying the Parsonian *dramatis personae* with anything that looks like flesh and blood; they are aspects of all organizations, or all concrete realities, and no concrete reality can be identified with any one of them. Social action, in the Parsonian system, is conceived as something which happens at the boundaries of these systems, each of which feed outputs of some sort into the others and receive inputs from them. In and around these systems Parsons has developed an elaborate

1. A Comment on TALCOTT PARSONS and NEIL J. SMELSER: *Economy and Society. A Study in the Integration of Economic and Social Theory*. London 1956, Routledge. 343 p. 35s.

set of conceptual dichotomies of objects, attributes, and hierarchies; the central idea of the system seems to be however the generalised notion of exchange as the prime mover of social life: everybody does something *for* something, whether that something be a monetary reward, a non-monetary reward like prestige or praise, or the fear of some sanction, legal or social.

The object of the book then is to study the economy as a sub-system of the general social system which is especially concerned with the adaptive or ends-means relationships of social life, and to examine what exchanges take place between the economy, conceived as mainly an *A*-system, and the other three social systems, *G*, *I* and *L*. There seems to me to be a basic misconception here as to the nature of economics, indeed as to the nature of theoretical systems. Thus the authors say "The peculiarity of economic theory, therefore, is *not* the separate class of variables it employs but the *parameters* which distinguish the special case or class of cases we call economic in the use of the general variables of social theory from the other important types of special case" (p. 6). The truth seems to be quite the reverse. It is *precisely* the separate class of variables which it employs which for the economist, at any rate, distinguishes economics from the other sciences. Economics studies prices, quantities of commodity exchanged, produced, consumed; interest rates, taxes, tariffs: its basic abstraction is that of the commodity. It seeks to find reasonably stable relationships among these variables, but it is the variables, not the relationships, which delimit the subject matter of the science. This is not to deny, of course, that economics can be illuminated by contributions from other disciplines. These contributions however consist precisely in admitting new and different kinds of *variables* (status rank, class, power, etc.), not particularly in employing new kinds of relationships. This basic difficulty runs all through the book, and leads to a cumulating misinterpretation of what economics has to say. Thus wealth is "not an inventory of commodities but an instrumentality for achieving goals" (p. 24). "Raising the interest rate is a signal that productivity must increase at a sufficiently higher rate in order to justify the current level of credit: lowering the interest rate encourages enterprise by symbolically communicating that the rate of productivity increase need not be so high" (p. 75). (This is a massive confusion between "returns" and "productivity".) There is a really astonishing misunderstanding of the Keynesian system: the authors seem to think that "Keynesian" unemployment is a voluntary withdrawal of labor from the market—a supply of labor phenomenon rather than a demand for labor phenomenon. One could adduce many more instances.

A sociologist may perhaps be forgiven for a few misunderstandings of economics: the real test of the system however is the contributions which it makes to economics. The test of labor is the baby, and a very substantial baby is promised. What we are promised is "determinacy" of the functions which comprise the basic relationships of economic theory. These functions, like the consumption function and the investment function, for instance, in the Keynesian system, are distressingly vague—their exact shape and parameters are not determined by pure economics, but it seems as if with some assistance from Parsons' system we can learn their true form! Thus we learn from the examination of the various inputs

from the social systems in the family that the consumption function will have a kink (p. 225). We do not seem to learn much about the investment function except that behavior in the stock market may be due to "deeper drives to deviance in individuals, such as unbridled acquisitiveness, sadism, phantasied wish-fulfilment, etc." The mountain has labored and brought forth a mouse, if that.

I have hardly been able to disguise my opinion that this is not a good book. It is not, however, a trivial or unimportant work. It struggles with real problems. Occasionally important insights break through from the cumbrous trappings of the System, such as, for instance, the point that the credit and banking system belong more to the "polity" than to the "economy". The authors are conscientiously trying to work with an apparatus which they believe is an important contribution to the tools of the social scientist. A tool is not to be condemned because it breaks once. When, however, it produces as little result as it does in this volume, and when, furthermore, it seems to be based on a basic misconception of the nature of theoretical systems, one must call the tool itself into question. It would be most unfortunate, moreover, if economists were to become discouraged by the meager results of this volume from further interest in the contributions of sociological to economic theory. The Parsonian system is not "current sociological theory", as the authors seem to imply. It is a highly special and personal system which has rather little influence among American sociologists outside Harvard University. Even an unsuccessful attempt at an important task however is praiseworthy, and as we come to understand *why* certain attempts at system-building fail where others succeed, we shall lay the foundations for a more successful advance towards the integration of the social sciences.

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