Social Responsibility for Living Standards

Presidential Address for the Association for Social Economics

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INTRODUCTION

Social economists assume that all economic theory and policy is strongly influenced by social values, whether or not these values are explicitly articulated. Social economists thereby reject the notion of a value-free, positive economic science. We share this critique of mainstream economics with other heterodox approaches. But we share more than critique. It is my belief that the distinct insights provided by the various schools of heterodoxy have much to offer each other. Cross-pollination strengthens the health of the plant. They also say that mutts are healthier than pure-breeds. And so I stand before you this morning, an intellectual mutt if you will.

My topic this morning—Social Responsibility for Living Standards—centers on issues that I have been contemplating since publication of my coauthored book, *Living Wages, Equal Wages*, in 2002. In this book, Marilyn Power, Ellen Mutari, and I argued that wages had three faces that needed to be incorporated into our theoretical framework regarding wage-setting processes and practices. We argue:

1. wages serve as a means of providing for living standards;
2. wages are the price of labor as an economic resource; and
3. wages are a social practice for establishing, reinforcing, and changing social relations, especially as marked by race-ethnicity, gender, and class.
We also concluded that since market forces cannot exclusively explain wage determination, then the market alone cannot be responsible for living standards. There should, in fact, be an expectation of “social” responsibility for living standards.

I want to begin by defining the terrain of my discussion, and particularly what lies outside the scope of my address this morning. There has been excellent, policy-oriented scholarship in recent years on how to set a socially acceptable minimum standard of living. David Ciscel’s (2004) work on defining a living wage for a Memphis, Tennessee, living wage campaign, is exemplary in this area. U.S. policy advocates responding to the establishment of TANF (Temporary Assistance for Needy Families) have also spearheaded initiatives to set minimum standards. These include the Economic Policy Institute’s Basic Family Budgets project and the Family Economic Self-Sufficiency Project sponsored by Wider Opportunities for Women. Social Accountability International (http://www.sa-intl.org), an organization founded by Alice Tepper Marlin to promote the ethical treatment of workers around the world, defines a “basic needs wage” using both quantitative analysis and qualitative consultation with workers about their own assessment of their needs.

Rather than these pragmatic concerns, I want to focus on some of the assumptions that underlie these movements to raise living standards. First, I want to present a vision of economics—drawing upon social, institutional, and feminist economics—that supports the assertion that there should be social responsibility for living standards. To do this, I will interrogate alternative definitions of what an economy is and what economics should study. Second, I will relate these definitions of economics to three definitions of living standards presented in Amartya Sen’s 1985 Tanner Lectures on the topic. Third, I will explore the implications of a feminist-institutional-social definition of economics on how we provision
living standards. Which economic and social actors should be responsible? For someone who has spent much of her career studying wages, I will come to a somewhat surprising conclusion: that our economy has *over-relied* upon wages as the basis for providing a standard of living.

**PUTTING THE “SOCIAL” BACK IN PROVISIONING**

Social, institutional, and feminist economists have advocated a reformulated definition of economics: economics as the study of *provisioning* or, the term I will advocate, as *social provisioning*. According to Marilyn Power (2004: 6), social provisioning suggests that “economic activity involves the ways people organize themselves collectively to get a living.” William Dugger (1996) has also urged us to redefine economics as the study of social provisioning.

Defining economics as the study of how human beings materially provision for themselves dates back to the work of eighteenth century classical economists such as Adam Smith. Unfortunately, this view fell out of favor with the rise of neoclassical economics during the twentieth century. Institutional economists, those writing in the tradition of Thorstein Veblen and John Commons, continued to utilize the concept of provisioning as central to what economic actors do. But such work was increasingly marginalized within the discipline by the mid-twentieth century. It was supplanted by the mainstream (or neoclassical) definition of economics articulated by Lionel Robbins in 1935 and is paraphrased in many introductory economics texts as: a social science studying the allocation of scarce resources toward the satisfaction of human wants.

In the opening contribution to the collection *Beyond Economic Man: Feminist Theory and Economics*, Julie Nelson (1993) revived and expanded upon the institutionalist rendering of
economics as the study of material provisioning. Nelson championed a return to the concept of provisioning. However, she argued that the emphasis on material provisioning excluded emotional, social, and interpersonal activities that were vital to economic life. Further, the discourse of material provisioning fostered distinctions between productive and unproductive economic activity that many feminists find troubling—a point reinforced by Ann Jennings’ (1993) contribution to the same pioneering volume for feminist economics. Nelson’s expanded definition of economic provisioning focuses on the processes that humans engage in for survival of themselves and others, including caring labor. In her more recent book, Economics for Humans, Nelson uses the metaphor of a beating heart:

The image of the economy as a beating heart, then, can be simultaneously a symbol of bodily provisioning and a symbol of care, respect, and moral and spiritual life. The heart’s existence as a physical organ brings out the “body” side of the schema, while its cultural symbolism as the seat of love evokes the “soul” side. (Nelson 2006: 59)

The sphere of money and the sphere of caring are not intrinsically separable, in this view.

The term “provisioning” has gained traction among feminists as an alternative view of the meaning and purpose of economics. Many feminist economists have utilized this broader definition of provisioning to define the project of economic inquiry. Marilyn Power, however, in a 2004 article in Feminist Economics, noted that the term provisioning is sometimes used in ways that make it indistinguishable from choice frameworks. She espoused the term “social provisioning.” Social provisioning, rather than simply provisioning, indicates that the object of study is how society organizes economic activities, mediated by culture, ideology, and institutions. Social provisioning thus bears a close tie to the concept of “social reproduction” as
articulated by feminist scholars in the 1970s and 1980s, defined as the daily and intergenerational renewal of human life.

Analyzing economic life as a process of social provisioning implies five core methodological starting points, according to Marilyn Power. Let me summarize these starting points, although my order will be different than hers. First, ethical judgments are endemic to economic analysis. This is, of course, a core principle of social economics. Second, in order to make ethical judgments, we must have a vision of the purpose of economic life and activity. For Power, Nelson, and myself, as for many social and feminist economists, the work of Amartya Sen and others on human well being—defined as the capability to pursue functionings that one has reason to value—provides such a vision. Social economists have similarly emphasized the concept of human dignity as a basis for personal identity of socially embedded individuals, positing the promotion of human dignity as a social value and a normative standard for policy (Davis 2006: 80).

The third entry point for promoting economics as social provisioning is that human agency and economic processes are subject to scrutiny, not simply outcomes. Fourth, nonmarket processes, including caring labor and domestic labor, are central, not peripheral, to economic life. Finally, the diversity of human experiences and situations, especially as shaped by historically specific categories such as gender, class, and race-ethnicity, provides a better perspective than ostensibly “universal” laws. While Power posits these methodological starting points as the foundation for feminist economics, they are equally valid formulations for social economics.

Social provisioning as a lens for viewing economic activity changes the subject of economics by asking different questions than does mainstream economics. It also suggests
different answers to questions that mainstream economics already addresses. Among these questions are two that I would like to focus on for the balance of my address: (1) How do we define living standards? and (2) Who is responsible for assuring living standards?

**LIVING STANDARDS IN A SOCIAL ECONOMY**

What do we mean by living standards? In a series of lectures given at the University of Cambridge in 1985, *The Tanner Lectures on Human Values*, Amartya Sen offers us three possible approaches to defining living standards. The first, which he dismisses for reasons I find persuasive, is the utilitarian approach and its modern offspring, choice theory. In this view, the objective of living is pleasure. Utility serves as either another term for pleasure, and thus an object of value, or it serves as a yardstick for measuring pleasure. Of course, this utilitarian approach to living standards is consistent with the Robbins definition of economic science. This approach is in its very nature positivistic because it is too subjective for making interpersonal comparisons of well being. Utility therefore does not enable ethical judgments or normative standards other than the weak requirements of Pareto Optimality. It also suffers from the masculinist bias that Nelson attributes to choice theory, that is, a focus on detached rationality rather than engagement with the material world. Therefore, it is entirely unsatisfactory as a social economics view of living standards.

The second approach, also dismissed, but less summarily, by Sen, is to focus on one’s possession of what he terms “vitally important commodities” (Sen 1987: 15). Sen refers to this definition of living standards as *opulence* and notes that it is a preferable approach to the utilitarian one. This second definition of living standards is consonant with traditional formulations of provisioning that focus on material needs. It is also the definition of living
standards that has been implicit in most of the living wage movements of the past few centuries. In fact, the period in which Robbins’ choice theoretic definition crowded out provisioning approaches to economics is also the period in which public discourse on living wages became muted. Current living wage initiatives can be seen as attempts to reassert the provisioning view of economic activity and to give well being primacy over market forces.

Yet, as Sen points out, commodity possession can enable improvements in one’s standard of living, but the two concepts are not identical. In the first lecture, he notes:

While Marx’s (1887) attack on “commodity fetishism” was made in a rather different context, that attack is deeply relevant to the concept of the standard of living as well. The market values commodities, and our success in the material world is often judged by our opulence; but despite that, commodities are no more than means to other ends. Ultimately, the focus has to be on what life we lead and what we can or cannot do, can or cannot be (Sen 1987: 16).

Or, as Lourdes Benería writes in her book *Gender, Development, and Globalization: Economics as if All People Mattered*: “A world regulated by material pursuit leads to the neglect of the spirit and to the avoidance of epistemological questions linked to human wellbeing; it also fosters the identification of happiness and security with material accumulation” (2003: 162).

This, then, is Sen’s third definition of the standard of living, intimately connected to his definition of well being. Our standard of living includes all of the preconditions for our personal well being: tangible as well as intangible, privately owned commodities and public goods and services (see Robeyns 2005: 102). The link between opulence and capabilities, for Sen, is the complex social structures in which people function. It is this attentiveness to social context that most clearly aligns Sen’s definition of living standards with the broader concept of social
provisioning as the terrain of economics. In the examples sprinkled throughout Sen’s work—including the classic example of the person who owns a bicycle that is of no use without paved roads, without the physical ability to ride a bike, or without a culture in which bicycle riding is permitted for women—Sen is arguing not only about the socially determined use-value of commodities, but also about their social meaning.¹

Does this imply that we should completely reject basic needs, living wages, and other commodity-based formulations of living standards? Definitely not. Material provisioning is still an essential aspect of social provisioning. Material goods and services are a means to improving living standards, though not the only means (see Hart 1987; Tomer 2002; Robeyns 2005).

If social provisioning entails the ways people organize themselves collectively to get a living, we need to examine how we, as a society, are currently organized to accomplish this task and the implicit assumptions about capabilities and functionings that underlie this set of social practices. The choices we make about what to do and to be are not simply individual choices. Society embeds messages about what we can do and be throughout its social practices, even in setting wages. I am not simply asserting an ethical judgment that society should take a role in defining living standards; I am saying that it already does. The problem is that the way that we go about it now presents major obstacles to the achievement of human flourishing.

WHOSE RESPONSIBILITY?

The next question is: how do you implement this collective responsibility? Which actors are involved? The primary economic actors I will consider are (1) worker-consumers themselves; (2) businesses as employers; and (3) government, or the state. I pose them,

¹ Like the classical economists including both Smith and Marx, Sen views the definition of an adequate standard of living as a social process. This leaves Sen open to the charge of being overly relativist and unable to respond to the escalating consumption standards of our contemporary consumerist society (Williams 1987).
however, not as pure alternatives—what Sen (1987: 2) refers to in another context as a “competitive plurality,” but rather as a “constitutive plurality.” Of course, many other social institutions play a role in social provisioning, including a variety of NGOs (nongovernmental organizations) such as educational institutions, religious organizations, private charities, and labor organizations. And nonmarket activities and self-provisioning continue to be crucial in both advanced industrialized countries and the developing world (Smith 1984; Hart 1987; Benería 2003). A thorough re-envisioning would need to scrutinize these economic actors and activities as well.

With the development of capitalism—as capital replaced land as the resource bestowing social standing and economic influence, and as peasants became workers—wages became the primary means of earning income to purchase commodities to sustain a livelihood. The ideological primacy of wages is reflected in mainstream economic theory. Individual worker-consumers located in households are chiefly responsible for their own living. Improving one’s standard of living is a matter of making the “right” choices: by investing in one’s human capital, by behaving rationally in labor markets, or, as some social conservatives would have it, by marrying the right person.

If workers are responsible for their own living standards, business is not. The social responsibility of business, in the famous words of the late Milton Friedman (1970), is increasing profits. For Friedman, the ethical reasoning behind this argument is the supposedly voluntary nature of market transactions—an assertion that, of course, has been challenged by Marxists and other heterodox economists. I will not dwell upon their arguments here. Mainstream wage theory also argues that wages are equal to the workers’ productive contribution to output.
Fairness, in this commutative justice framework, is separable from measures of well being (Figart, Mutari, and Power 2002).

Living wage movements, past and present, have challenged the mainstream position on ethical and economic grounds (Figart 2001). Living wage advocates such as Sidney and Beatrice Webb argued that employers who paid less than a living wage were “parasitic,” meaning that they could not open every day without charities and other social services filling the gap between sweatshop wages and appropriate living standards (Power 1999). We hear the echo of such arguments today in criticisms of Wal-Mart and other employers who do not offer health insurance or whose employees qualify for food stamps (Robinson 2004). Today’s anti-sweatshop movements and living wage campaigns, like those of the past, assert that employers are socially responsible to pay living wages and necessary benefits such as health care. Other challenges to Friedman’s position have come from within the business community itself, from those who assert the existence of more complex motivations (see Nelson 2006: ch. 5).

These arguments imply a different theory of wage setting than that of mainstream economists. In Living Wages, Equal Wages, my coauthors and I (Figart, Mutari, and Power 2002) referred to this perspective as “wages as a living.” According to this view, wages are based upon socially-defined living standards in order to maintain the reproduction of the labor force and macroeconomic growth. In an Urban Affairs Review article on the political economy of the living wage, Tony Robinson summarizes the economic arguments for raising living standards: “[L]iving wage theorists assert that better paid workers are more productive, more healthy, more easily recruited, more loyal, better consumers, and even better citizens” (Robinson 2004: 262).
If business fails to fulfill its social responsibilities, government must step into the breach. Much of my scholarship has been predicated on the assumption that government policies to improve wages and working conditions—along with collective bargaining by unions—are the best way, in the current historical context, to ensure living standards. My earliest work focused on women employed in female-dominated sectors and looked to career ladders and comparable worth policies as means of raising their wages (see, for example, Figart 1988; Figart 1989; Figart and Lapidus 1996; Figart and Kahn 1997; Figart and Lapidus 1998; Figart 2000a). I have also written on minimum wage policies and local living wage ordinances (Figart and Lapidus 1995; Lapidus and Figart 1998; Figart 2000b; Figart 2001; Figart 2004). The motivating idea behind much of this work is analyzing policies designed to ensure good jobs for all workers.²

SOCIAL RESPONSIBILITY FOR CARING

I am increasingly aware, however, that there are problems with just trying to improve jobs and increase wages. It is, fundamentally, a gender problem. Can we reconcile living wage movements—and their emphasis on living standards as the ability to purchase commodities—with the demise of the male-breadwinner family? In order to explain this dilemma, let’s probe more deeply into the gendered assumptions of living wage movements.

Living wage movements legitimated wage labor by differentiating respectable forms of employment from those that were considered oppressive or exploitative. Once workers were considered “wage slaves.” But white working-class males came to accept wage labor by associating paid employment with whiteness, creating a contrast with slave labor. Living wages promised an alternative to “slave wages,” that is, a means to economic independence, the

² There is, naturally, an extensive literature besides my own work on policies to raise living standards. See, for example, Pollin and Luce (1998), Reynolds (2002, 2004), Luce (2004), and Levin-Waldman (2005).
benefits of consumer society, democratic citizenship, and status as head of one’s household (Roediger 1991; Connell 1993; Glickman 1997). Masculinity, in the process, was redefined to include breadwinning. The association of breadwinning and masculinity had a “flip side.” If wage-earning was men’s work, then social reproduction in the home was considered women’s work. Definitions of appropriate living standards reflected the gendered (and, especially in the United States, racialized) social order in which these movements flourished. Most notably, working men joined unions and struggled with employers to achieve a family wage, defined as a wage sufficient to support a dependent wife and children. Living wages for women were generally defined as less than living wages for men.

The social transformation undermining these separate spheres in the past few decades has been profound. It has been facilitated by a myriad of factors, from the agency of women’s social movements to rising consumption standards and declines in men’s real wages. There have also been pull forces from business and government policies, linked to the expansion of female-concentrated industries. The result of this social transformation has led to what some analysts have referred to as an “Adult Worker Model Family,” in which all adults are expected to engage in wage labor and more and more of household production is commodified or, in the words of Gøsta Esping-Andersen, “de-familialized” (Lewis and Giulini 2005). It is an individualistic model in that a person’s wages pay primarily for their own subsistence, and perhaps for their children. This model polarizes dual-earner families versus single-earner families because dual earners typically have higher incomes.

The challenges posed by the commodification of caring labor have been extensively studied by feminist economists (see, for example, Folbre 1995; Himmelweit 1995; Folbre and Nelson 2000; Nelson 2006). Most agree that it is an oversimplification to presume that work
done for money cannot also be done with love, respect, and altruism. But it seems unlikely and impractical that caring labor will be fully commodified, leaving women’s primary responsibility for the remaining unpaid work of social reproduction potentially unchallenged. This, in turn, impacts on women’s choices in both the public and private sphere (Lewis and Giullari 2005). Further, men’s choices impact on women’s choices. If, for example, men in households choose to work long hours, this has a direct impact on their female partner’s ability to make real choices about work and family time (Mutari and Figart 2001).

How does this impact our discussion of living standards? If we view living standards simply as a set of commodities, we overlook the complex decisions about social relations that must be made in order to socially provision caring labor. This complexity can be seen in debates over the role of our third economic actor—the state—in social responsibility for living standards. How can government best facilitate caring? The two methods generally championed by feminists and others concerned with social reproduction are (1) to hold government and society responsible through the direct provision of social programs or (2) to have government take responsibility through the provision of money income. The former is the social wage or merit good approach, in which public provision of child care, elder care, and health care services relieves women of private responsibility for caring labor; Barbara Bergmann (2004) is a staunch advocate of this position. Some elements of living standards are taken out of “the market” in that they are taken out of the private sector world of competitive profit-seeking. But there is still an element of commodification, in that paid workers perform caring labor.

The alternative is subsidies for caring done in the home or, more broadly, a Basic Income Guarantee. The latter would provide opportunities to stop out or take career breaks for a variety of pursuits, that is, for surfing as well as for caretaking (Van Parijs 1991). Carol Pateman (2004)
argues that a basic income guarantee de-couples the link between citizenship and paid employment that was a hallmark of the male breadwinner family system. It provides citizens with the opportunity to choose “nonemployment” and to focus on caring labor, but also improves working conditions by increasing the bargaining power of workers with their employers. The limitation of such subsidies, however, is that they may do nothing to break down culturally constrained “preferences” that maintain caring work as women’s work. Men may “choose” jobs with long hours and rigid career trajectories and women may nurture. Or men may surf and women may still nurture.

Ultimately, we have to look past the standard trilogy of worker-business-state and look inside the household. Let me quote the work of Jane Lewis (keynote speaker at the forthcoming World Congress of Social Economics in Amsterdam) and her coauthor Susanna Giullari:

Human beings need care—it is a human activity—which means that we must also consider the way in which care work is shared in societies, both between men and women at the household level, as well as between the individual and the collectivity. The current policy debates tend to treat care work as something that has to be reconciled with employment for women, and which can be addressed via commodification…. But if it is in any case not possible to commodify all care work, then the issue of how it is shared, not just between individuals and the collectivity, but also between men and women at the household level must also be addressed. (2005: 87-88).

What I am asserting is that social responsibility for living standards means poking our nose inside the household to examine the ways in which the social organization of caring has impeded human flourishing—both women’s and men’s.
Where does this leave us? I am still convinced that jobs matter. Work still matters. There is no doubt that women, at least in advanced industrial countries, have gained from paid employment—in tangible ways (with access to resources) and intangible ways (personal identity) (see Kessler-Harris 2001). But the tension between “working mothers” and “stay-at-home moms,” portrayed in the media as “The Mommy Wars” has its roots in women’s lack of agency due to the structural limitations of their social context. We need to ask whether women have real choices about the allocation of their time between paid and unpaid labor. We need to ask whether men have real choices to put energy into caring, not simply getting up to change diapers, but the emotional work of caring and of building social and family networks.

To accomplish this, we will need a multi-faceted policy agenda. Let me dream big here, as I did a few years ago in a book chapter for Marc Tool and Dale Bush (Figart 2003), where I outlined a policy agenda to promote progressive institutional change. Part of the task still involves making jobs better: demanding that employers acknowledge their social responsibility and provide living wages and socially necessary benefits that are not provided by the state. We need to improve part-time and contingent jobs and discourage overwork so that paid employment does not crowd out other aspects of peoples’ lives. From the state, we need paid family and medical leave, effective income replacement programs for the poor, and publicly provided health care and child care. We need to ensure that paid and unpaid labor is allocated with dignity and without discrimination.

**CONCLUDING THOUGHTS**

In addition to changes in public policy, we also need to practice a different kind of economics. How we practice economics reflects our conception of our subject matter. How we
define economics and, perhaps more importantly, how we define what an economy is, is connected with the values we hold as academics and as human beings. Social provisioning is an apt way of viewing economic systems because it incorporates social values beyond material acquisition and emphasizes human agency.

We can begin this revolutionary project by changing our teaching practices. First, we can communicate to students on the first or second day of principles classes that “textbooks” have standpoint, and specifically that the definition of economics in most textbooks is only one of several possible approaches to understanding economic life. We can teach students that economics is about social provisioning, and define that term. We can then continue discipline transformation by lobbying those of our own ilk that write economics textbooks—Patrick Welch, Julie Nelson, Neva Goodwin, Steven Slavin, Jean Shackelford, and their coauthors—to adopt and publish the social provisioning definition of economics. This is important because social provisioning can lead students down different intellectual paths than the stale and static models of choice theory. We will be teaching them to ask different questions. We will be teaching them to analyze these questions with pluralistic methods. And, ultimately, a social provisioning approach will lead us to very different conclusions, including a commitment to social responsibility for living standards. If we accept this emancipatory project, hopefully in two-to-three generations, economics will be about social provisioning, and social economists and our heterodox allies will have transformed the discipline.

References


