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# The Social Provisioning Process and Heterodox Economics<sup>1</sup>

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## Abstract

The social provisioning process is how heterodox economists define economics in general. Instead of having a narrow definition of what constitutes economics, such as the mainstream has with its allocation of scarce resources among competing ends via the price mechanism, heterodox economists have opted for a much more expansive definition that permits different theoretical explanations for ways in which the provisioning process can take place in different types of economies in different historical contexts. In this chapter, we first examine the changes in the definition of economics from classical political economy to neoclassical and heterodox economics. The comparison between classical political economy and neoclassical economics manifests a clear distinction in view of economy and economics. The second section substantiates the meaning of the social provisioning process. In doing so we make a case that, first, defining heterodox economics as the study of the social provisioning process positions heterodox economics as an alternative to neoclassical economics, and, second, that such an expansive definition of economics has potential to synthesize various heterodox theoretical frameworks in a constructive manner. The last section concludes the chapter.

## 1 Introduction

A definition is a statement, a declaration, or a formal explanation of the essential nature and scope of a subject matter. Defining ‘economics’ is, however, hardly easy because the essential nature and scope of the economy is contested. The absence of a universal definition of economics and the changing definition of economics indicate that economics is a living body of knowledge and approaches with its origins and historical development. The diversity in viewpoints, methods, theories, and policies, which leads to a variety of definitions, is conducive to the development of economics as a social science. As such, it is not likely that there will emerge a universal definition upon which all economists agree insofar as economists holds different and contending views of the evolving economy.

Numerous definitions of economics may well be sorted into two broad groups—heterodox and mainstream-neoclassical. The social provisioning process is how heterodox economists define

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economics in general. Instead of having a narrow definition of what constitutes economics, such as the mainstream has with its allocation of scarce resources among competing ends via the price mechanism, heterodox economists have opted for a much more expansive definition that permits different theoretical explanations for ways in which the provisioning process can take place in different types of economies in different historical contexts. The main purpose of the present chapter is to discuss this heterodox definition of economics, which not only captures the methodological and theoretical foundations of many, but not all, heterodox traditions, but also provides ground for them to engage with each other with the expectation of advancing heterodox economic theories.

Towards this end, we first examine the changes in the definition of economics from classical political economy to neoclassical and heterodox economics. The comparison between classical political economy and neoclassical economics manifests a clear distinction in view of economy and economics. It is also argued that contemporary heterodox economics is the continuation and positive development of classical political economy. These historically distinct economic traditions are connected through the work of Marx, Veblen, and Keynes, the three notable precursors of heterodox economics, who developed their respective theoretical system in opposition to vulgar political economy, hedonistic economics, or neoclassical economics. We find that the social provisioning process is a felicitous concept in light of their vision of capitalist economy and corresponding analytical frameworks. The second section elaborates the social provisioning process and its implication for doing heterodox economics. In doing so, we make a case that, first, defining heterodox economics as the study of the social provisioning process positions heterodox economics as an alternative to neoclassical economics, and, second, that such an expansive definition of economics has potential to synthesize various heterodox theoretical frameworks in a constructive manner. The last section concludes the chapter.

## 2 Definitions of economics: A historical sketch

Economic activities concerning the subsistence and welfare of human beings have always been part of the life process since the beginning of history, while the concept of ‘economy’ as a distinct but embedded fabric of society arose much later (for example, in the seventeenth century in French literature). This time lag is attributed to the inextricable tangle between economy and society (Polanyi 1965, 71). The meaning of economy, *oeconomia* (Latin), *économie* (French), *gyeongje* (Korean), *jingji* (Chinese), or *keizai* (Japanese), as found in Aristotle and ancient literature, is closely tied up with the management of the material basis of the household (*oikos*) or the sovereign nation (*polis*) through noneconomic institutions—politics, in particular. Initially economics is thus defined as a science or art of managing the economy. Essentially, management (*nomos*) implies; firstly, the exercise of power of one social class over another—that is, the class division with uneven distribution of social power is basis of the economy; and, secondly, the continuation or reproduction of the economy over

time—that is, the economy involves historical, instituted processes and going concerns; and thirdly, resources are not scarce since resources are made to be available as they go through the resource management process (production and reproduction). Such an early conception of the economy, as the name ‘political economy’ indicates, is situated in the context of a rigid social structure with a hierarchical division of social class. As discussed in detail below, it was not until the emergence of neoclassical economics in the nineteenth century that the economy refers exclusively to market exchanges. The separation of the economy from the society is a deliberate break with the conventional meaning of the economy—that is, neo-classical economics’ “basic strategy is to eliminate history and society from the subject and reduce it to a mathematical science—an optimization problem” (Steindl 1984/1990, 243). This is a unique characteristic of the mainstream-neoclassical economics. Apart from the neoclassical conception of the economy, heterodox economists, sociologists, anthropologists, amongst others, have not abandoned the view that the economy is part and parcel of the society (Polanyi 1965; 1968; Granovetter 1985; Baranzini and Scazzieri 1986). In what follows the historical changes in the definition of economics is sketched from classical political economy to neoclassical economics. The latter’s definition is then contrasted to the heterodox definition of economics.

## 2.1 From classical political economy to neoclassical economics

The management concept of the economy is epitomized in Adam Smith’s definition of political economy. He declares that

[p]olitical economy, considered a branch of the science of a statesman or legislator, proposes two distinct objects: first, to provide a plentiful revenue or subsistence for the people, or more properly to enable them to provide such a revenue or subsistence for themselves; and secondly, to supply the state or commonwealth with a revenue sufficient for the public services. It proposes to enrich both the people and the sovereign. (Smith 1776/1994, 455)

For Smith, the nature of economy lies in the provision of the material means of life so that the people *and* the nation as a whole continue their living. In other words, as is captured in the title of Smith’s book, political economy is *An Inquiry into the Nature and Causes of the Wealth of Nations*. Here one should note the historical context in which Smith’s definition emerges. For Smith and other classical political economists, it is inconceivable that economy is separable from politics or society. Economy lies in the domain of politics. It was the ruling class, including statesmen and legislators, who held the responsibility of managing the system of political economy. At the same time, Smith in *The Wealth of Nations* noticed both the vices and virtues of the then emerging decentralized market exchange system. Yet, insofar

as the eighteenth century capitalism is concerned, political economy was viewed from the standpoint of the ruling class. Such a top-down management view of the economy started cracking as the society evolved into industrial capitalism.

In line with Smith's political economy, notable classical economists state that “[t]o determine the laws which regulate this distribution [of rents, profits, and wages], is the principal problem in Political Economy” (Ricardo 1817/1951, 5); political economy is “the science which treats of the production and distribution of wealth, so far as they depend upon the laws of human nature (Mill 1836, 318). And for Karl Marx, political economy inquires into “the real relations of production in bourgeois society in contradistinction to vulgar economy, which deals with appearances only, ruminates without ceasing on the materials long since provided by scientific economy” (Marx 1867, 58). The ‘real relations’ or the underlying laws of the economy, from Marx’s perspective, bear the capitalist class relationship which requires the exploitation of the working class by the capitalist class whose interest is accumulating capital that is rendered possible by generating the surplus in the capitalist mode of production (more on Marx later). Apparently, apart from their political and ethical values, classical political economists address a common theoretical issue—that is, the creation and distribution of wealth (value) or the surplus. Accordingly, the theoretical basis is the surplus approach in which wealth and its distribution is connected to the social structures and institutional arrangements of the time, and which is completely erased by marginalist-neoclassical economics (Martins 2015, 226).

Economics after Ricardo and Marx, however, shifted their attention from the social to the individual. In view of Senior (1836/1965, 138), for example, political economy is the science of studying the behavior of an individual who “desires to obtain additional wealth with as little sacrifice as possible.” It was the emergence of utilitarianism and subjectivism in the nineteenth century that not only challenged the classical view and scope of political economy, but also changed the method to investigate the subject matters. Carl Menger and Stanley Jevons, respectively, define that “[e]conomic theory is related to the practical activities of economizing men in much the same way that chemistry is related to the operations of the practical chemist” (Menger 1871/2007, 48); economics is “a calculus of pleasures and pain; and the object of Economics is to maximize happiness by purchasing pleasure ... at the lowest cost of pain” (Jevons 1871/1965, 23).

What is noteworthy in the above (neo)classical definitions of economics is that the relationship between individuals and resources, or between the unlimited (and ‘given’) preferences and the scarce (and ‘given’) resources, becomes predominant in economic thinking. At the same time, the theoretical concern with the relationship between human beings and society that governs the behavior of individuals therein, is eschewed. This shift in analytical focus calls for a new concept of scarcity. In the utilitarian (and, later, neoclassical) thinking scarcity is invariably conceived as the paucity of available resources rather than the difficulty of production (Baranzini and Scazzieri 1986, 21).

If rational or optimizing behavior taken out of the social context is *the* subject of economics, the appropriate method required to explain such behavior is to be mathematical and mechanical rather than historical and social. If a deductive mathematical method is adopted, the starting point of economics is not the social reality found in the capitalist system, but the ‘mental constructs’ (or a set of assumptions) that determine the practice of economics. Thus ensuing theories and models based on mental constructs “present this society as the natural or rational form of organization which, in one form or another, has existed universally” (Henry 2009, 28). In such theories and models, therefore, the “open, structured, processual, and highly internally related” nature of the social reality is replaced by a “closed atomistic reality” (Lawson 2005, 435-436). Theoretically, such a radical change in economists’ thinking is also represented by the utility theory of value not only as an anti-thesis to the labor theory of value (Henry 1990, 238-244) as well as “a reaction against the criticism of the capitalist system by Marx and others” (Steindl 1984/1990, 243). The marginalist theory of price and distribution was designed to replace the classical surplus approach (Roncaglia 2005, 278-280). Furthermore, the neoclassical theory of production that is “a one-way avenue that leads from ‘Factors of production’ to ‘Consumption goods’ ” objects to the classical approach to “the system of production and consumption as a circular process” (Sraffa 1960, 93). All these theoretical constructs reflect the neoclassical view of economy. Consequently, the law of supply and demand as a general theory is applied to all the economic activities as if there only exists competitive capitalism regardless of time and space (Henry 2009, 29-30). This law is the neoclassical interpretation of Adam Smith’s invisible hand—the virtue of the voluntary production and exchange, which led to the fictitious notion of the Walrasian auctioneer and to the Marshall’s *Principle of Economics* in which he declares that “the general theory of the equilibrium of demand and supply is a Fundamental Idea running through the frames all the various parts of the central problem of Distribution and Exchange” (Marshall 1920/1947, viii).

The asocial, individualistic, and subjectivist view of economics is put in a nutshell by Lionel Robbins:<sup>2</sup>

The economist studies the disposal of scarce means. He is interested in the way different degrees of scarcity of different goods give rise to ratios of valuation

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<sup>2</sup>Before Robbins (1932/1935), then emerging neoclassical economists in the UK and Austrian economists, following the nineteenth-century utilitarian-marginalist doctrines, had already framed their economics in terms of rational choice and scarce resources. For example, economics is “a study of the principles of administration of resources and selection between alternatives” (Wicksteed 1910/1933, 17); economics is “the science of man’s activities devoted to obtaining the material means for the satisfaction of his wants” (Fairchild, Furniss and Buck 1926, 8). It should also be noted that Robbins and his colleagues at London School of Economics had a close academic and ideological relationship with Austrian economists (in particular, F.A. Hayek whom Robbins invited for a position at LSE in 1931) and also with economists at the University of Chicago (such as Frank Knight and Jacob Viner). This London–Vienna–Chicago connection represents a defense of *laissez-faire* policy and market-fundamentalist economics against the reformative position held by Keynesians in the UK and institutionalists in the US (see Souter 1933; Burgin 2012, 13-54).

between them, and he is interested in the way in which changes in conditions of scarcity, whether coming from changes in ends or changes in means—from the demand side or the supply side—affect these ratios. *Economics is the science which studies human behaviour as a relationship between ends and scarce means which have alternative uses.* (Robbins 1932/1935, 16, italics added)

Robbins' definition has been received by virtually all neoclassical economists since then (Backhouse and Medema 2009a;b).<sup>3</sup> Obviously, the change in the definition of economics in the nineteenth and early twentieth centuries not only reflects social changes—that is, the dominance of the capitalist class through the decentralized market system, which was followed by the economists' conception of the economy, but also requires a new set of theories and methods that are suitable for the asocial, market-centered definition of economics. In other words, a definition of economics received by a group of economists is the representation of a particular standpoint that determines and legitimizes a set of theories and methods.

## 2.2 Marx, Veblen, and Keynes: precursors of heterodox economics

While the neoclassical view of capitalist economy and economics is derived directly from utilitarianism and marginalism, heterodox economics is deeply rooted in classical political economy in which the economy is an integral fabric of society. This embedded view of the economy is the entry point of both classical political economy and modern heterodox economics in terms of the scope, theory, and method. Consequently, the scope of economics extends to non-market and unpaid activities enmeshed in a larger society. The method is not confined to the deductive-mathematical method. Such a vision of economy and economics is most palpable in the works of Karl Marx, Thorstein Veblen, and John Maynard Keynes, the three notable precursors of heterodox economics who continued Smith's political economy in one way or another (as opposed to the neoclassical interpretation of Smith). In stark contrast to hedonistic economics or neoclassical economics, Veblen and Keynes express their vision of economics (that is in line with Marx's definition of scientific political economy as opposed to vulgar political economy noted earlier):

In so far as it is a science in the current sense of the term, any science, such as economics, which has to do with human conduct, becomes a generic inquiry into

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<sup>3</sup>Just to mention some notable examples echoing Robbins: Economics is “the study of principles governing the allocation of scarce means among competing ends when the objective of the allocation is to maximize the attainment of the ends” (Stigler 1942, 12); “Economics is a social science studying how people attempt to accommodate scarcity to their wants and how these attempts interact through exchange” (Cairncross 1944, 8); “An economic problem exists whenever *scarce* means are used to satisfy *alternative* ends” (Friedman 1962, 6, original italics); Economics is about “[h]ow ... we choose to use scarce resources with alternative uses, to meet prescribed ends” (Samuelson 1970, 13).

the human scheme of life; and where, as in economics, the subject of inquiry is the conduct of man in his dealings with the materials means of life, the science is necessarily an inquiry into the life-history of material civilization .... Not that the economist's inquiry isolates material civilization from all other phases and bearings of human culture, and so studies the motions of an abstractly conceived "economic man." (Veblen 1909, 627-628, original emphasis)

He [a political economist] must be mathematician, historian, statesman, philosopher—to some degree .... He must study the present in the light of the past for the purpose of the future. No part of man's nature or his institutions must lie outside his regard. (Keynes 1972, 173-174)

[A]gainst Robbins, economics is essentially a moral science and not a natural science. That is to say, it employs introspection and judgment of value. (Keynes 1973, 297)

In order to provide a dynamic explanation of the economic structure of society that governs the 'life-history of material civilization,' Marx, Veblen, and Keynes respectively developed a similar theoretical framework centered on the capitalist mode of production—that is, the way production is organized by capital (Marx), the business enterprise (Veblen), or entrepreneurs (Keynes). It is not a coincidence that production is the central concern in their respective theoretical system. As discussed earlier, in the classical political economy the scarcity of resources at a given point in time is understood as a difficulty of production arising due largely to existing institutional arrangements, such as social, technical, legal, regulatory, and ideological setups. Furthermore, the neoclassical concept of scarcity becomes irrelevant and misleading if the economy is viewed from the historical-evolutionary perspective as in Marx, Veblen, and Keynes (Robinson 1977/1980, 8; Henry 2011, 72-75).

In this production-oriented, production-based capitalist system, resources are reproduced in the technically interrelated process of production between capitals or industries—that is, the *circular production economy*, which is most rigorously and clearly formulated by Sraffa (1960). The circular production economy indicates that production is not only a complicated process which can hardly be represented by a simple neoclassical production function, but also a social process in which basic goods and the surplus goods sectors are *technically* connected, and going concerns—households, the business enterprise, the state, and market governance organizations—are *socially* connected to each other through the structure of production and incomes. In this theoretical framework, the viability of the system as a whole (and of going concerns therein) becomes a fundamental question, as opposed to the feasibility of production based upon scarce resources and the efficient allocation of resources through the market mechanism (Walsh and Gram 1980, 397, 404-405; Baranzini and Scazzieri 1986, 34-35).

The viability of the system here means both economic and social reproduction that are intertwined in the process of production (Chiodi 2010, 324). Capitalists engage in the production



of commodities with the expectation of generating the flow of monetary profits. With this expectation, the capitalists' and the state's decision to produce surplus goods—that is, *effective demand*—drives the production of basic goods, the employment of labor power, and the generation of profits in the circular production system. In this regard, capitalist economy is also translated theoretically into *the surplus production economy* driven by effective demand (Lee and Jo 2011; Martins 2015). Furthermore, once the capitalist economy is seen through lens of the theories of circular and surplus production, what matters most for the capitalist class is “the vendibility of output, its convertibility into money values, not its serviceability for the needs of mankind” (Veblen 1904, 51). The dominance of money-making activities over goods-making activities in the capitalist economy is also addressed by both Marx and Keynes: “the immediate purpose of capitalist production is not ‘possession of other goods’ but the appropriation of value, of money, of abstract wealth” (Marx 1969, 503); and “[a]n entrepreneur is interested not in the amount of product, but in the amount of *money* which will fall to his share” (Keynes 1979, 82, original italics). And this essential peculiarity of money or credit is captured in Marx's, Veblen's, and Keynes' view that capitalism is *the monetary production economy* (see Dillard 1980; Henry 2011).

The vendibility—that is,  $C' - M'$  in Marx's circuit of money capital—is the end of production (but not the end of capital). The means to achieve this end is the conversion of working capital into inputs ( $M - C$ ) required in the process of production. In addition, there arises an inherent conflict of interests between the capitalist class and the working class (Marx) and between the vested interests and the underlying population (Veblen). Consequently, the livelihood of the working class (or the enjoyment of use value or serviceability of goods and services represented by  $C - M - C'$  becomes subservient to the profit-oriented activities of the capitalist class—that is,  $M - C - M'$  (Veblen 1904, 157-158). This dominance, which is culminated in the neoliberal era since the early 1980s, is attributable to the weakened viability as well as increasing instability of the capitalist system (Jo and Henry 2015).

In a nutshell, the heterodox economic framework following Marx, Veblen, and Keynes manifests that the historical development of capitalism centered on the production process is felicitously explained by the theories of circular, surplus, and monetary production. Heterodox economics equipped with these theories runs counter to the neoclassical framework centered on the market-exchange mechanism in which money plays no essential role. If the means of production are assumed to be scarce, either relatively or absolutely, the produced surplus goods have to be scarce as well. This logical consequence lacks empirical validity to the extent that in most advanced countries a pressing economic problem is not the ‘scarcity’ of inputs and outputs, but the unequal distribution of ‘abundant’ surplus goods, and that in less-developed countries it is not necessarily the scarcity of resources, but the difficulty of production arising from the lack of technology in utilizing given (but not scarce) resources or the lack of incomes earned by the working class households. It follows that the provisioning of goods and services is organized by those who make decisions to produce goods and services, and those who control the system of production and consumption, not by the hypothetical

market price mechanism. Therefore, the viability of the capitalist system as a whole rests on incomes generated in the production process. The material provisioning process encompassing a wide range of activities is in its nature social and historical. In the following section, we will elaborate on the concept of the social provisioning process and the heterodox definition of economics based upon this concept.

### 3 The social provisioning process

The principal implication of the preceding section is that heterodox economics is a body of historically-contingent social theory with an analytical focus on real economic activities, as articulated by classical political economists and three precursors of heterodox economics. As a social theory, economics explores constituents of society, which make up an organic whole of the social system. Such constituents include, but not limited to, acting persons and organizations, their agency qua power to make strategic decisions, social structures and relationships, and social institutions. Essentially, individual units of economic activities are embedded in the economy, which is in turn embedded in and an integral part of the society in particular regard to the material basis of the society.

In this perspective, nothing is isolated from and independent of the society. It is interactive agency through social institutions that renders individuals, organizations, and the whole society on-going. It follows that an analytical reduction of the whole to the individual or the converse is neither possible nor sensible, since such an attempt expunges all the interrelationships between constituents that generate, constrain, or facilitate the dynamics of the social system. By the same token, it is inconceivable that an economy is viewed as a system of exchange organized by the market price mechanism, which is at odds with empirical reality and which is theoretically incoherent. Contrary to mainstream economics, a heterodox view of the economy is “an instituted process of interaction between man and his environment, which results in a continuous supply of want-satisfying material means” (Polanyi 1968, 145). To our understanding (and as elaborated further below), this is a core vision of the economy received by economists of various heterodox persuasions. With this vision, economics may well be defined as “the study of the on-going process that provides the flow of goods and services required by society to meet the needs of those who participate in its activities ... [That is, economics is] the science of social provisioning” (Gruchy 1987, 21), or, put it differently, “[economics] is really the study of the process whereby surpluses are created in economies, how they are extracted, who gets them and what they do with them” (Harcourt 1986, 5); “the object of economic theory ... [is] the study of the social laws governing the production and distribution of the means of existence of human beings organized in social groups” (Aglietta 1979/2015, 16).

### 3.1 Positioning heterodox economics by creating its identity

Before substantiating the meaning of the social provisioning process, we should note that the above definition is useful for positioning heterodox economics in the wide spectrum of economics. Positioning is a way to identify the nature of heterodox economics vis-à-vis other paradigms in economics. Identification requires a name and a definition. Although the term ‘heterodox economics’ is widely used in academia and media these days, there have been different identifiers designating a paradigm in economics that does not belong to mainstream-neoclassical economics—for example, non-mainstream, non-orthodox, post-classical, progressive, alternative, etc. Different designations imply that the identity of heterodox economics was/is not firmly established. As an identifier ‘non’ implies, a conventional meaning of heterodox economics is the opposition to orthodox (in the intellectual sense) or mainstream economics (in the sociological sense) (Dequech 2012, 87-89). The meaning of ‘heterodox’ is thus initially negative, since heterodoxy can be defined in opposition to the orthodoxy or mainstream. For this reason, there is a resistance against the use of the identifier ‘heterodox.’ For instance, Robert E. Prasch notes that:

Personally, I dislike the term “Heterodox Economics” (although I do not have a good substitute). This is for two reasons. First, it defines the scholarship of a diverse range of thinkers solely in terms of what they reject. An unfortunate, if unintended, consequence is that it reaffirms the centrality of Neoclassical Economics. Second, it presumes a unity among non-Neoclassical scholars. There are, and remain, important distinctions between the Austrian, Institutional, Marxist, Post Keynesian, and other traditions, although any one writer (myself included) may work across two or more of them. I would, however, hasten to add that to be an educated (as opposed to trained) economist, one must know more than one approach to economics. (Prasch in Jo 2013, 20)

There is no doubt that Prasch’s first reason is legitimate. But what Prasch misses is that there is the other, positive side of heterodox economics, which can be practiced *independently* of mainstream economics. In fact, ‘heterodox economics’ was also used in a positive sense. For example, some institutionalists between 1930s and 1980s used ‘heterodox economics’ referring to theories—in particular, institutionalist, Marxian, and Post Keynesian theories—that are alternative to and independent of the core neoclassical theory (see, for example, Ayres 1936; Dorfman 1970; Gruchy 1947; 1987). The positive understanding of heterodox economics often led to an attempt to synthesize different heterodox traditions grounded in a common methodological and theoretical commitment (see, for example, Eichner 1976; Petr 1984; Gruchy 1987). From this ‘heterodox economics movement’ emerged Gruchy’s definition of economics, “the science of social provisioning” (Gruchy 1987, 21, 157-161). Such a movement includes theoretical engagement with other like-minded economists, creating professional organizations and journals, organizing scholarly events and social networks. Some

important historical events that helped form the theoretical and communal identity of heterodox economics were the establishment of the International Confederation of Associations for Pluralism in Economics (in 1993), the Association for Heterodox Economics (in 1999), Australian Society of Heterodox Economists (in 2002), *Heterodox Economics Newsletter* (in 2004), and heterodox economics summer schools and workshops organized by regional associations and universities (Lee 2009, 189-206).

As a result, the identity of heterodox economics as a pluralistic intellectual community has been increasingly shared by heterodox economists, recognizing commonalities as well as differences among heterodox traditions. In this respect, Prasch's second reason is misplaced since heterodox economics does not necessarily mean a 'unity' or a single school of thought. Acknowledging the distinctions between heterodox traditions is not incompatible with the heterodox-pluralistic movement (Dobusch and Kapeller 2012; Lee 2012). To envelop the distinctions, differences, and commonalities between heterodox tradition requires an expansive definition of heterodox economics.

In short, what should be noticed from the historical development in heterodox economics is the increasing divergence between heterodox economics and the mainstream-neoclassical economics and the growing positive identity of heterodox economics that promotes the substantive content of heterodox economics—its methodology, theory, and policy—independently of mainstream-neoclassical economics.

### 3.2 The science of the social provisioning process

As of Gruchy's (1987) positive definition of economics, heterodox economists in different traditions have accepted and expanded on it. Not only institutionalists but also Marxian, Post Keynesian, social, ecological, and feminist economists find that the concept of the social provisioning process is fitting with their own vision of economy and economics (see, for example, Nelson 1993; Dugger 1996; Power 2004; 2015; Mellor 2006; Lee 2009; Jo 2011; Badeen 2015; Figart and Mutari 2015; Todorova 2015*b*). Moreover, this favorable reception of Gruchy's definition is, as mentioned above, in part based on the view that synthesizing heterodox traditions with an emphasis on the methodological and theoretical commonalities between various heterodox schools is instrumental in the advancement of heterodox economics. Yet, such a synthesis, or openness to other heterodox approaches, is not always endorsed or exercised by heterodox economists. We leave open the question as to why heterodox economists are divided in the attitude towards an integrative approach. In what follows, instead, we make a case that the social provisioning process is a suitable (in a theoretical sense) and useful (in a sociological-communal sense) entry point to do heterodox economics in a positive and constructive manner. Let us elaborate on the meaning of the social provisioning process.

Capitalist economy in general can be conceptualized and theorized in many different ways.

The social provisioning process is one of them that provides a social and processual-historical account as to how the economy is organized and reproduced. The social provisioning process is thus situated in the long intellectual tradition, which views the economy as an embedded part of society (as discussed earlier), and which concerns the material basis of the society as an outcome of the open-ended interaction or struggle between human beings and nature, between social classes, and between agency and social structures (as discussed later).

Provisioning is a vast range of activities, including both market and non-market, paid and unpaid activities, undertaken by human agents and going-concern organizations for the sake of their survival and reproduction. Consider the provisioning of goods under capitalism. It is a course of action encompassing the use of resources, production, sales, and consumption. Its starting point is the business enterprise's decision to produce consumption (or surplus) goods given production technology that determines the use of particular resources produced by other sectors of the economy (recall the earlier discussion of circular-surplus production economy). Household consumption is thus dependent upon the production decision to the extent that household wage incomes are earned as a reward for selling labor power to the business enterprise (or the capitalist class in general). That is, the business enterprise creates the demand for labor by creating jobs with specific labor skills. Moreover, the welfare of the working class is controlled by the business enterprise via controlling the wage rates and producing wage goods that are necessary for the working class (Veblen 1919, 160-163). The provisioning of goods, therefore, is closely linked to the provisioning of technology, employment, and welfare, that are further rooted in the division of classes legitimizing the uneven distribution of socio-economic power qua agency and of distribution of income and wealth. In this regard, Kalecki (1943) observes that the capitalist class has a vested interest (and power) in maintaining less-than-full employment for both economic and political reasons. It follows that the provisioning of welfare for the majority of the society is not a result of market exchanges that are conditioned by the money-making activities of the business enterprise. The Pareto efficient allocation of resources as a criterion for judging the state of welfare is irrelevant to the provisioning of welfare in the hierarchical class society. Instead, in light of the social provisioning process, material welfare is (to be) understood in the context of (re)production that is driven by capitalists' effective demand for surplus goods in the monetary-circular production economy whose structural-cyclical properties are formed by the set of social institutions. Heterodox economists—in particular, Marxians, Post Keynesians, and institutionalists—address that the provisioning of welfare or distribution in general is determined outside the market by “the power relation between classes, a current dominant ideology, and the political preferences of the state” (Jo 2012, 595).

Consider now the provisioning of natural and manufactured resources. They come into use as they are needed to make goods and monetary profits. It is the production of goods and services combined to production technology currently in use that determines the volume and kind of resources to be utilized. That is to say, the processual causality runs from a production decision to resource provisioning, rather than given and scarce resources determine what and

how much to produce. On this institutionalists argue that resources are not scarce, but ‘they become’ (De Gregori 1987) and they are socially generated, cultivated, and managed as part of the provisioning of goods. It follows that if resources are not scarce, prices cannot be scarcity indexes. If there is no scarcity index, market activities cannot be coordinated by the price mechanism (Jo 2016). Provisioning thus requires an alternative theoretical framework that explains how activities are organized, “how resources are come into use, how wants arise, and what economic activities mean” (Dugger 1996, 32). These fundamental questions can be answered from various theoretical perspectives with the view of the social provisioning process.

A social process of provisioning is also congruent with an empirical and theoretical argument that most prices of goods and services are determined outside the market in the sense that administrators of the business enterprise or of market governance organizations (such as cartels, trade associations, and price leadership) set prices by determining profit mark-ups over various costs of production. Market prices are thus administered and made to be stable so as the business enterprise to remain on-going and to grow over time (Means 1933/1992a; 1935/1992b; Lee 2013). In the social provisioning process, it is not conceivable that agents are isolated individuals. They act and live through going concerns whose primary objective is the continuation and growth, be it a household, a business enterprise, or the government. This objective is achieved by making strategic decisions, as opposed to optimal decisions, with the expectation of uncertain future as well as the consideration of existing institutional arrangements. It further implies that if we are concerned with a ‘full economic analysis,’ beyond ‘pure theory,’ both behaviors and institutions in a social context are to be taken into account, since they manifest a dynamic interrelationship between themselves in historical time (Bortis 1997, 103-108; Pasinetti 2005). In this respect, the social provisioning process calls for a ‘full’ or comprehensive economic analysis of the subject matter, as opposed to a partial or static one.

Indicative of the above discussion is some analytical strength of the social provisioning process. Firstly, a broadly defined provisioning concept enables a social analysis of economic activities. Consumption and production are, for example, explained in close connection to the underlying system of institutions, that are described as a mode of production, a social structure of accumulation, or accumulation régimes (see Labrousse & Michel’s chapter in this volume). A going-concern household makes its living by engaging in the production and consumption of commodities (paid work) and non-commodities (unpaid work), such as birthing, raising, educating, and recreation, both of which are essential to the life process, as feminists point out. These production activities are intertwined with each other in that, for example, recreation requires earned income, and to earn wage income or power should be recreated or refreshed (Todorova 2015a, 109-110). In this regard, the process of social provisioning takes into account not only the circular production between industries (that is, input-output relations) but also the linkages between going-concern activities (that is, the connectivity between paid and unpaid, economic and social activities). Such an interrela-

tionship can be extended to other constituents of society such as values, beliefs, institutions, technology, and environment, that are organized by the principles of reciprocity, redistribution, and exchange, as illustrated by a social fabric matrix (Hayden 1982; 2011). It thus becomes clear that once provisioning is reduced to market exchange, both non-market and unpaid activities are removed from economic analysis. Economics with the view of the social provisioning process unravels that, as feminists argue, choice and market exchange are not the central but secondary part of the provisioning process (Nelson 1993, 33) and “[c]entral to this [provisioning process] would be the idea of sufficiency and not the dynamics of the market or the profit-motive” (Mellor 2006, 146).

Secondly, the concept of the social provisioning process lends itself to a view that economic theory is a *social* and *historical* analysis of the subject matter assisted by diverse methods. As the social provisioning process in historical time is open-ended, an explanation of it is open to any analytical methods—quantitative, qualitative, or mixed—insofar as a selected method is suitable for the analysis of a particular subject matter in hand, as opposed to the idealized model world in which the actual social provisioning process has little or no meaning. This means that economics is not to be defined in terms of method or models (as is the case in Robbins’ and neoclassical definition), but to be defined in terms of its subject matter, which should not be confined to any particular method (Lee 2016). If economics is merely a set of analytical tools and methods that are designed to explain the relationship between individual behavior and scarce resources, historical changes and dynamics of the economy and its sub-systems are nothing but instantaneous and transient phenomena. An analysis of the social provisioning process, in contrast, takes into underlying social relationships and social institutions account, which give rise to a structural and persistent change in society. An actual provisioning process may not be represented by a simple model that most economists wish to build. But the methodological position derived from the concept of the social provisioning is that the simplicity of a model is not a sufficient condition for developing an economic theory, insofar as heterodox economics is concerned. What matters most in developing heterodox economic theory is the view that theory should be as close as possible to the actual process of provisioning, and that theory explores how the provisioning process is organized and reproduced.

## 4 Conclusion

The social provisioning process is a view of economy and the study of it is a way to define heterodox economics in a positive manner. It is argued in this chapter that such an expansive definition bears some theoretical, methodological, and sociological benefits. Theoretically, if the economy is conceptualized as the social provisioning process, the primary analytical concern of economics lies in the provisioning of goods and services, resources, and welfare for the sake of reproduction of people and going concern organizations in historical context.

The entry point and basis of economic analysis is the society and its provisioning process. This is how classical political economy and heterodox economics have been practiced, as opposed to the mainstream-neoclassical way of doing and defining economics that economics inquires into rational individual choices given scarce resources through market exchanges. Specifically, theories of circular, surplus, and monetary production offer an insight into how capitalist economy is organized and controlled in the social context. The concept of the social provisioning process thus expands on the long tradition of economics as a social science, and promotes socio-economic changes in favor of the majority of the population by exploring the underlying institutions of the society.

Methodologically, the social provisioning process endorses a viewpoint that economy is part and parcel of the society in which individuals and organizations make their living by engaging in a range of economic and non-economic, market and non-market, paid and unpaid activities. Thus the social provisioning process concept restores the original meaning of 'political economy,' as in Smith, Ricardo, Marx, Veblen, and Keynes, amongst others. It is also pointed out that an analysis of the social provisioning process is not confined to a particular method as in neoclassical economics, since the social provisioning process is a view of the real world, not of the model world created by an abstract model.

Finally, an attempt to define heterodox economics as the science of the social provisioning process implies that the positive identity of heterodox economics can be established as heterodox economists expands on it with an emphasis on the commonalities between various traditions within heterodox economics. That is to say, current heterodox economics, broadly defined, can be positioned in the wide spectrum of economics as an alternative to and independent of mainstream-neoclassical economics. Thus such an attempt is part of the deliberate and ongoing heterodox economics movement that goes beyond the opposition to mainstream-neoclassical economics.



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