

# Social-scienciation of Economics and its Consequences: Why Business Studies need Competencies of Different Social Sciences

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People miss the communication between individual academic disciplines, and interdisciplinary thought is missed in theoretical and empirical respects.

In empirical aspects: institutions, trust, networks, communication, preferences

“Open the Social Sciences” (Wallerstein et al.)

Thesis:

Current trends indicate a *re-integration* of sociology, psychology and history into economics

>>>> universal social science

Jacob Viner: “economics is what economists do”

Frank Knight: ... “and economists are those who do economics” (quoted in Buchanan 1964: 213)

## First battle of methods

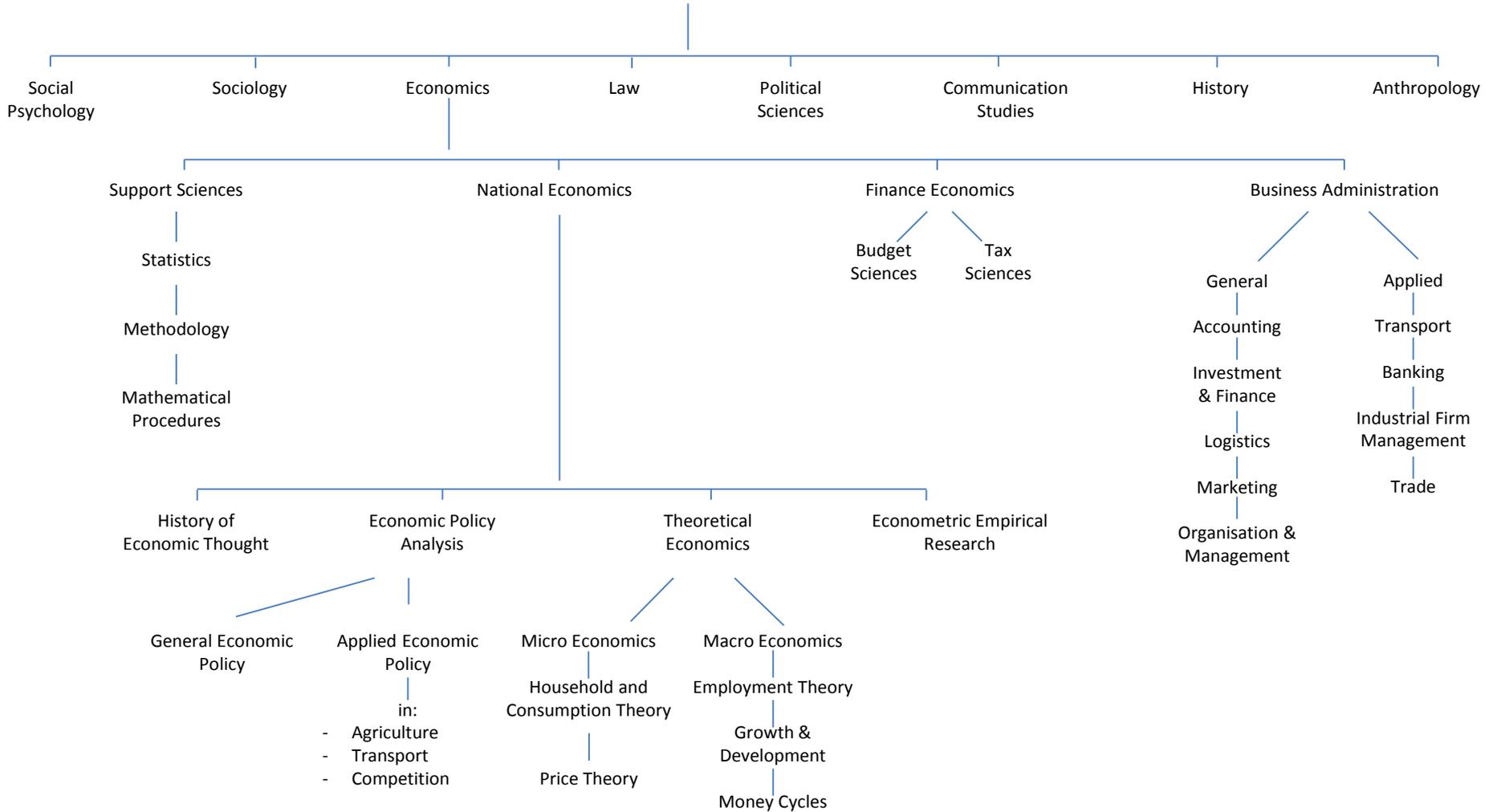
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20<sup>th</sup> century:

Explosion of knowledge and debate

Economics lost History (Hodgson)  
and Sociology, Psychology .....

# Social Sciences



# Decoupling of Economics, History and Sociology

20<sup>th</sup> century:

Explosion of knowledge and debate

Max Weber: “In our time, the internal situation, in contrast to the organisation of science as a vocation, is first of all conditioned by the fact that science has entered a phase of specialisation previously unknown and that this will forever remain the case. Not only externally, but inwardly, matters stand at a point where the individual can acquire the sure consciousness of achieving something truly perfect in the field of science only in case he is a strict specialist” (M. Weber 1919)

Parsons and Smelser :

only few authors being competent in sociological theory have "any working knowledge of economics, and conversely ... few economists have much knowledge of sociology" (Parsons und Smelser 1956).

Mainstream was a long time

- Trend towards abstractness and formalism:  
*a*-cultural and *a*-historical but  
general and applying everywhere

## Features of neoclassic thought:

- General equilibrium
- Homo oeconomicus: the strategic-utilitarist agent
- All people share the same information

# General Equilibrium

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## Snapshots

VS.

Social and Economic Change and  
Evolutionary Processes

Robert M. Solow (Nobel Laureate 1987):

„All narrowly economic activity is embedded in a web of social institutions, customs, beliefs, and attitudes.... Few things should be more interesting to a civilized economic theorist than the opportunity to observe the interplay between social institutions and economic behavior *over time and place*“ (Solow 1985, 328-329).

D.G. North (Nobel Laureate of 1993)

“Where have we been and where are we going ?”(1997)

“Improving our understanding of the nature of economic change entails that we draw on the only laboratory that we have - the past.”

“The essential point to grasp is that in dealing with capitalism we are dealing with an *evolutionary process*”  
*J. A. Schumpeter 1942).*

# Homo oeconomicus: the strategic-utilitarist agent

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„Bounded Rationality“ as a science program

Why do people do what they do ?

# Homo oeconomicus: the strategic-utilitarist agent

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## Kahneman: behavioral economics

experience vs. memory

fast and slow thinking (systems I and II)

Homo oeconomicus:  
the strategic-utilitarist agent

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Akerlof (and Shiller): expectations, uncertainties and spirits  
as crucial social dimensions

Akerlof: Motivation: The Missing Link (AEA presidential  
address)

Result: Coexistence of former textbook knowledge as “mainstream economics” *and* radical innovations and changes within the field >>>>>

Reintegration of economics in the wide field of universal social sciences

# All people share the same information

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## Information asymmetries:

humans are organized along social networks >>  
social capital

>>> determine: who interacts with whom

>> Ostrom, Granovetter, Burt: the social structure of  
competition

All people share the same information

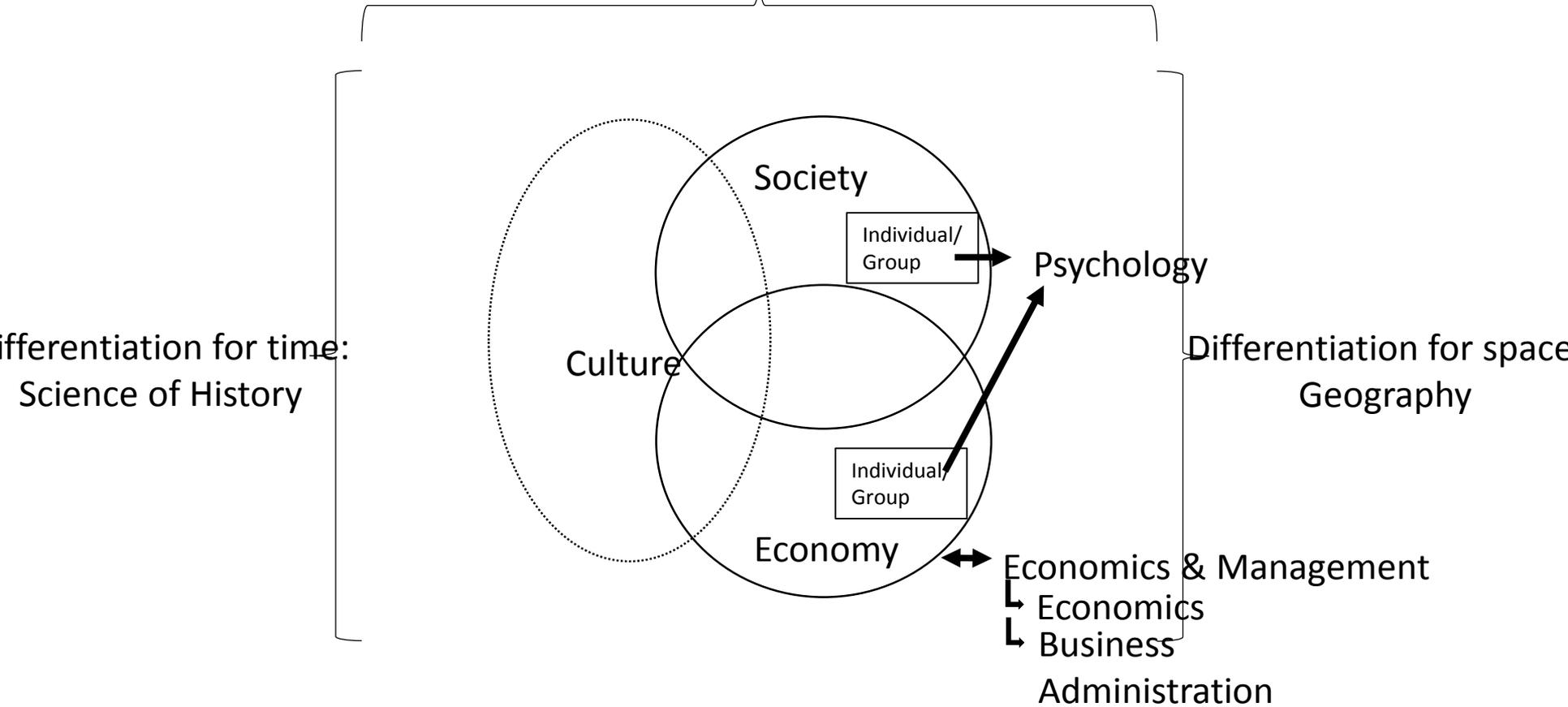
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## Social Embeddedness of Social Behavior and Institutions

- Cultural studies *and* sociology
  - >>> Culture matters
  - >>> Sociology matters

AND (!!!): Social Networks matter

# Sociology: science of the social world



# Conclusions:

Recent debate re-couples different academic branches newly towards a useful reintegration of diverse separate developments.

New and old institutionalism, social embeddedness, need for interdisciplinary – new challenges for interdisciplinary studies

New challenges for economics to compete on the market for intellectual ideas and to work on an up-to-date profile which is more oriented at economies-in-concreto.