

Economy (includes Economism, Scarcity, the Informal Economy)

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ABSTRACT: This entry discusses the ontological and epistemological status of 'the economy' as well as the social theoretical critique of economics, economism, and the scarcity assumption. It then addresses the theoretical controversy surrounding the distinction between the formal economy and the informal economy. The entry concludes by highlighting the role of social theory in both the emergence of heterodox economics and the ongoing articulation of political economy approaches with poststructuralist, performative, and feminist perspectives.

The concept of “economy” is an integral part of an often reified division of reality that begins by first separating society from nature and then proceeding to further decompose society into its alleged economic, political, and cultural systems (Simandan 2010, 2011a-b, 2012, 2013). The ontological maneuver of distinguishing separate spheres or systems within the social realm opens up problematic debates about which sphere is the most important. If “economy” is a label that allows us to refer to the assemblage of agents and practices through which people make a living, “economism” designates the tendency to think in economic terms of the whole social sphere and to assume that economic processes are the crucial explanatory variables of social phenomena (Mitchell, 2005). The ontological sleight-of-hand that reifies the economy as a distinct sphere of social affairs tends to legitimize “economics” as a distinct, and indeed the leading, discipline of the social sciences. Economics is thus charged with theorizing and understanding how the economy works.

Social theory contributes to a sustained critique of both the economy as a purportedly distinct social sphere and of economics as a disciplinary project (Lee et al, 2008; Peck, 2013). The critique of mainstream economics has included criticism of its reliance on rational choice theory and methodological individualism, its tendency to describe the economy as a system disembedded from its broader social and environmental matrix, as well as its antiquated focus on the scarcity of resources and the corresponding problem of allocating few resources to many needs. The very fact that lay people and scholars alike distinguish between the formal or official economy and the informal economy is a reminder that what counts as ‘the economy’ is contingent on country-specific political, legal, regulatory, and scholarly considerations.

Furthermore, ongoing debates as to whether the definition of the informal economy should include the criminal economy, unpaid domestic work, and subsistence agriculture are testament to how contested economic discourse has become (Godfrey, 2011; Samers, 2005). The social theoretical critique of mainstream economic theory invokes the history of capitalism to point out that excess is often a problem even more complex than scarcity and that the conceptual apparatus of economics is ill-prepared to address it (Abbott, 2014; Bataille, 1991).

The reception of social theory and its critique of the economy and economism by scholars who study economic processes has been uneven. More sophisticated ways to conceptualize the economy as embedded and overdetermined by broader political and cultural contexts are often encountered in economic sociology, economic geography, and economic anthropology. These fields have responded to the cultural turn in the social sciences and to feminist, poststructuralist, and performative critiques of both mainstream economics and Marxist political economy by problematizing their conceptual frameworks. The aim of these theoretical developments is to enrich economic discourse with new tools that help us to see the economy as a set of practices entangled with cultural and political practices (Lee, 2006; Muniesa, 2014). Some scholars working in the discipline of economics itself have selectively absorbed elements of the social theoretical critique, giving birth to several schools of thought of 'heterodox economics' (ecological economics, evolutionary economics, institutional economics, feminist economics, cultural economics, etc.).

SEE ALSO: Bataille, George; Culture; Economics-(micro, macro theory); Economic sociology; Embeddedness of economic action; Market fundamentalism; Methodological Individualism; Political Economy; Rational Choice Theory; Regulation theory; Social economics.

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Further Reading

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