Value Exchange and the Social Economy: Framework and Paradigm Shift in Urban Policy

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The Great Cities Institute is an interdisciplinary, applied urban research unit within the College of Urban Planning and Public Affairs at the University of Illinois at Chicago (UIC). Its mission is to create, disseminate, and apply interdisciplinary knowledge on urban areas. Faculty from UIC and elsewhere work collaboratively on urban issues through interdisciplinary research, outreach and education projects.

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Introduction

Urban policy creation and evaluation derive from an often unstated but far-reaching paradigm or framework that privileges a particular model of market processes. It is a paradigm in the full Kuhnian sense. This is the world view of most governmental officials, development professionals, and even academics. It influences the way urban problems have been identified, the kind of questions asked, the range of solutions considered, and the research methodologies employed. As Tetreault and Abel have observed, "what we can see is, to a large extent, conditional on the existence of prior categories and our understanding of how they fit together" (1986:4). Henriot spells out the implications of a paradigm for the researcher's field of vision when he writes, "it is clear that the manner in which a problem is defined has much to do with the possible solutions which can be suggested" (1983:27). Moreover, both explicitly and implicitly a market paradigm has been defining and driving urban policy for the past several decades as "development officials have almost universally remained within the institutional and value framework of traditional capitalism" (Bingham and Blair, 1984:13.)

This has posed a long-standing dilemma for progressive policy researchers. On the one had, they reject the social vision of the market paradigm; on the other hand, they perceive that only those policies arising from the market paradigm are likely to be adopted. The difficulty for those writing from outside the paradigm is how to best marry an emancipatory social vision to the policy interventions considered legitimate by the market paradigm. This paper explores the effects of the dominant paradigm on the research agenda in urban policy analysis and articulates and delineates the benefits that arise when researchers shift from a market to a social economy framework.

We develop this argument in two stages: first we consider the nature and scope of the market paradigm, the theoretical framework that dominates research in local development. We review the objections to the paradigm that have appeared in the literature in order to identify the boundaries of the paradigm; what can and cannot be considered within it. In the second part we address the need for an intellectually consistent alternative framework. We articulate two key components, value (monetized versus non-monetized) and exchange (terms of trade), through a comparison of the way each is represented in the Market Economy and the Social Economy perspectives. In this manner we spell out one version of the Social Economy paradigm that we think is implicit in the criticisms aimed at the market paradigm, and which provides some theoretical grounding for alternative programs in local development.

The Market Paradigm and Urban Research

In the urban policy discourse the market paradigm comes in two versions: rational market paradigm within economics and market structure paradigm within sociology. They differ in categorical emphasis and this is important. At the same time, they share the same one-sided preoccupation with monetized costs and benefits and a commitment to quite narrow and short-term notions of efficiency.

The rational market paradigm is characterized by a rejection of planning and of the possibility of managed growth by governments; marketplace and other price signaling mechanisms are embraced because they are deemed to ensure efficient resource allocation. At the heart of the market paradigm is the belief that any nonprice/non-market allocation of resource makes the community worse off. Moreover, verification of market efficiency is pursued in a highly restricted fashion. Researchers estimate costs and benefits in purely monetary terms (Fasenfest and Ciancanelli, 1988). Thus as Reese (1992) points out (see also Stein, 1990), inquiries into local government policies and practices either examine which types of market mechanisms are most often utilized or defend public provision of goods and services in spite of private sector market efficiencies. Valuable outcomes that have no price are often marginalized as "non-market considerations"; these are not deemed legitimate entries into the calculus of decision-making (Fasenfest and Ciancanelli, 1988).

Within mainstream economics, markets are identified as an arena in which one's self-interest is checked only by the self-interest of others; theories about macro relationships of organizations and institutions are treated as simple aggregations of the micro behavior of individuals and firms.[1] This latter feature has been the focus of most of the criticism in applied areas (Bell and Kristol, 1981). But whether or not these market models adequately reflect social reality has not deterred economic theorists who posit what Hirsch, Michaels and Friedman (1990) call clean models.

Instead of clean models, sociologists ply their trade with dirty hands (Hirsch, Michaels and Friedman, 1990) as they ponder economic activity in general and markets in particular. Sociologists have long been interested in markets, how they work, and where they come from (see, for example, Bruyn, 1977; Perrow, 1990; White, 1981; and, for a general review, Granovetter, 1990). Recently the attention given markets by social scientists has broadened to include concerns about human agency and social morality (Etzioni, 1988; Wolfe, 1989; Keat, 1993), the viability of market-based thinking (Friedland and Robertson, 1990), and the tension between so-called free markets and governmental control (Bruyn, 1987).

Certainly the oddest feature of the market paradigm is that its implementation at the local level is so relentlessly political rather than economic. While proponents define the problem of development in exceptionally narrow terms -- how to get the local community 'back to work' at the lowest price -- the strategy employed starts from extant political structures rather than from some deep study of economic potential. Thus, the priority is job retention or creation because that usually means votes for those government officials who promise them, and the outcome is a set of programs which use all available means to create or retain employment (Rubin and Zorn, 1985). This encourages the construction of 'incentive packages' to attract or retain businesses.

The problem, of course, is that from the point of view of business investors if enough communities construct incentive packages then a 'market' in incentive packages emerges. On the one side, local governments monetize the local 'demand' for jobs and on the other, investors supply 'jobs' for a price. Indeed, in what has become an increasingly intense and destructive competition (Markusen, 1987), the resulting incentive packages become remarkably similar both in monetary value and in detail: smokestack chasing" to replace lost jobs; a variety of "supply-side" incentives such as tax and other financial inducements; infrastructure improvements; land assembly and development (Wassail and Hellman, 1985; Reese, 1992). As in any auction market, the highest bidder wins (LeRoy, 1989).[2] Since it is the community (defined as its residents) not the bidder (the local government as agent of the residents) who pays, the scope for moral hazard is wide. Elected officials 'buy' jobs at any price with other people's money because this is both the scientifically recommended course of action and the self-interested means to retain their own jobs.

This localized moral hazard problem exposes the contradiction at the heart of the Market paradigm: Because neo-classical economic theory per se offers little theoretical justification for government intervention in markets and because few would argue that locales in the U.S. are not part of a market system, policy proposals need to rationalize intervention. This is most easily done by claiming that the local market mechanisms are blocked. In other words, the local problem is often constructed as one of insufficient market forces as a result of which markets (at some level) are not working properly: there is too much regulation (tax, zoning, health and safety); the local work force is insufficiently flexible (the job mix doesn't match the skills mix); or the returns from local investment are too low given the risks involved (factor costs -- especially financing costs -- are too high). But of course it is equally possible that the local problem is not the insufficiency of market forces but rather an excess of them. Certainly that argument has been effectively made in the diagnosis of rural and third world underdevelopment (see Goldschmidt, 1978; Sen, 1991 for the most recent and most complete argument) and not convincingly rebutted.

To take one example, the market paradigm requires that local development encompass more than public investment decisions such as those taken for new water treatment plants or freeway extensions. Thus, local development is defined as the use of public resources and credit to provide guarantees and co-payments and, in some cases, to actually underwrite the cost of private investment (Fasenfest, 1993). In the final analysis, community development strategies (indeed, the whole enterprise of local development policy) are deemed successful if they appear to have positive effects upon the business climate (Bartik, 1991), improve the economic base in terms of changes in per capita income or employment (Clarke and Gaile, 1992), or, as in some cases, the projects are completed at all (Friedan and Sagalyn, 1989).

It is an odd perspective indeed that insists on the superiority of an indirect and presumptive road to job creation through market incentives over the direct creation of jobs by public sector agencies. For example, Fainstein points out there has been an "...over-reliance of government on the property industry as the vehicle for growth ... (but this behavior) did not guarantee that benefits (in the form of incentives) would translate into increased employment" (1994:245). Moreover, it is likely to be cold comfort to communities that cherished local institutions are seen by developers as a price worth paying for the rather abstract benefit of "good business climate" or convenient parking facilities for the branch plan of an international firm (Fasenfest, 1986).

An insidious and all too often overlooked feature of the Market paradigm is its equation of growth with development. However, growth, modernization and development "...are not simply matters of ever-increasing GNP. They are also the reorganization of society along industrial and commercial lines, and in the conventional view (development and modernization) represent the essential process for growth" (Ross and Usher, 1986:29). Thus, Herrick and Kindleberger employ an analogy to the human organism to describe the difference between growth and development: "Growth involves changes in overall aggregates such as height or weight, while development includes changes in functional capacities -- physical coordination, learning capacity, or ability to adapt to changing circumstances" (1983:21).

These challenges to the key assumptions of the Market paradigm have led some to argue for an expanded set of local objectives; a mixture of growth and development objectives that emphasize political desiderata (local control, empowerment) as well as more refined economic goals (for example, sustainability and stability in employment and income) (Brown and Warner, 1991:37-38). While desirable on the face of it, the expansion of "development objectives" to include the sociological leaves unchallenged the pervasive assumptions of local development experts that more (or more unfettered) market forces will make things better. They need to be reminded of Schumpeter's (1950) concept of "creative destruction" and his emphasis that the market as a set of institutions impels the constant replacement of all forms of capital (the destruction of the old and the replacement of the new). In the local urban landscape this implies the destruction not only of physical capital but also of the old cultural symbols imparting community values as well and demanding as the price of progress that all segments of society defer to and applaud the destruction of all that is familiar. As Stanfield (1989:269) points out, "(t)he destruction of economic values and habits cannot be separated from the general social lives of those involved."

The Effects of the Market Paradigm on Research

The question arises as to how the dominant paradigm is seen to affect the delivery and evaluation of policy and research that derives from a different (albeit unstated) world view. What one finds is that the critical discourse in the urban literature is dominated by efforts to expand the boundaries of the market paradigm so as to incorporate issues or considerations deemed to be ignored.

Thus, some economists have begun to question the clean models approach to understanding economic activities (see Daly and Cobb, 1989 for a good summary). They argue that the very premises underlying what is meant by community may well be antithetical to the ways markets operate (Faux, 1987; Miller, 1989). Recently, Flam (1987) outlined how markets can be reconfigured to provide a framework for socio-economic studies, while Swedberg, Himmelstrand and Brulin (1990) have shown us what a paradigm shift away from market economy toward economic sociology might look like. These sorts of observations gesture toward earlier economic anthropologists such as Polanyi (1957) who stressed that the individual is part of a community and the economy is embedded in the social relations of that community. Consequently, the economy reflects community and not the other way around.

Keat has observed that economists are so busy "...demonstrating the virtues of the market that little has been left to deal with the arguably prior question of what it is that defines the nature -- and hence the limits -- of that 'economic' domain..." (1993:24). Cernea (1991) in a recent review of rural development argues through case studies that many development policies fail to deliver the desired level of assistance to communities precisely because these policies are structured according to market concerns and not in response to community needs. The suggestion here is that economic knowledge derived from the market paradigm cannot provide sufficient guidelines for effectively solving broader social problems. Moreover, Cernea raises the much more serious objection to the market paradigm when he suggests the possibility that market models that assume all markets act in the same way do not lead to sustainable development.

Social science research has documented how inequities in the allocation of resources are reflected by a range of social problems -- hunger, crime, business failures, unemployment, illiteracy -- which then necessitate or result in government action. Because of structural constraints on market operation (that is, profit maximization) the market approach has two likely outcomes: the undermining of the social objectives of public policy by appealing to market forces, or a worsening of the resource inequities (supply side economics notwithstanding) that created the problems in the first place. As Cernea (1991) pointed out, that a policy is successful at increasing aggregate wealth says nothing about its impact on resource reallocation and redistribution.

Finally, market driven economic development policy may be seen to be "both a response to the level of social problems and a reflection of the influence social actors have in defining social problems and selling policy" (Fasenfest, 1986a:640), suggesting that when social policies are defined only to permit outcomes consistent with social goals, and not profit maximization, little happens. Alternatively, if policy guidelines are relaxed or programs redesigned to broaden their appeal to private sector decision-makers (that is, to permit profit considerations to operate), then social equity goals are potentially sacrificed. Indeed, one may infer from the above criticisms that there is no basis for assuming that profit-maximizing and social-maximizing behavior will necessarily coincide, and, as a result, the degree to which social goals are realized is more a function of serendipity than design.

Such a conclusion leads us to ask whether there are some issues, concerns and processes that are literally unthinkable within the market paradigm. Cernea claims that sociological knowledge can lead to a "reformulation of the problem that requires solving" (1991a: 10). He argues that too often community development questions are reduced to planning and efficient market questions at the expense of general development in the interest of the residents of these communities. In the same volume Kottak (1991) points out the problems of structural market implementation of policies without concerns for the social context of these markets. All markets are not the same; cultural variations are significant in how markets work and influence whether or not a given policy will have its desired effect

That culture matters is not an idea restricted to analyses of so-called underdeveloped and pre-market societies. DiMaggio (1990) outlines how economic models generally ignore culture, and yet, for example, how firms and markets are themselves cultural constructs. At minimum, cultural practices may demarcate the limits of appropriate realms of market activity within society (see Keat, 1993:1-18). Suggesting that the cultural component might actually insinuate itself at all levels of economic activity, DiMaggio asks whether culture shapes all manner of strategic thinking and behavior. If so, then rather than providing the means for problem solving, DiMaggio warns that ignoring the cultural context of markets may instead make "certain solutions literally unthinkable" (1990:123).

If markets encompass our culture, then markets also reflect one view of our moral center. Wolfe (1989) points out that there are in fact three disciplinary sources for understanding how our moral codes and guidelines get constructed: economics, political science and sociology. Sociology, Wolfe maintains, is caught between a longing for pre-modern organic communities and a modernist agenda of progress through rational action. But what the sociological imagination can provide is a vision of modern society imbued with autonomy and responsibility and in which people learn to replace lost communal institutions that provided this moral code with their own moral agency. States and markets may well represent the modern age, but Wolfe warns that "...we ought to worry about the weakness of civil society in the face of the market and the state, for the more we rely on impersonal mechanisms of moral obligations, the more out of practice we become as moral agents..." (1989:234).

It is precisely this concern -- that by relying exclusively on market criteria to evaluate community redevelopment efforts, we fail to address community redevelopment needs -- that sets the backdrop for the remainder of this article. We turn now to an examination of how a market paradigm sets the programmatic agenda and defines problem solving.

The Limits of a Market Paradigm

Any assessment of economic development outcomes fails to make a connection between changes in individual wealth and local fiscal health. In other words, "a city can be healthy in the sense of generating many jobs per resident at the same time that its residents remain impoverished" (Ladd and Yinger, 1989:17). Indeed, Molotch explicitly calls for more social criteria in the evaluation of economic development policies, highlighting the shortcomings of approaches focusing solely on job creation. He suggests that additional outcomes be examined, including,

> "…the quality of the work experience that will be used in constructing the project and in the labor it would house (e.g. craft work v. tedious assembly, safe v. dangerous work, well-paid v. poorly paid); the impact of the project on the external environment, social as well as physical, including the capacity of the project to contribute to a self-sustaining local region; the use value of the product that would result from the project (e.g. production of bread v. production of cigarettes)." (1993:49).

Decision-making processes embedded in private organizations do not sufficiently account for social goals. As Keat (1993) points out, social goods are not necessarily market goods. The connection between market forces and income inequities needs to be publicly discussed before public resources in the form of subsidies or incentives are directed toward the private sector. The absence of a more inclusive debate about the nature and purpose of incentives limits social policy options to those within the Market paradigm. Stone has suggested that to govern effectively local officials must engage in a process of "social learning." This implies that for effective and equitable policies to be implemented, a wide variety of alternatives must be brought before the governing regime and "to the extent that urban regimes safeguard special privileges at the expense of social learning, democracy is weakened" (1989:244).

Social learning entails more than just public debate and citizen participation in discussions about community development. As Block (1990) reminds US, what we consider within the realm of markets, even what we mean by economic, is a matter of political debate and contest. Markets are not some sort of natural state of affairs, but the result of particular sets of social outcomes reflecting a particular history of social development. For supporters and proponents of Market paradigms "[c]ollective action is held not simply to be an intrusion on individual freedom but a subversion of pre-existing market rationality" (Keat, 1993:24) and as such has no place in defining appropriate policy outcomes. However, there is no evidence for the primacy of markets. Feagin (1988) points out communities and cities emerge both out of design and purpose as expectations of the structural requirements of society, and out of struggle which tempers, mediates, and selects from among the various possible outcomes. Markets are one, but not the only, possible solution to the question of the social organization of economic life. Moreover, even if we decide that markets in some form make sense, then "...to tap the potential of a market economy does not mean acceptance of *this* one" (Miliband, 1993, emphasis in the original).

A Social Economy Framework

It seems clear that it is no longer intellectually feasible to cope with the limits of the Market paradigm by expanding the list of objectives of which local development policy ought to but cannot aim for (Bruyn, 1977). Criticism internal to the research agenda within urban policy has pointed to alternative definitions of problems, has cited aspects of social life as well as social values excluded by the Market paradigm, and has maintained that innovative policy efforts cannot be effectively evaluated from within the paradigm and so forth. Having said this, a shortcoming of the critical literature is its own failure to systematically articulate the assumptions or framework that informs both their criticism and the alternative desired project objectives whose absence they decry. In our view we must go beyond mere criticism of the market paradigm to a critique identifying a theoretical framework for the range of feasible actions that promote equity in the standard of living.

The critical literature points to the fact that the Market paradigm is not only myopic with respect to the conditions of existence of successful markets, but blind to the fact that markets are meant to serve human ends and not the other way around. An emancipatory approach must restate the objectives of intervention in terms of human need. This means policy analysis must explicitly identify those needs and search for the room for maneuver within the constraints imposed by the capitalist market economy. To do that requires, we believe, a more creative application of the best theoretical understandings.

Aggregate growth in market determined indicators (employment, discretionary money income, etc.) should not be the sole measure of, nor the sole means through which to conceptualize work, production and community life. Alternate paths must be created that improve the quality of life in all its dimensions: economic, political, and social. This requires us to go beyond socioeconomic or economic sociological approaches to understanding and evaluating change, and to develop greater sensitivity to the theoretical origins of alternative visions of community development. As Kuhn himself (1962) remarked, persons operating from divergent paradigms cannot carry on meaningful discourse because they see different realities. The construction of innovative, alternative policy approaches to policy-as-usual requires that we make explicit its presence and establish its effects on the community development agenda. We must bring into the limelight the theoretical origins of policy prescriptions, and the methods considered legitimate for the assessment of programmatic outcomes.

We illustrate what we mean by comparing and contrasting the treatment of the commonplace category, Standard of Living -- by the market paradigm and our proposed social economy paradigm. Our objective is to show, by example, how a paradigm shift in applied research is operationalized.

In Figure 1 we present three dimensions of this empirical (and intuitive) concept: the scope of the concept, that is to say what field of action or activity the concept is intended to cover; how the concept is meant to be measured or instrumentalized; the data used in constructing the measures. We observe that in the market paradigm the standard of living refers to the subjective utility to the individual of those goods and services one is able to consume. In contrast, within the social economy paradigm the concern is with the patterns of consumption and production of use values for the society as a whole. The measure of the standard of living (in essence, the numeraire) in the market paradigm is restricted to money prices while in the social economy paradigm it is extended to include labor input, measures of social power, and indicators of social inclusion and exclusion. Finally, the data that would provide evidence for the standard of living achieved differs between the two paradigms. The market paradigm limits itself to monetized evidence of economic activity whereas the social economy paradigm considers the full range of monetized and non-monetized activities, as well as indicators of social inequality when drawing a picture of the standard of living in a community.

FIGURE 1

Contrasting Treatment of the Concept of "Standard of Living"

	Market Paradigm	Social Economy Paradigm
Scope	Subjective utility of individual's consumption bundle	Patterns of consumption and production of use values
Measure	Money prices	Money prices Labor hours Participation quotients Measures of social power Measures of inclusion and exclusion
Data	Aggregates on the level of paid employment;	Proportion of priced and unpriced Use values produced and consumed;
	Level of capital invested;	
	Level of money wages	Sex division of labor in paid and unpaid work
	Distribution of money income by race and sex	Distribution of unpaid services by sex and race

Core Concepts of the Social Economy Paradigm

The core concepts of a Social Economy paradigm can be developed through a comparison of the key terms used in local development discourses under the Market and Social Economy paradigms whose meaning is contested. To begin we consider first that advocates of both the Market paradigm and the Social Economy paradigm would agree that economic activity, abstractly conceived, involves the work needed to both produce and reproduce the local standard of living. The latter in the Market paradigm is conceived of as a utility set. In the Social Economy paradigm the standard of living can be conceived as a set of use values. In either case, the utility or value in use is an attribute of what is consumed or used and this runs the gamut from physical goods to spiritual services. Beyond that, there are important differences.

Values: Monetary and Real

Advocates of the Market paradigm must perforce distinguish between 'real' and monetary values. Money in itself is treated as having no utility; only the 'real' resources produced and reproduced through work have utility. But because it is taken for granted that money prices are the only possible measure of value, policy formation faces intractable difficulties dealing with objectives that have value but no price. One way out of this dilemma proposed in the economic development literature has been the formation of 'shadow prices' -- the imputation of monetary values from proxies. For some use values, good proxies are available as similar goods are readily found in local markets.3

Some utilities have no obvious market proxy; indeed it is difficult to imagine how one might be formed. For example, personal services performed in the social economy among family, friends, and neighborhoods have dimensions and attributes not readily found in similar services sold in the marketplace. In fact, recent research demonstrates the problems agencies have even considering how family provided home care might be incorporated within a market framework (England, et al, 1989). To take this one step further, we might argue that the affection of one’s children is valuable, but it is difficult to imagine how it might be priced. Yet a good case can be made that communities consider that the quality of life suffers if conditions arise that deprive them of the affection of their children.

A Social Economy paradigm would make the distinction between values that are monetized and those that are not. Both types of values are equally real and both involve the production of use values, some of which are priced and some of which are not. An alternative framework at the outset asserts that the production and reproduction of marketed goods and services may involve both monetized and non-monetized values. Housework is unpriced but valuable work necessary for the production and reproduction of the capacity of individuals to sell their skills and time for the price paid by employers (that is, in the labor market). In addition to housework, there are other elements of the standard of living that can be said to involve work effort such as “voice” in community affairs, the maintenance of neighborhood or kin ties, care of aged friends and relatives, and so forth. These elements of the standard of living are valuable and require work, whether monetary value is assigned or not.

What does this imply for community development studies? We find that the Market paradigm restricts impact studies to the enumeration, identification, and exploration of monetized economic activity. Non-monetized economic activity is marginalized even though it may be the case that it is essential to the production and reproduction of monetized activity in the first instance and the production and reproduction of the standard of living in general. Moreover, in the Market paradigm the objective is to increase the amount of monetized economic activity (jobs) performed which in turn rests on the assumption that there is unused capacity in the locale. This means, as a practical matter, making the assumption that for local individuals the problem is one of unused or 'free' time.

But of course this assumption is not gender neutral in those communities in which the conventional household division of labor appoints women as the houseworkers. For this class of community members, paid jobs (whether inside or outside the home) are an addition to the existing workload, not a substitute for it or a means to absorb unused capacity (Ciancanelli, 1983; Waring, 1989). Of particular importance in this regard is the existence and availability of quality child care, as this more than any other of the myriad of tasks of which housework is composed is most strictly assigned to women and of paramount psychological importance to householders.[4] Thus, for women with children, creation of paid jobs in factories implies the creation of paid jobs in childcare centers. But unless paid jobs in factories offer a wage sufficient to pay childcare workers, mothers will only be able to take the paid factory job at the expense of their standard of living as mothers and the quality of their lives as family members.

The unused capacity assumption of the Market paradigm is also blind to the possibility that the problem local individuals would identify is insufficient money income, not an excess of leisure. One could argue that insufficient money income and insufficient jobs are two sides of the same coin. But the empirical basis for this argument is weak; there is a great deal of evidence that in the U.S. there are large numbers of economically active individuals whose wages for full time work is insufficient to meet the costs of producing and reproducing the local standard of living (Rose and Fasenfest, 1988). The conundrum faced by policy proposals emanating from the Market paradigm is that the objective of job creation is only loosely coupled to considerations of the wage level required to produce and reproduce an improved standard and quality of life.

Because it ignores the possibility that jobless men and women produce use values (including food production in home gardens, informal skills exchanges to keep cars and houses in repair), the Market paradigm is blind to the possibility that engagement in monetized production comes at the expense of the production of valued, unpriced use values. Again the problem from the point of view of community members is not the lack of jobs per se, but rather the lack of a minimum money income needed to buy those goods and services that cannot be self-produced.

The above suggests that the distinction made in the Market paradigm between the 'real' and the monetary obscures more than it reveals. It presumes what remains to be demonstrated: that utility (increased satisfaction) may be gained from quite 'real' work, whether paid for or not. The distinction drawn in the Social Economy approach between monetized and non-monetized work effort is better because it opens up for scrutiny both the question of the complementarity of activity in each sphere for different population groups that compose a community, and identifies the importance of social infrastructure (such as quality child care) and the household division of labor to the terms of trade faced by individuals and households within the locale. Ironically, it would appear that the Market paradigm ignores the very issue that one might imagine constitutes its own analytic core: the terms on which exchange or trade occurs between the microeconomic level (households) and the macro-economic level (community).

The Social Economy approach makes clear that the extent to which alterations in the division of labor between monetized economic activity and nonmonetized activity depends on the local context and culture. And by extension, we argue, it suggests that the complementarity of the two depends on the terms of trade between the locale and the rest of the world. That is, it depends on the extent to which the binding constraint confronted by individuals and the households in which they live (for example the minimum money cost of living and the average level of money income which they can earn) is tightly linked to the terms of trade between the locale and the rest of the world.

Exchange: Terms of Trade

This dimension of the problem can be posed initially in terms of the import dependence of the local community. Abstractly, we could conceive of a large self-sufficient local community; its standard of living is composed almost entirely of locally produced goods exchanged within the community. In such a situation, local development policy would concern itself with distributional issues, that is, with systematic differences amongst households in their standard of living and quality of life. Consistent with the import model we would expect that among households having similar initial wealth endowments, the better off households are those that export more monetized goods and services than they import. This may be the result of effective import substitution activities (nonmonetized work efforts that produce food, clothing, childcare, etc.), the result of effective export promotion activities (high waged employment), or a bit of both.

One might regard the Market paradigm's narrow focus on jobs creation as an effort to promote the export of local work effort to the rest of the world so as to improve the volume of trade. And indeed the various incentive packages (as discussed above) designed by those working within this paradigm are consistent with that interpretation. The attraction of the branch plants of large international corporations is considered the optimal result from the 'export promotion' strategy even if this also brings with it the importation of environmental hazard on the one hand, and the export of the locus of control over future investment on the other.

According to the model outlined above, local development can be understood in terms of either a deficit of exports with the rest of the world or a surplus of imports. This prompts the question whether it is within the purview of the Market paradigm to design a job creation/retention plan based on import substitution instead? Is import substitution compatible with a narrow focus on increasing the numbers of individuals working for wages? To consider this, one would need to identify those imports from the rest that can be produced locally. The advantages of this are obvious: increased local production of locally consumed goods and services will creates jobs and reduce the "import" bill at the same time. But for this to be "true" import substitution, the increased local production must be set in motion by local investment funds. Otherwise, the locale has merely changed its import mix; now what is being imported from the rest of the world is financial capital. Within the Market paradigm the design of import substitution strategies would require the mobilization of local financial resources to create local jobs under the direction of locally based organizations. But this is rarely proposed.

Instead, the Market paradigm focuses not merely narrowly on job creation but on one version of export promotion. We can consider this asymmetry or bias in the Market paradigm in more depth. Obviously, the export of local work effort to the rest of the world can be seen to be the other side of the import of finance capital from the rest of the world. So in that sense, *the export promotion strategy is the export of local work effort in order to import finance capital from the rest of the world.* In the case of our branch plant example above the international corporation exports its capital to the locale (or alternatively, the locale imports finance capital from the rest of the world). But if the branch plant is built with a large proportion of local funds (as is usually the case with incentive packages), then the international corporation is not exporting its funds to the community, but instead using *the community's own funds* to pay for its deployment of the community's labor in the production of exports to the rest of the world. In other words, the community is paying an international firm to export its work effort. Additional complexity arising when the incentive packages involve the use of the community’s credit rating to borrow money merely adds to the effect; the community's future tax revenues and future credit rating are invested in an international (broadly defined to mean non-local) company so that it will agree to export the work efforts of the local community.

Let us now consider this issue from the perspective of the Social Economy paradigm. The objective of the exercise is not the increase in jobs per se, but rather the improvement in the quality of life and standard of living. Since jobs are one means to that end, the question arises as to what extent does such improvement rest on an increase in the quantity of local work effort going to the monetized sector? In the complex interaction of the export-import problems at the household level (see comments on gender above) and those at the community level, is it the case that the local problem is the misallocation of work effort between the monetized and non-monetized sectors? Or is it the case that the money income to be derived from the monetary sector is insufficient to pay for imports at each level? Such questions are difficult to answer with aggregate data on jobs and income distribution in the locale. Indeed, it is doubtful that data exists to answer the question[5] since it is so remorselessly local in nature.

Let us suppose, for purposes of argument, that the main import costs for low income households is for housing, utilities and taxes. At the community level some of these money costs circulate locally; in all likelihood it will be some portion of rental expenditures and some portion of taxes. All others leave the locale. Let us suppose further that to meet these costs households rely on the monetized work effort of two or more members. In this case the household does not have unused capacity; members will not have time to engage in very many non-monetized work efforts; the quality of life will suffer as insufficient time is spent in child rearing, maintenance of kin, and community relations. Clearly the 'importation' of jobs at the going rate of pay will not improve either the standard of living or the quality of life. If, on the other hand, community resources were deployed to create quality childcare facilities at costs based on ability to pay, jobs would be created and a better balance would be struck for the low-paid employed between monetized and non-monetized work effort.

Equally, one can consider whether the costs of imported 'utilities' can be reduced or if the money spent can be retained in local circulation. Green development projects, which emphasize local production and dissemination of alternative, renewable and cheaper sources of energy, reduce the money costs of household production and reproduction and at the same time create local jobs. This leads to the general observation that the transfer of technologies that economize on the consumption of monetized imports offer the promise of delivering at least as great an improvement in the standard of living of community members as does the import of technologies that expand the ability of some to consume monetized imports.

We can also revisit the question of export promotion from within the Social Economy paradigm. It is crucial that a broad range of community members as well as experts be involved in the identification of export promotion possibilities. "True" export promotion would involve local financing of the marketing of locally produced of goods and services outside the community as well as the local production of new goods and services. For example, small-scale production of high value added agricultural goods (that is, fresh herbs, gourmet miniature fruits and vegetables) take advantage of the relatively low transportation costs available to producers within the city compared to more distant producers. The finance required for small scale, intensive cultivation in glass houses is small; the education and training needs hook into existing federal agricultural extension programs in the U.S., and the nearness of the market makes further market research by the owners/managers of such operations relatively cheap.

Once we break free of the implicit and explicit constraints imposed by a Market Economy framework of local development (defined as profitable investments producing paid employment through incentives locally financed), many alternative projects satisfy the needs of the residents of the community. Concepts like "value" and "exchange" and, for that matter, "efficiency," "profitability" and "maximized returns on investment" are not neutral terms invoking some external and superior criteria. Rather, they are fungible and specific to the paradigm in which they appear and are politically contestable. Whether it is more efficient to maximize the number of jobs produced by a given investment or the quality of life the jobs support is a matter for social debate.

Conclusion

Economic restructuring and deindustrialization during the past two decades are now well-discussed phenomena that have dramatically affected local communities. In response to job loss, a declining tax base, industrial flight, and the general deterioration of the quality of life, significant efforts have been mounted by state and local officials to reverse these trends and stimulate community development. Ample studies point to the success or failure of programs on aggregate measures like job creation or the maintenance of the tax base within a community. There are also ample accounts of the negative consequences and costs of these development programs on the community residents themselves. Indeed, it is fair to say that the research literature an urban policy reports contradictory results and that fact alone confronts policy makers and scholars with a serious dilemma. Local development projects appear to be capable of creating jobs and maintaining the local tax base, but at the same time they increase social differentiation and with it social anomie (see Dangschat and Fasenfest, 1995 for a discussion of the spatial restructuring of poverty).

Cox (1993) has shown that all too often a community's problems are defined, policies articulated, strategies implemented, and programs evaluated unsystematically in the urgency to seek an immediate solution. This has meant that urban policy is often formulated with little agreement about how the locale is defined, what the terms economic and development really mean, and to which of the community's competing interests is this policy to be responsive. Fasenfest (1987, 1993; see also Fasenfest and Ciancanelli, 1988) has provided evidence that in some cases programs appear to require the destruction of the community in order to save it.

The contradictory pattern in the findings of urban research may be attributed to many sources, including the lack of a formal theory of local development. Beaumont and Hovey (1985) maintain that the lack of formal theory results in a situation whereby "state and local economic development strategies evolve incrementally without [any] underlying economic theory except that more jobs are good and less jobs are bad" (1985:328). In a similar vein, Bingham and Blair (1984) have suggested that much urban economic development policy has been "piecemeal," reducing the impact and limiting the attainment of stated goals, while Kirby (1985) has pointed to a general absence of theoretical frameworks in the community development literature informing local policy choices.

This is not to say there are no theories about why local development does or does not take a particular form. Early pluralists and subsequent revisions of pluralism (Savatch, 1988) argue that local governments act with great latitude as they wield representative power. More radical liberals (Mollenkopf, 1978; Molotch, 1980, Smith, 1988) point to pro-growth coalitions that form political blocks swaying local development outcomes to meet local elite interests. A critical approach refers to the logic of the market to explain local development. Such arguments either point to the requirements of capital accumulation and the demands of market forces (Harvey, 1985; Castells, 1977; Feagin, 1988) or else posit new regulation regimes conditioned by and responsive to market social relations (Harding, 1993; Stone, 1989; Smith and Feagin, 1987; Aglietta, 1979).

Critical theories of how local development operates implicitly seek to undermine the logic of market economies at the local level. What they do not provide, however, is the logic and limits of those efforts. That is, they do not provide an understanding of how local communities can act otherwise in anything but a fragmented and piecemeal fashion. As a result, community studies highlight why outcomes take a particular form or reflect a specific set of interests, but fail to provide how a coherent set of alternative strategies might be constructed. The source of the problem may be a habit of inattention to theoretical (as opposed to methodological) precision on the part of researchers. This alone seriously impairs efforts to overcome the limitations of the existing paradigm.

The focus in our treatment of the Social Economy paradigm has been a reorientation of two core concepts in the discourse of local development: value and exchange. In that treatment the question of investment was touched on indirectly. Yet, as every policy maker knows, development projects require investment of money capital and that in turn requires that we ask how both sourcing and management of project capital would differ were a Social Economy perspective adopted.

The Social Economy paradigm makes central the two questions the Market paradigm begs: 1) If society is going to spend public resources to pursue community development, which are the appropriate root problems to address? and 2) If the goal of social policy is to make a change, who is to be the beneficiary of that change? If, as the Social Economy perspective suggests, they are issues of poverty, income distribution, education, opportunity, political voice, and economic stability for those most negatively impacted within the community, then a more careful analysis of the competing alternatives -- direct redistribution to the community versus indirect redistribution through the private sector -- must be undertaken.

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Notes

1. This in spite of Keynes' famous caveat on the “fallacy of composition” in the microeconomic treatment of capital markets (Keynes, 1936).

2. In securities markets, this is known as the winner's curse, considered by some to be the reason for the systematic mis-pricing of traded assets (LeRoy, 1992).

3. Of course, since the utility or use value in question is not marketed, it does not have a price and the imputation of price requires assumptions that are debatable.

4. It is not an accident that one of the central impediments to current efforts at welfare reform in the U.S. Using a workfare model is the debate over how much childcare should be provided mothers receiving public assistance. Among people on public assistance, staying home to care for a dependent is the main reason people report when asked why they are not working.

5. It is beyond this article to consider the politics of which data are collected and when. But consider for a moment the Reagan Administration's decision to stop the Bureau of Labor Statistics collecting data on work place health and safety and its subsequent de-emphasis on enforcing OHSA regulations because of its adverse effect on the market for labor (through regulatory increases in the cost of labor). Data are not neutral artifacts, but rather representations of society’s responses to dominant social interests in how society should be represented.