

## Chapter I

### Society as a Set of Social Skills

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#### I.1 Social Skills and Economic Activity

One of the conditions shaping economic life is the extent to which economic agents have acquired an ensemble of appropriate social skills. Social skills are the skills that we must acquire in order to participate in the activities in the social fields of societies. Among the social skills relevant for life in modern highly complex societies, few are more important than the skills pertaining to participation in economic activities; upon which the individuals' socialized existence has become increasingly dependent. The fact is that in modern societies almost all human needs can only be gratified if there first has occurred an economic transfer or exchange event through which access to the utility objects or services that can gratify the needs are gained.

Standard economics largely neglects the role that social skills have for the actuation of economic roles. It is true that the concept of human capital is part of standard economics, but this is considered a quite specific condition: possessing a formal education, training or experience that is characterized by a high degree of standardization. This imbues it with measurable aspects that can be described by cost-benefit analyses in the neoclassical fashion. Beyond that, scant reflection is accorded to the requirement for mastering the broader set of social skills required when we participate in society's economic activities. Nor is much thought given to how these skills might be acquired, or what consequences it might have for economic interactions that some people might not have acquired the social skills required by a given situation, or perhaps only have acquired them very imperfectly. The assumption is that we all—like the brewers, butchers and pin-makers in Adam Smith's proto-industrial world governed by the invisible hand—possess an innate inclination to tuck and barter that allow us to effortlessly perform the roles which the theory proscribes to us as rational utility maximizers.

The reality is that agents interacting in the economic fields (as private individuals or as agency representatives of firms, organizations, etc.), before they can do so efficiently must have acquired a set of adequate social skills that will enable them to understand complex social phenomena such as money, wages, and prices. Without that basis, they will not be able to manage and communicate the relevant aspects and

perspectives of their interests in society's economic activities, nor interact efficiently with other agents.

Contrary to the neoclassical expectation—or rather lack of conceding that the aspect of social skills can have any significance beyond marketable human resources—individuals do not acquire social skills pertaining to economic activities at an equal pace nor will they reach equal levels across specific groups of interacting economic agents. Thus, within economic institutions—such as markets but also within other economic mechanisms—the participating individuals will in the nature of human diversity master the matching skills with different levels of accomplishments. Furthermore, this is not only the case with regards to skills directly related to the economic activities (say, specific job skills or understanding of financial products), but also the case for a number of general social skills that act as auxiliaries in the execution of economic roles. For instance, literacy and computational proficiency are important auxiliary skills needed to accurately understand prices, written contracts and to calculate the value components involved in market exchanges.

## 1.2 An Evolutionary Order

One aspect of social skills is that they, as all the other elements found in the social dimension, ultimately are products of culture. In the context of a specific cultural environment, it is of significance how the economic skills are embedded within the culture's systems of more general social habits and norms. The importance of cultural norms when executing economic roles might not be noticeable during daily life in an accustomed social environment, but it is something that will at once spring to mind if one travels to countries with different cultures. If one happens, for instance, to visit a country where bazaar markets remain the dominant economic institution for the distribution of consumer goods, one will find price haggling a ubiquitous feature of their distribution systems. In such cultures, haggling is fine-tuned to an art that will incorporate general facets of the given society's codes for behavioural norms and ethics. It creates circumstances where the needed social skills and related cultural norms are installed in the individuals during their upbringing and will therefore be of a second nature to them, something few give much thought to. But it will perplex a Western visitor who doesn't possess the requisite social skills and therefore constantly will get suboptimal deals; not necessarily because the tradesmen and women in the bazaars are out to take advantage of the Westerner, but because it is the only way in which they are accustomed to transact consumer goods and services.

This indicates how social skills and economic institutions interconnect through cultural mediation, which occurs at several levels. In general, we acquire skills that target gratifying physiological and social needs in an order that develop in a bio-evolutionary pattern, having a parallel to the Maslowian hierarchy of needs (for a diagram of the Maslowian hierarchy of needs, see p.83). The basic needs for sustaining life, or the physiological needs, are the first the infant reacts to, but the small child quickly develops

the needs for security and belonging. Somewhat later small children develop socially dependent self-awareness and with that a rudimentary form of the needs for status and esteem (the social needs). Finally, at an age that under normal circumstances generally corresponds to the early teens, the needs for self-actualization, creativity and aesthetic experiences will start to gain strength.

The specific conditions found in the surrounding social micro environment (say, family, school, etc.) are important for the formation of social skills at all stages, but they appear to rise in importance in step with the rise in complexity of the social skills. Thus, when the children reach the stage where creative and more complex social skills should be a preponderant focus, the response provided in their social microenvironment takes on a crucial role.<sup>1</sup>

The social skills contain many elements of a very specific and formal nature that typically first will be developed fairly late during a child's upbringing, and some that only will be developed selectively during formal studies and vocational training. Others will not be developed in a detailed form before a person has a concrete need, but when that need arise most social agents will quickly assemble the needed details, due to the possession of some general social skills such as the ability to read, to perform basic arithmetic computations, etc.

For instance, few will be in possession of the detailed knowledge of the precise steps involved in a voting procedure before the need becomes immediate in the voting hall during an election, and anyway procedures might change slightly from case to case. At the moment of actual execution, voters will find the requisite information posted, which can be further augmented by instructions from the electoral staff. Thus, the ordinary literate citizen will quickly be up to speed about the actual steps needed. After having performed the process most of these steps will probably be forgotten again and have to be reacquired in the same fashion next time one faces that specific need. Many social skills are of this nature, which can be called latent skills: we possess knowledge about their basic functions, but depend on our general abilities to read and process information when we actually are in situations where we have to execute the given socialized functions.

In contrast to that, when people learn to drive it is normally a skill used so frequently that it seldom needs to be reformed. Rather, it is a process where refining the skill will go on for a long time, subsequent to the initial learning. Skills belonging to the self-actualizing level of experience, for example skills of workmanship, sports participation, or skills responding to artistic needs are generally of a similar character.

Another category of social skills is related to social interacting, or maintaining relations within the networks to which one belongs and within which one performs one's social roles. These inter-personal skills have variations that partly depend upon the level of dedicated economic content of the networks in which the skills are

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<sup>1</sup> This is of course a very complex question and here skills are viewed narrowly in their social operational contexts. A contrary observation is that many of the basic traits of personality that are deposited in the habitus appear to form very early, probably already within the first four to five years.

constituents of interactions. In the social networks that constitute a workplace, the dedicated economic content will obviously tend to be high, while it is somewhat lower in the environment of a vocational school or a university. It is still lower in the social networks that form around leisure activities, such as for instance in chess clubs or on the golf course, or within social movements. Sometimes social networks form as the consequence of an accidental condition of shared location; a case in point is the networks that will form in a neighbourhood between the residents. In other situations the relationship might be of a transitory nature, for instance between people sharing a long journey together. In all cases of social network interacting, the networks' specific purposes will require somewhat different patterns of interacting, which will proceed with modalities dependent upon the inter-personal skills and habitus of the participating individuals.

Since cultures exist in evolutionary timespace, it follows that all economic institutions also have evolutionary properties. An important aspect of the evolutionary timespace is that institutions over time will reformat and push earlier methods employed in gratifying needs and utility enhancements to the sidelines, or even totally eradicate them. Thus, a farmer and his household for, say, 500 hundred years ago would produce almost all of the foodstuff, clothes and daily utensils they consumed. Their economic contacts with the surrounding world would most likely be reduced to rare trips to the local market town, and paying tithes and levies to the masters of the feudal social relations. The very low levels of market relations they participated in also meant that if a collapse of the societal infrastructures around them took place, for instance during wars, it would not threaten their livelihood as long as the local district where they lived were not ravaged and their own house and land thus left physically intact.

In contrast to his medieval predecessor, the modern farmer is no longer engaged in subsistence farming but is a specializing economic agent, just like everyone else. Under such conditions, even a partial collapse of some of the infrastructures and the institutional networks that interconnect all the needed economic and social functions will disrupt the ability of most members of a society to adequately gratify their daily needs, including even the life sustaining needs of those who till the land in modern societies.

We thus see that complex social skills are dependent upon social institutions into which the activities are embedded and without which it becomes next to impossible to actuate the functions the skills carry forward. The specific format a given set of social skills has taken, its level of development and complexity, can be seen as related to the societal phase of the society in which it exists. For instance, in hunter-gatherer societies where life typically revolves around a daily fight for accessing enough food, children will consequently develop a set of elaborate social skills enabling them to acquire food and survive in a harsh wilderness. In contrast to this, food in a modern metropolitan culture is normally acquired by buying it in supermarkets and not by hunting in the wilderness, causing the focus in modern societies to be on developing skills in children that will enable them later in life to earn money and deal effectively with all the economic interactions needed for sustaining life within such a socio-economic context.

In this regards, it is worth remembering that in the modern global web of cultures we can still find peripheral cultural complexes in which acquiring hunting skills remains essential. This also means that in our time there still exist cultures in which the skill of using money does not exist, or at best remains very rudimentarily understood and probably only used as commodity money in gift exchanges of a reciprocal nature, or during occasional contacts with the outside world, perhaps at a mission station on the edge of the territory of the culture.<sup>2</sup> This underscores the evolutionary and nature of money, and economic institutions in general.

The notion of a connection between social skills and specific societal phases means that the particular set of social institutions responsible for the reproduction of a society can be seen as a state-phase of a path dependent evolutionary cultural process. As with all other evolutionary processes, the long-term trend is from simple to complex forms, albeit it is also possible that socio-cultural regressions reverse trends and require reformation of the lost skills. Severe regressions can sometimes cause quite long periods to pass before lost skills reform; as for example was the case with the some of the technologies and socio-economic institutions of the Roman Empire.<sup>3</sup>

### I.3 Institutional Transfer of Social Skills

In the context of the phenomena that occur at the level of organization (here taken to include firms), an important aspect of modern societies is that individual mastery of social skills in many cases can be substituted by organizational routines. The advantage of organizational routines is that agency operatives can perform their job roles without necessarily having to understand the rationales or all aspects of the technical complexities that the routines encapsulate. Routinization thus constitutes a socioeconomic phenomenon that allows for agency transfers of social skills. Workplace activities normally will include large doses of routinized activities, whose executions are dependent upon design by agents at higher levels of organization; agents with the specific expert knowledge—or expert social skills—that are embodied in the routines, and whom the lower level agency operatives are instructed to contact if situations arise that contain aspects that are beyond the variations of the routinized actions they are trained to cope with.

Organizational structures dependent upon routinization are widely employed both by private firms operating within market structures, and by public bodies. Within private firms, the car salesperson on the floor in the dealerships doesn't have to master all the calculations that turns a future stream of payments into a net present risk-weighted value

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<sup>2</sup> Recently, some of the last tribes surviving at Neolithic cultural stages have become tourist attractions for the rich and adventurous, which surely will hasten the demise of their cultural identities. See <http://www.papuatrekking.com/>

<sup>3</sup> On the technological side, a case in point is that Romans understood how to make concrete, a skill first reformed during the industrialization period of the late 19th century. The disappearance of literacy in England for several hundred years after the Roman collapse is of a somewhat different character, as it was caused by a population shift.

comparable to a cash price for the car, nor to be able to analyze the marginal relationships between fixed and variable cost factors incurred by the firm in each car sale; he or she is simply given some guidelines from superiors that ultimately reverts to calculations made by specialists at corporate headquarters, or maybe even hired outside experts.

A key aspect of the agency question in economics is how organizations frame the work routines that enable the employed individuals to efficiently perform the specific task required by agency goals, including in cases where the executing agents individually have low social skills. This aspect of routinization has been perfected in the neoliberal economy where in particular the large service sector corporations, for example Walmart, McDonalds, and Tim Hortons, by routinizing work procedures to minute detail have reduced requirements to the effective individual level and complexity of the social skills that operational level employees need to master. This allow these corporations to offer rock-bottom wages, confident that there always will be a new marginal groups of workers, a new wave of recent immigrants with poor social skills (at least in relations to the new culture of which they now are members) and consequently few other job opportunities than the low-wage jobs, which are left open to them by corporate profit maximizing strategies relying of extreme suppression of labour costs.

The requirement is simply that the design of work routines and interactions are perfected to a level where no one ever needs more than few easily learned specimens of corporate parole in order to execute the required steps of the work. Thus, not even a language barrier is a serious problem under such conditions, as long it is not total. In fact, such barriers are often welcomed since it creates a very inelastic job situations for such workers, meaning that they can be expected to be a very compliant work force, not likely to clamour for higher wages at each turn of the road, or fight back against the structured exploitation by attempting to develop countervailing forces, for instance by unionizing.

In this way we can see that mastery of social skills, including basic skills such as command of language, proficiency in arithmetic, and general literacy are among the factors that define market power in many functional contexts. Efficiency during everyday economic events is not defined by high theories, but by the set of social skills that the participants master. Low mastery of relevant skills disadvantages participants during economic exchanges, by among other things reducing their scope of opportunities, but also by creating individual inelasticities in the available market responses. For instance, a person who cannot read, or perhaps only reads poorly, will have difficulties in gathering comparative price information in a modern society. He or she is thus eliminated from the scope of the neoclassical assumption of perfectly informed agents, an assumption which ignores the two-sided facet of information: it not only has to be accessible, but market agents receiving information must posses the social skills needed to decode it.

To enhance the organizational goal of agency efficiency within the current neoliberal political and economic institutions, the standard method has been to internally erect hierarchical structures, which compartmentalize the various specialized social skills that are required to achieve an organization's goals. As a rule, the sum of

information needed to execute given operations, including that which is relevant for the decision procedures of a hierarchically structured organization, is concentrated at the executive level where managers—besides whatever skills they might or might not possess themselves—have access to expert staffs, all mastering a specific ensemble of business related social skills. What subsequently is transferred from the executive level to the employees performing the routinized actions at the operational level is in general highly selective.

This creates situation where individuals who actuate routines do not possess the knowledge required to understand how the activities embodied in their delegated agency roles add to the forward structuring of the economy and society in general. Work environments are even often seen to contain deliberately constructed organizational impediments designed to block access to such knowledge. This is in particular the case in industries when activities incur substantial externalities that might create boomerang effects adversely impacting actuating agents private economic opportunities, and even broader aspects of health and life quality.

A special emphasis should be put on the cases of selective information dispersal that arise within organizations where working conditions contain known aspects that impair workers' health or negatively impact the surrounding ecology, but which it would require expert knowledge to uncover and understand. Indeed, cases have been uncovered by media and social activists where complex knowledge about serious health hazards for workers, or adjacent local communities, were deliberately withheld by top managers in order to keep costs down.<sup>4</sup>

Similarly, managers at mid-level positions, who often play key roles in the processes that perpetuate the economic inequalities of the neoliberal economic structures, seem to be oblivious to the fact the totality of the inequality structures have reached levels where only the very top of the hierarchical structures reap the benefits of having expanding access to consumption that is non-debt financed. Mid-level managers, with real-term squeezed middle class incomes, are therefore working against their own economic interests when they loyally execute the CEOs or equity fund owners' strategies, invariably designed to reduce other socio-economic stakeholders' share of gross surpluses.

An aspect of the agency question—indeed a critical one but nevertheless seldom touched upon—is to what extent corporations should be allowed to suppress individual life-style preferences (for instance for dress) or social attitudes, when these run counter to the goals of an organization, or sometimes simply private preferences of executive level managers or owners. In this respect, a number of large corporations are known to enforce dress codes and office environments that must be considered to be, quite straightforward, violations of the employees' human rights. One example is the Japanese robotics maker Fanuc, which forces its employee to submit to the pathological obsession of the company's founder with the colour yellow, both in work uniforms and

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<sup>4</sup> In the popular culture, two such real-life cases are chronicled in the movies “Erin Brokovich” and “A Civil Action”.

all interior design.<sup>5</sup> Another well-known case is the Swiss investment bank UBS, which forces an absurdly strict and ultra-conservative dress code upon its employees.<sup>6</sup> Interestingly, this attempt to give the appearance of conforming to ‘the good, old values’ through a dress code was bared for the veneer it is when it came to light that UBS has none of the good old values of social ethics. One of the world’s leading managers of ‘high-net’ wealth, it performs this role with scant regards for ‘ethics’: in the late 2000s it was indicted for massively abetting wealthy Americans with hiding tax liable assets.<sup>7</sup>

## 1.4 The Sum of Social Skills

One result of the myopic rejection of the importance of social factors that characterizes modern economics is that the science doesn’t include a description of how social skills (and other behavioral aspects) develop in relation to economic actuation; nor how such aspect either might facilitate or conversely constrain agents’ participation in economic life. Thus, the consequence of differences in attained social skills for the outcomes of economic participation is a blank page in modern textbooks.

The reality is that even the most fundamental aspect of markets, the price mechanism, can only function if the individuals in the society in which it is at work possess a set of relevant and matching social skills. Therefore, the information inherent in price signals must be seen against the backdrop of the social skills and social roles of the agents producing and receiving the signals. If the skills with which social goal are pursued are widely different, the price signals can lead to misrecognitions, and even be a source of manipulation and predatory economic activities, if one side recognize the difference but the other doesn’t. The fact is, of course, that such manipulations are the bread and butter of many business strategies.

Take for instance the housing market in the U.S. leading up to the Great Recession. A large number of the so-called subprime mortgages were created as result of aggressive mortgage originators who took advantage of social subgroups (including ethnic minorities) with low social skills, which meant that they only had imperfect understandings of price-interest relations in housing markets, and—and perhaps in particular—the possibility that a market reversal might throw not only house prices but also their incomes off track.

In conclusion, it can be said that an important factor in the functional aspects of an economy is provided by the state of the social skills that its participants master, both as private individuals and in their various agency roles. This includes many social skills that are encapsulated in routines developed within organizations, where those within large corporations following maximizing business strategies are particularly important under

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<sup>5</sup> [http://www.businessweek.com/magazine/content/10\\_49/b4206044280596.htm](http://www.businessweek.com/magazine/content/10_49/b4206044280596.htm)

<sup>6</sup> <http://www.dailymail.co.uk/news/article-1347961/Swiss-bank-UBS-revises-underwear-dress-code-staff-modest-booklet.html>

<sup>7</sup> In February 2009, UBS agreed to pay \$780 million to settle criminal charges in a tax evasion dispute with the U.S. government. <http://www.reuters.com/article/2009/08/12/us-ubs-tax-idUSTRE57B2CF20090812>

the current economic conditions. The implication is that individuals might develop social skills related to work routines that encapsulate business aims that stand in contradiction to their private life-quality goals, but where the contradictions are prevented from being recognized due to information distortions and politicized narratives that aim at obscuring the factual conditions.

If a society is defined by the sum of the social skills that its individuals possess, it means that this sum in its various expressions set boundaries for the development of varieties in the expressions of culture. A boundary of culture—of art, craftsmanship or science—are always likely to be broken in time by a new expression, but that momentum can only be created by someone who have developed skills that have taken them up to the edge of the current expression, and discovered a point where the boundary can be broken.