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SOCIALIZATION OF INVESTMENT

The idea of socializing investment was introduced in 1936 by John Maynard Keynes in his *General Theory of Employment, Interest, and Money*. In the concluding chapter of the book, Keynes identified three major tasks to be undertaken in order to save capitalism from its own demise: "parting with liquidity," "euthanizing the rentiers," and socializing investment. The three are inevitably interrelated in Keynes's theory, as he argued that effective demand is the engine of the capitalist economy and that spending by consumers, firms, and the government is what keeps the economy going.

According to Keynes, economic agents operate in real historical time under conditions of uncertainty in which the future is unknowable and the past is unchangeable. Faced with such an environment, individuals make arbitrage decisions with regard to which asset they wish to hold over time. Each asset gets a return composed of four components: $q - c + l + a$; where q is the expected yield, c is the carrying cost, l is the liquidity premium, and a is the appreciation or depreciation.

At equilibrium, all assets earn the same expected return. If an asset has a demand price higher than its supply price, then firms will produce more of it, but as its production increases, its return will fall and becomes equal to the returns of all other assets. When consumers and firms are optimistic about the future and feel confident about their financial situation, the expected returns on capital equipment rises above the expected return on money (the interest rate), which leads to an increase in investment, thus boosting output and employment. Conversely, when the economy is overtaken by pessimistic expectations, consumers and firms prefer to remain liquid, thus abstaining from spending on consumption and investment goods, which leads to a rise in unemployment. According to Keynes, this is due to money's very specific nature as the most liquid asset in the economy with a near zero elasticity of production, small elasticity of substitution, and no carrying cost. In other words, when people want to hold more money (liquidity), no significant amount of labor is directed to producing it (unlike, for instance, capital equipment).

Therefore, Keynes's conclusion was that an environment must be created that is conducive to more investment and less hoarding of money. Hence his three policy recommendations: (1) "parting with liquidity" (giving up liquid assets in exchange for employment-creating illiquid assets); (2) "euthanizing the rentiers" by lowering the interest rate so much that nobody will find it profitable to save money (because expected returns on money are less attractive than expected returns on capital); and (3) socializing investment through the creation of a new kind of capitalist culture of cooperation between private and public authorities.

Keynes's overall preference for discretionary fiscal spending led many to misunderstand his use of the term *socialization of investment*, despite the fact that Keynes made it very clear that he did not mean "socialism." Keynes explained that socializing investment does not require that the government assume ownership of the means of production and dictate the terms of economic activity to the rest of the economy. According to Keynes, "[i]t is not the ownership of the instruments of production which it is important for the State to assume. If the State is able to determine the aggregate amount of resources devoted to augmenting the instruments and the basic rate of reward to those who own them, it will have accomplished all that is necessary" (Keynes 1936, p. 378).

Furthermore, Keynes emphasized the fact that the socialization of investment does not conflict with the basic features of capitalism. He repeatedly stressed the importance of protecting individualism, private property, freedom of choice, and competition. According to Keynes, the socialization of investment calls for no revolution—it is, rather, a gradual adjustment between the propensity to consume and the inducement to invest for the sole purpose of ensuring an adequate level of effective demand that is consistent with full employment.

The policy framework that is closest to Keynes's idea of socializing investment is to be found in the Swedish (corporatist) model developed after World War II by trade union economists Gösta Rehn and Rudolf Meidner, who envisioned two essential elements that would characterize the Swedish economy for more than four decades: (1) highly centralized wage bargaining; and (2) active labor market policies. The model focused on the socialization of investment and offered a practical alternative to welfarism by putting a strong emphasis on "the right to work" rather than "the right to income." The model strongly encouraged private investment despite high tax rates on profits. Firms were allowed to put their "excess profits" into tax-exempt "investment funds," thus encouraging capital accumulation. Under this model, Sweden was able to keep its unemployment rate below 3 percent for decades without any significant inflationary pressure.

SEE ALSO *Aggregate Demand; Economics, Keynesian; Government; Investment; Keynes, John Maynard*

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SOCIETY

A society is a system for facilitating interdependent social relationships according to the values, norms, and ideologies of a shared culture while, at the same time, providing sanctions against individuals who engage in what are seen as antisocial behaviors. Among the primates, humans are unique in their capacity to develop large-scale systems of interdependence by means of culturally transmitted, group-level social systems; in other primate species, cooperation is generally limited to relatives, there is little division of labor, there is little or no social cooperation to care for the sick or wounded, and there are no formal social mechanisms (let alone cultural norms) to stop dominant males and females from taking whatever they wish from weaker members of their group.

As the term is generally understood in sociology as well as in commonsense usage, a *society* is assumed to have three fundamental characteristics: (1) it is bounded by readily discernible territorial borders; (2) it is structurally and culturally distinctive; and (3) it possesses an objective existence that is independent of the wills or actions of individuals.

Generally (if problematically), a society's boundaries are assumed to be those of a nation: Thus we speak of "Canadian society" versus "American society." Moreover, the boundaries of all of a society's institutions, including economics, kinship, and religion, as well as politics, are assumed to be roughly coterminous. A society is not hermetically sealed from others, of course; every day, thousands of Americans and Canadians cross the U.S.-Canada border, and U.S.-Canadian trade is a vital component of the economies of both countries. Still, the fact that a society is essentially a culturally mediated system for facilitating interdependence means that, in principle, such relationships are more easily undertaken within the society rather than with outsiders. At the same time, it is clear that, with the advent and gathering momentum of globalization, a global society is emerging that is characterized, in part, by the formation of mutually beneficial social structures of unprecedented scope and size, including a new international division of labor in manufacturing.

Each society is unique in the way its various components have been altered and adapted so that they can be integrated with each other. Canada's system of parliamentary democracy is modeled after the British system; however, it has had to adapt to the existence within Canada of a large, French-speaking, and potentially separatist regional minority, centered in Quebec. In part to address the legitimate language discrimination grievances that fuel Quebec separatism, the Canadian system has moved away from the British model toward that of a constitutional democracy with enumerated rights for French speakers. Despite their internal differences, the members of a society are aware of their society's distinctiveness and their vast store of shared experience, and this awareness informs their identity. When asked what is important or very important to their identity, many Canadians mention language, but nearly all of them stress the uniqueness of their society and their country's unique historical experience.

Society has an objective existence that precedes the individuals who live within it, exists independent of their will and subjective perception, and constrains their thought, beliefs, and behavior. This is so because a society consists not only of one-to-one relationships, which to some extent can be negotiated and altered, but also of organizations (such as courts, schools, legislatures, and hospitals) that possess vastly greater power and resources than any individual could muster. In addition, the members of a society are affected by collective outcomes of one-to-one relationships, such as economic recessions and depressions, which again are beyond the capacity of individuals to control.

Taken together, these assumptions argue strongly for a social science that seeks social explanations for social phenomena, and these assumptions collectively define what might be termed the classical sociological perspective (c. 1880s to 1960s). At the same time, each assumption is problematic. Contemporary sociology examines these assumptions critically and asks whether they can be shown to apply empirically.

LINGUISTIC ORIGINS

The English word *society* has its origins in the Indo-European *sek*$^{w-1}$, "to follow," from which derives the Latin *societas*, "partnership, fellowship, association, alliance"—that is, followers of a common, mutual interest or common