



Social innovation and Austrian economics: Exploring the gains from intellectual trade

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Abstract

The Austrian school of economics has played a key contribution toward an improved understanding of the characteristics of economic innovation. Over recent decades the language and concepts of innovation theory has broadened to non-market settings, among other things giving rise to a voluminous literature on “social innovation.” During the same period of time, scholars have increasingly utilised Austrian economic insights to explore the nature of social interaction and the dynamics of social change, delving into matters such as social entrepreneurship, non-price coordination, and social learning. Both social innovation and non-economic Austrian scholarship have largely been conducted independently of each other. The central claim of this paper is that scope exists for meaningful intellectual exchanges between these two sub-branches of social scientific endeavour. An Austrian perspective on social innovation centres upon entrepreneurs using their unique knowledge to create and change social norms and practices, providing micro-level foundations for broader scale social innovations of cultural and institutional character. Social innovation theory assails the limitations of market-state duality by stressing the involvement of non-market, non-state social actors in promulgating social novelties. Austrian perspectives on social theory may also gain from the social-innovation emphasis upon enhancing broad aspects of human well-being.

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1 Introduction

Innovation may be generically defined as a process by which new ideas are introduced, and transmitted throughout various domains of human action, by individuals or groups, replacing in whole or in part incumbent methods, norms, practices, procedures, products, services and styles (O’Sullivan and Dooley 2009; Potts 2014). The characterising features of innovation and its impacts have long represented an important strand of research across a range of social scientific disciplines but have been primarily associated with economics. Due to its economic significance innovation has not only attracted the attention of scholars but also, for better or worse, policymakers attempting to raise the long-run economic growth rates by encouraging innovative activity.

Innovation has typically been defined with respect to economic, or to scientific and technological, change. As described by numerous researchers across social-scientific disciplines, the concept of innovation is readily extensible to non-economic phenomena, insofar as innovation is generically understood as a process underpinning the realisation of novelty. An example of such extension of innovation logics is the concept of “social innovation,” which has received enormous academic and policy attention in recent decades (e.g. Mulgan 2006, 2012a; Goldsmith 2010; Howaldt et al. 2018).

Whereas there is some recognition about the applicability for certain Austrian economic themes (e.g. entrepreneurial behaviour and opportunities) for an understanding of social innovation (e.g. Mulgan 2012b), the extent of engagement between Austrian economic and social innovation theories per se has been, somewhat surprisingly, limited. The aim of this paper is, thus, to build upon previous efforts to bridge Austrian economics and social theorising by explicitly considering the notion of social innovation through an Austrian economics lens. In reflection of this observation we question – in a manner not entirely dissimilar to Rosen’s (1997) provocative quest to discern relationships between neoclassical and Austrian economics – is there is any potential for “intellectual gains from trade” between Austrian economics and social innovation?

This paper provides a response to the question in the affirmative, identifying potential for intellectual rapprochement between Austrian economics and the ideas of social innovation in respect of topics such as entrepreneurship, societal coordinative processes, and institutional change and development. We do not necessarily suggest a seamless connection, lacking in tension, between the offerings of Austrian economics and social innovation but, rather, contend there are opportunities for intellectual “value-adding” of a manner bringing greater depth to both enterprises. Boiled down to its essentials we think that social innovation ideas could generate more well-rounded Austrian perspectives about multi-faceted dimensions of human action, whereas key tenets of Austrian economics could deliver analytical and methodological clarity to what is a largely normative domain of social innovation studies.

The structure of the paper is as follows. Section 2 provides an overview of recent literature on social innovation, familiarising the reader with key principles informing the discussion presented throughout the remainder of this paper. In Section 3 we critically undertake a thematic appraisal of social innovation themes through the lens of chief Austrian economic attributes – namely, spontaneous order, entrepreneurship, feedback mechanisms and institutional environments. This will be followed (Sect. 4) by concluding remarks relating to the scope for better integration of Austrian economics

and social innovation, and possibilities for additional research intersecting these fields of inquiry.

2 Major characteristics of social innovation: a selective overview of recent literature

Given the extensive amount of literature related to social innovation, as indicated previously, it is not possible to provide a simplified, or unifying, definition of social innovation. To some extent the presence of multiple conceptions of social innovation reflects a distinctly *praxis* orientation of much of the literature, dedicated to appraising applications of social innovation using case studies largely dedicated to service delivery, charity and gifting, and other kinds of assistance (Caulier-Grice et al. 2012; Mulgan 2012a). Divergences in terminology and meaning may also stem from fundamental ontological disagreements over concepts such as “social,” as well as the perceived vagueness of social innovation in accordance with sectoral boundaries or extent of its impact (Reinstaller 2013). Nevertheless it is possible to identify from recent studies a number of themes which, it is suggested, would be recognised as representing the central principles surrounding social innovation:

- Characterising innovation as a process of social novelty, and the diffusion of such novelties;
- Emphasising the social structures which facilitate diffusion of innovations amongst a multiplicity of actors; and
- Understanding the impacts associated with innovation.

2.1 Social novelty

There appears a broad consensus within the modern literature that social innovation is most appropriately conceived as a contributing factor toward social change, unfolding through time if not in space. As stated by a prominent social innovation theorist, Geoff Mulgan (2012a: 21), “[I]ike any evolutionary process social innovation is not easy to plan or predict, but conscious action can help people and communities to self-organise, and shape the direction of evolution. The most successful innovation systems will be marked by strong capacities to mutate, select and grow.” A number of researchers have provided categorical distinctions between the components of evolution seen as applicable to social innovation – in this section, we draw upon the work of evolutionary economists (Dopfer and Potts 2008) to describe the processual orientation of social innovation as embodying stages of *origination*, *adoption* and *retention*.

The origination phase of the evolution of social norms and practices is typically seen to rest in an enterprising individual, whose mental exertions reveal a potential solution to a perceived problem facing a group of people however large or small. Social innovation researchers often identify a motivational impetus, perhaps animated by dissatisfaction or unease about the *status quo*, to originate novel ideas that may eventually be realised as a social innovation: “initiating actors – social entrepreneurs, project managers, activists, groups, networks and so on – have a motivation, an

intention or a strategy to disseminate their solution for a social problem” (Domanski and Kaletka 2018: 210–211). What is critical to understanding the nature of origination is that, by attaching meaning and significance to potentially new ways of engaging socially, it embodies a deep sense of creativity with respect to reforming and reimagining the world.

Following the origination phase of positing ideas for social change there is the potential for the reform proposals to be diffused amongst, or to be adopted by, others. Transcending the invention of an idea to seek social change, the adoption phase is critical for social innovation to truly take hold: “social diffusion processes are crucial for novelty to turn into a true social innovation. Social diffusion processes are essentially social learning process in which new shared beliefs develop, get adopted and adapted leading eventually to new behaviours and outcomes” (Reinstaller op. cit.: 17). Indeed, for many social innovation theorists, the adoption phase represents the most critical period for social change to occur. In the words of early twentieth-century sociologist Gabriel Tarde, “similarities of social origin that belong to the social world are the fruits of some kind of imitation, be it the imitation of customs or fashions through sympathy or obedience, instruction or education, naïve or carefully considered imitation” (Tarde, cited in Howaldt and Schwarz 2010: 170).

It should be recognised that the adoption phase is a highly contestable phase of evolution. This is especially so given the likelihood that proposals for change to prevailing social behaviours, mores, practices and values will be regarded as acts of deviance of questionable normative character, to be resisted by many of those well-accustomed to prevailing circumstances. The contestability of the adoption phase of social innovation is neatly characterised by the work of Isabel Almudi and colleagues through their conception of “utopia competition.” Essentially, utopia competition represents a contest of ideas about preferred ways to live, as broadly understood, amongst sub-groups within the social order. In other words, “preferences over *ideas* (which coevolve with socio-institutional change) as ordering principles define utopias, and citizens’ uneven contributions to distinct utopias generate utopia competition” (Almudi et al. 2017: 630). Of course, given the emphasis upon social practices within the social innovation literature, the model of utopia competition can be generalised to incorporate contestability with respect to practices proposed for multi-person or group imitation.

The final stage of the process through which social novelties are adopted throughout the societal system is retention or, to put it differently, institutionalisation. For a social innovation to reach this phase of its evolutionary existence it would be necessary for the practice to be widely adopted, and for this to become habituated within everyday activity over time. It remains an open question as to whether a “diffusion threshold” is necessary for a social innovation to be recognised as having been institutionalised. Some indicate a high diffusion threshold is necessary to recognise an event of retention: “an innovation is therefore social to the extent that it is socially accepted and diffused throughout society or in certain societal sub-areas, transformed (depending on circumstances) and ultimately institutionalized as new social practice or made routine” (Howaldt and Schwarz op. cit.: 167). For others, it is not necessary for a certain form of social change to be completely practiced by everyone for it to be regarded as a social innovation.

2.2 Social structure

There has long been recognition in sociological and similar intellectual circles that the extent to which innovation is propagated throughout the social domain is influenced by patterns of interactions and relationships amongst the members of society. As suggested by Domanski and Kaletka (2018: 210), “[s]ocial innovation initiatives are enabled or inhibited through different types of resources, capabilities and constraints, depending on the co-operation of actors, (supporting) networks, cross-sector triple and quadruple helix collaboration, combinations of knowledge backgrounds, user involvement, and institutional conditions.”

Social innovation theory does not preclude the involvement of economic and political actors in helping to deliver solutions to perceived social problems. This sentiment is reflected in analysis by Jensen (2015: 90) in reference to the contribution of “market actors to generate new well-being, even in areas usually seen as outside of the market,” or the outsourcing of social assistance activities by government agencies to non-profit organisations such as charities and social enterprises. In other words, the problems to be addressed by social innovation require “the collaboration of a diversity of social actors” (Harrisson et al. 2012: 5). We note such an emphasis upon the implications of social innovation for social structures – especially the impact of social innovation on the interplay between actors and their organisations motivated to operate in accordance with different ordering principles – is reminiscent of the “entangled political economy” literature which avers from atomistic or isolationist narratives of socio-politico-economic evolution (Wagner 2016).

Particular emphasis within the sociological strands of social innovation literature rests upon the potential impact of social innovation upon “de-traditionalisation.” In this context, the effect of social innovation in breaking down existing societal structures which are held to concentrate power, influence and social esteem, and which exacerbate inequality and social marginalisation, is given prominence. Associated with this aspect of social innovation is the desire that such a process leads to “new and less hierarchical relationships between government, civil society and citizens. ... innovations can lead to a restructuring of social and/or extant power relations in the way they are implemented” (Ayob et al. 2016: 648). The success of given attempts at social innovation to “creatively destroy” structures, borne of values as well as interests (Lewis 2004), is contingent upon many factors – including the possibility that persuasive counter-movements may arise to repel diffusion of proposed changes, thereby upholding the *status quo*.

2.3 Social impact

Another critical aspect of social innovation theory surrounds the merits of assessing the societal consequences, or the impact, of the innovations under consideration. Given that social innovations are touted to meet a variety of social needs, it stands to reason that some method should be established by which the impact of social innovation can be tested in order to ensure that the needs are being met. Generally speaking, social innovation theorists wish to emphasise a notion of social value as the analytical focus for establishing impact.

An exemplar of this is provided by Phills et al. (2008: 36), who considers that social innovation is a “novel solution to a social problem that is more effective, efficient, sustainable or just than existing solutions and for which the value created accrues primarily to society as a whole rather than private individuals.” In a clarifying statement Phills and his colleagues insist “an innovation is truly social only if the balance is tilted toward social value – benefits to the public or to society as a whole – rather than private value – gains for entrepreneurs, investors, and ordinary (not disadvantaged) consumers” (Ibid.: 39).

A sub-strand of social innovation literature more recently has called for an objective criterion by which impacts of social innovation may be measured. Drawing heavily upon the theories of Amartya Sen (1999) and Martha Nussbaum (2011), the suggestion is that an appropriate measure of well-being considers the genuine opportunities within the reach of people to live the kinds of lives they value. This, in turn, involves the achievement of “functionings” (i.e., states of beings and activities a person can undertake) and “capabilities” (i.e., opportunities to achieve the functionings) (Robeyns 2016). Utilisation of the capability approach when making assessments of social impact are thought to make it possible to transcend subjective utility considerations which not only eliminate some information (e.g. disability status) when making a comprehensive assessment of one’s state of well-being, but are susceptible to the “adaptive expectations” phenomenon in which people self-report a state of satisfaction even under circumstances of severe deprivation. Income possession is also seen by capability theorists as a means, rather than the ends, of well-being attainment.

Recent scholarship has sought to incorporate the capability approach into social innovation theory. On the assumption that capabilities are an appropriate evaluative criterion for assessing impact, Ziegler suggests that “social innovations that do not aim at and do not involve capabilities as means will not contribute to social change” (Ziegler 2010: 268). Capriati (2013) also makes a substantive link between innovation practices and improvements to human development which is, in turn, inextricably tied to capability enhancement. Drawing upon “inclusive innovation” studies, Capriati suggests that innovations could contribute to capability expansion not only through a growing quantity and improving quality of goods, services and technologies but through their effects at resolving the multiple causes of poverty, and other kinds of social exclusion.

3 Gains from trade between Austrian economics and social innovation: an assessment

At this juncture we may be inclined to ask: why should Austrian economists care about social innovation? Whereas Austrian economics has assumed an important place in the modern heterodox economic literature its key proponents have consistently indicated that Austrianism is, in the final analysis, a social theory. When advancing his conception of “praxeology” – or the generalised science of human action – Ludwig von Mises ([1949] 2007) elevated the pursuit of non-economic objectives alongside profit-seeking action as legitimate courses of conduct. In his discussion about common philosophical interpretations of individualism, Friedrich Hayek’s “true individualism” conceives of

humans as social animals whose actions are shaped (but not determined) by cultural, social and other non-economic conditions (Hayek [1945] 1948).

More recently several scholars have sought to reconcile developments in economic sociology and cultural science with key Austrian theoretical notions such as subjective action, entrepreneurial discovery and knowledge distilment in the study of various guises of social phenomena (e.g. Boettke 1998; Boettke and Storr 2002; Chamlee-Wright 1997; Grube and Storr 2015; Lavoie 1990; Liljenberg 2005; Mikl-Horke 2008; Storr 2013; Langrill and Storr 2015). This view alludes to the possibility of social innovation as a legitimate field of investigation on the part of Austrian economists, a point to which we now turn to in greater detail.

3.1 Spontaneous order

A deep and abiding appreciation of the properties of spontaneous order arguably represents the *pièce de résistance* of Austrian economic scholarship. Following the formative steps taken by the leading figures of the eighteenth-century Scottish Enlightenment, such as Adam Ferguson and Adam Smith, the Austrian economic school has sought to explain the process by which certain institutions develop and are retained without wholesale direction, as provided by elites or through the operationalisation of a “common will.” The matter, in brief, is that there is a distinct ordering principle applicable in some circumstances – known as “spontaneous order” – wherein certain phenomena arise as the unintended by-products of decentralised actions, taken by countless heterogeneous individuals pursuing their diverse aims and objectives. Numerous human phenomena have been identified as being consistent with spontaneous ordering processes, including language, law, states, money, markets, and so on.

The crucial insight of the Austrians, especially Hayek, is that the effective plan-coordination provided by spontaneous ordering processes depends less upon intentions or the mere existence of knowledge, and more upon whether it is possible for the multiplicity of individuals to make effective use of their local, distributed knowledge to realise projects that happen to benefit others. In his essay, “Kinds of Order in Society,” Hayek defines spontaneous orders as “orders ... which have not been designed by men but have resulted from the actions of individuals without their intending to create such an order” (Hayek 1964: 4). To be noted later, a key to the sustainability of spontaneous orders are those relatively stable institutional forms, themselves more often than not a consequence of emergence (Buchanan 1982), which enable decentralised actors to self-adjust in the face of changing localised conditions as they unfold in time and space.

The significance of spontaneous ordering is critical for a deeper understanding of social innovation as an *emergent process*. This contrasts with the view of several modern social innovation theorists that social innovation can only be constructed as the result of deliberate and intentional action: “social innovation is intentional, meant to change something in what people do alone or together to the better, at least as they perceive it. The intentionality of social innovation is what distinguishes it from social change. Social change just happens” (Franz et al. 2012: 4).

Spontaneous order theory does not preclude the possibility of human beings intentionally planning to instigate action within the entangled structural tapestries of the economy, polity and society. Karen Vaughn offers reconciliation between the rule-following orientations implicitly facilitated by the existence of spontaneous

order, and the rule-making which has the potential to propel widespread changes: “[s]ocial change is a tension between human creativity and daring and human reluctance to disturb the known patterns of their lives. Man is part dreamer and part follower of rules. ... The very notion of searching for an abstract rule within the confines of language seems to guarantee a social process of dispute, compromise, resolution and gradual change of shared ideology. Yet even in this extreme gradualist explanation of social change, someone has to originate a new idea, a new interpretation or new vision. Man is a rule-follower once he understands the rules. It is man the dreamer who fashions the rules for himself and others to follow” (Vaughn 1994: 231, 232).

Humans dream of altering rules they find too restricting, and they often seek to engage in rule-adjustment by working in common. There is a rich sociological literature surrounding the contribution of social movements – assortments of individuals and groups collaborating in loose, or quasi-formal, alliances to advocate for certain social or political changes – in facilitating social innovation, and social change more broadly (Snow 2003; della Porta and Diani 2015; Bennett and McWhorter 2019). Those involved in given social movements attempt to persuade their fellow members of the need for change through a wide variety of “contentious repertoire” routines (Tilly and Tarrow 2006), ranging from producing campaign materials and participating in formal consultation with governments through to protests, strikes and boycotts. The actual strategies adopted for communal engagement by social movements are, in practice, highly circumstantial – effected in accordance with factors such as the perceived extent of social oppressions, the political ability to exercise freedom of expression, and so on.

To the extent that social movement activity is conducted through groups, overall success will hinge upon, in no uncertain terms, an ability to overcome the detrimental effects of free-riding upon the attainment of material resources, volunteer labour and emotional commitment (Olson 1965). It is here that the members of social movements act creatively, attempting to foster a sense of solidarity and galvanise continuous engagement by others, through the creation of inspiring framing narratives (Goffman 1974), unifying stories (Hartley and Potts 2014) and the projection of shared “we-identities” (Davis 2008). Similar techniques are surely deployed by social movements in their efforts to convince members of the broader society of the merits of their views. However, as discussed later, it remains an open question whether given social movement convictions are ultimately the subject of societal adoption and diffusion.

It is our contention that there is a place within Austrian scholarship to embrace the suggestion that conscious adaptations to existing social practices do exist and carry normative legitimacy to the extent they arise voluntarily rather than through imposition. Furthermore, such phenomena can be seen as part and parcel of social innovation: “the premise of social innovation is that the world is imperfect; that our knowledge of the world is incomplete; that creative innovation can achieve improvement; and that the best way to discover improvements lies in experiment, rather than revelation or deduction” (Mulgan 2012b: 36). The idea that spontaneous orders evolve and do not, themselves, stand still leads into a discussion about the crucial role of entrepreneurship in informing social innovation, a topic to which we shall now turn.

3.2 Entrepreneurship

For Austrian economists, that individual known as an “entrepreneur” is perceived as representing the foundation of economic innovation. Distinct from the owner or manager of an organisation such as a for-profit firm, not-for-profit entity or public sector bureaucracy, the entrepreneur combines factors of production, such as land, labour, capital and finance, to produce value-added outputs for profitable gain. This conceptualisation has typically been interpreted through “Schumpeterian” notions of entrepreneurship embodied in “creatively destructive” innovative outcomes, or “Kirznerian” conceptions of entrepreneurship evident in an “alertness” of gainful, often innovative, opportunities. As noted by the likes of Shane and Venkataraman (2000) and Storr et al. (2015), the entrepreneurial theories of Kirzner (opportunity identification) and Schumpeter (opportunity exploitation) can, by and large, be integrated to describe different moments of the same entrepreneurial process.

Numerous scholars have indicated that it is possible to transcend economic interpretations of the entrepreneurial function, legitimising a conception of entrepreneurial conduct exercised by individuals in extra-economic realms. For example, Roger Koppl (2006: 1–2) declared entrepreneurship to be “an aspect of all human action. Entrepreneurship is a human universal.” To be more precise, entrepreneurship may be regarded as a generalised set of improvisational acts by individuals motivated by the pursuit of social, political, and other kinds of gains, as well as economic advantages. From our perspective the much-heralded phenomenon of “social entrepreneurship” is of great relevance. This phenomenon has been described by one observer as “the activities and processes undertaken to discover, define, and exploit opportunities in order to enhance social wealth by creating new ventures or managing existing organizations in an innovative manner” (Zahra et al. 2009: 519), not only fitting well within entrepreneurial activity (broadly understood) but perceived as a driving force for social innovation.

A critical enabling factor determining the inventiveness of socially entrepreneurial activity is the inherent (inter-)subjectivity with which individuals make justificatory assessments of social betterment for their entrepreneurial behaviour. Entrepreneurial individuals will attempt to promulgate novelties within civil society, presumably in the hope that these novelties later become entrenched as habituated social practice. This may not only entail the repurposing of resources to realise social benefits, say for vulnerable, marginalised or disaffected individuals and groups. Entrepreneurship of relevance to social innovation may seek to interpret broader opportunities for social betterment (perhaps in return for publicly-recognised esteem, fame or good reputation) using cultural signposts and observed social practices. An example of this might be entailed in advocacy to reframe public discourse toward, say, refugees, or people with disabilities or mental illnesses, or individuals involved in care work, in order to generate greater public positivity and de-stigmatisation concerning such groups.

In the context of poverty alleviation, widely viewed as an important aspect of practical social innovation ventures, Martin and Petersen (2019) indicate that, notwithstanding generalised, “high-level” agreement about the need for poverty reduction, the actual prioritisation of anti-poverty ends may differ amongst individuals. This proposition partly rests on the fact that, “[k]nowledge about how to effectively alleviate poverty is presumably just as dispersed as any other knowledge about how to effectively utilize scarce resources” (Ibid.: 8). As a result any one entrepreneur may find

themselves contesting the field of potential novelties with other social entrepreneurs, with each interpreting relevant factors such as past experience, language, cultural perspectives and social environment differently (Chamlee-Wright 1997). This insight points to the inherent epistemic contestability of “knowledge of the particular circumstances of time and place” (Hayek [1945] 1948: 80).

Social innovation is inherently defined by its functions of assistance, engagement, empowerment and inclusion of people, rather than necessarily *who* engages in such actions or even their psychological profiles. Although social innovation is commonly perceived as being undertaken by self-styled social entrepreneurs, and entities traditionally situated within broader civil society such as charities and benevolent foundations, it is practically understood that economic and political enterprises may also be engaged in, or at least influence the feasible paths of, social innovation (Boettke and Coyne 2009). In no small part this reality is reflective of the structural entanglements in which actors operating on differing organising principles find themselves (Wagner 2016).

Incidentally, it is posited that entrepreneurship in the presence of heterarchical orders of worth – such as profit-making, emotional care, social esteem, spiritual guidance, and so on – generically consists of seeking opportunities to reconcile, or at least interpret the orders of worth in such a way so as, to bring forth novel action and, potentially, (social and other forms of) innovation (Dekker and Kuchař 2017). To a not-insignificant extent, then, social entrepreneurs may engage in moralistic exhortations, and engage in other forms of conversation, to rally consensus toward their particular proposals for social innovation (Anderson and Smith 2007; Sunstein 1996) and, through it, engender non-price coordinative possibilities. Entrepreneurial alertness to seize such social (and similar extra-economic) opportunities is reminiscent of the characteristics exemplifying Kirznerian economic entrepreneurship.

Just as in economic environments wherein numerous entrepreneurial proposals for change fail to be widely adopted, there is a non-trivial prospect that any given act of social innovation may fail to attract sufficient adherents throughout the remainder of society. For instance, commune communities (*qua* social innovation experiments) are known to fail to scale (Clay 2017; Shey 1977). Part of the reason for such a failure of meso-level adoption is that the act of entrepreneurship is inherently an act of *dissensus*, rousing opposition amongst those accustomed to conventional practices within the social order, and who do not wish to bear the costs of prospective socio-cultural adjustments (Novak 2018). Whereas the contentious nature of social innovation may, in some circumstances, foment the creation of counter-social movements and associated “backlash” dynamics, historical and contemporary experiences attest to the significant, and largely beneficial, contribution that entrepreneurs make to the broader social condition. It is in this vein we refer to Mises’s ([1913] 2012: 155) remark that “[o]nly one who prefers the peace of the cemetery to the bustling whirl of life can be sorry that the purely static condition ... is only a conceptual device of theory; reality always means dynamism, change, and development.”

3.3 Feedback mechanisms

Another consideration is the presence, or lack thereof, of feedback mechanisms guiding entrepreneurs to direct their resources, time and efforts into honing innovations that

improve the lives of people in their communities of interest. The possibility of purchasing and selling properties within the market-oriented economic domain – with money prices attached to those properties – enables individuals to render effective calculations concerning the net pecuniary benefits expected to be gained from pursuing a given economic transaction. As noted by Mises ([1949] 2007: 287), “[i]n the market economy all those things that are bought and sold against money are marked with money prices. In the monetary calculus profit appears as a surplus of money received over money expended and loss as a surplus of money expended over money received.”

At first glance, the association of economic calculation with the fundamental attributes of a market-based economic order may suggest that non-economic forms of activity – wherein relative prices, several property and profit-and-loss signals are largely absent – are especially prone to failure (Boettke and Prychitko 2004; Martin 2010). Expressing this in another way, it is supposed by some researchers that the “tight” feedback correspondence between action and outcome may be lacking outside the domain of economic action (Boettke and Prychitko 2004; Martin 2010). However, recent Austrian scholarship has also suggested that some form of (perhaps, to some, “looser”) feedbacks exist as reasonably effective modes of guidance for social entrepreneurs and other purveyors of social innovation to discover and exploit avenues to enhance human well-being (Garnett 2011; Chamlee-Wright and Storr 2015).

It is suggested in some quarters (e.g. Dekker and Kuchař op. cit.) that non-price mores, practices and systems – such as cultural approbation or disapprobation, reflected in facial expressions, tone of voice and speech content, cheering and booing, and other means – may affect the capacity of social innovators to coordinate efficiently and effectively. Drawing upon these cues, and more, certain social entrepreneurs garner high status, chiefly through garnering a sound reputation amongst members of the community with respect to their ability to improve the lives of others. Essentially, social entrepreneurs enjoy relatively high levels of public esteem when they implement socially worthwhile projects, compared against those whose projects which are not perceived as creating great social value or who do not achieve their intended goals. As indicated by Chamlee-Wright and Myers (2008: 165), these and other “non-price information feedback mechanisms can mimic other important qualities of market prices, at least enough to move non-market processes of social coordination and cooperation in the right direction, in which cooperation between people known to one another can systematically advantage unknown others far removed from the original social exchange.”

Several scholars have additionally alluded to at least indirect links between the feedback mechanisms which prevail within the economy and those applicable to the social order. Wandel and Valentinov (2014) and McCaffrey (2018) indicate the competitive sourcing of donation revenues for social entrepreneurs, and organisations founded on a non-profit basis, provides incentives encouraging the discovery and exploitation of solutions to often deep-seated societal problems. More broadly, it is suggested that non-profit entities and other players within the social innovation space must competitively vie with for-profit economic actors not only for finance, but for resources such as labour, capital, and so on. In other words, price and other considerations most commonly associated with economic action may diffuse, to some extent, into the calculations rendered by social innovators. Further, Boettke and

Coyne (2008) note the existence of philanthropic and other socially-directed activities by individuals and groups that have built their fortunes within the marketplace.

It is, of course, possible that social innovation endeavours may fail to resonate publicly, generating waste and adversely unintended consequences which contribute to negative outcomes (Storr et al. 2015: 150, fn. 19). Although the operationalisation of network interactions may serve an invaluable role in generating, if not filtering, (non-price) feedback amongst participants in social innovation ventures, helping to gauge which initiatives are succeeding in delivering their social missions, such non-price feedbacks are not entirely immune to manipulation. For instance, it has been well-established in political economy that the exercise of a prominent non-price feedback mechanism – talk – opens up the potential for holdup against prospectively beneficial changes, through the workings of public preference falsification (Kuran 1995; Martin 2018) or the promulgation of non-logical framing strategy (Wagner 2016). Whereas strategic manipulation of voice mechanisms, reflected in such matters as contemporary concern over “fake news” and the like, could raise doubts and uncertainties about the veracity of social innovations (actual and proposed), it would seem (perhaps paradoxically for some) that a pertinent salve to maintain the effectiveness of such non-price feedbacks is to *maintain* senses of discursive openness (Lavoie 1993; Goodman 2019) that help establish a competitive basis for establishing good social reputation.

A recent contribution to literature states that the degree of calculative efficacies held by non-profit organisations must be further clarified. The suggestion here is that a given non-profit with a relatively closer relationship (financially or otherwise) with governmental agencies are less likely to grasp opportunities to serve people in a flexible and timely manner, potentially resulting in “weaker feedback mechanisms and promote the status quo rather than a process of social learning and progress” (Haeffele and Storr 2019b: 246). By contrast a non-profit entity with a relatively “private” profile, acting at more arms-length from government, is able to engage more directly and unconditionally with those in need, taking advantage of the social learnings it receives from the communities they serve. Whilst a more distant relationship with the public sector does not preclude potential failure by non-profits, and consideration should be given to the regulatory and legal environment, the extent of direct intertwinement between social and political actors is likely to influence the success of social innovation.

3.4 Institutional environment

The Austrian school of economics is renowned for its emphasis upon the importance of formal and informal institutions for promoting economic prosperity and social accord. We have previously referred to the importance of cultural meanings from the standpoint of entrepreneurial interpretability of their surrounding human environments for discovering and exploiting opportunities. Given the embeddedness of market activities, and the economic relationships these create, within a broader frame of social understandings (Granovetter 1985; Boettke and Storr 2002; Liljenberg 2005; Migone 2011), conceptions of valid economic opportunities may be shaped by a host of cultural interpretations, say, as to what items are accepted by others as potentially tradeable or how production processes should be organised. The interpretation of informal “folkways” of being, doing and knowing that are deemed as socially acceptable might similarly be seen by Austrians as indispensable to the carriage of successful social

innovations, although, as noted previously, we also recognise entrepreneurial activities reflecting an element of challenging social norms.

Turning to the formal institutional prerequisites for the origination and diffusion of novel ideas about what kinds of betterment are feasible, and how so, the Austrian school of economics (esp. Hayek 1960) has emphasised the virtues of institutions upholding the rule of law. The maintenance of abstract and generalised rules maintained by governmental entities should serve to protect individuals and groups from internal and external incursions upon life, limb and property. Maintenance of formal institutions conducive to rule of law precepts effectively upholds a widespread domain of discretionary, experimental actions on the part of any given individual that further their specific ends, and help promote social coordination, so long as such actions do not constrain the equal freedom of others to do likewise. In sharp contrast, Austrian economists are typically antipathetic toward forms of intervention deemed as instances of centralised planning by political elites for idiosyncratic, uniquely situated others. As indicated by Vaughn (1994: 236), an especially catastrophic example of this kind of “choosing for others” came in the shape of the Khmer Rouge regime in Cambodia: “Pol Pot forces everyone into his mold of a “good life” and thereby threatens the entire society if his mold is defective. The unrestrained power of government is the power to turn constructivist dreams into the reality of oppression.”

Criticism of the worst excesses of political conduct by the Austrian school is not to suggest its proponents necessarily subscribe to a generalised aversion toward formal, political institutions, and the prospects for improvement through policy development. Indeed, an Austrian approach to formal institutions lends itself to support for “governance institutions that protect property rights from both private and public predation, settle disputes, and foster an environment that allows for social cooperation, exchange, and productive entrepreneurship” (Palagashvili et al. 2017: 41). Nonetheless, an important matter is how to reconcile the priorities of maintaining “generality norms” in political rules as implied by the rule of law (Buchanan and Congleton [1998] 2003) with the often-urgent need to substantively enhance the well-being of people, particularly those in needy and vulnerable life situations, through specific and direct actions. As alluded to previously, abstract politico-institutional rules consistent with rule of law effectively secure a “freedom space” for those engaged in social innovation to attend to specific outcomes within the social environment, thereby avoiding the problems associated with politicised “social central planning.” For instance, “explaining the significance of the nonprofit sector in terms of specific outcomes which are valued by people but not guaranteed by abstract rules readily accommodates the sector’s real-world diversity” (Wandel and Valentinov op. cit.: 143). The implication here is that social innovation potential is likely to be more effectively realised under institutional arrangements enabling distributed information to be harnessed for social purposes as freely, and with as much “social permissionlessness,” as practicable.

It should be noted that many social innovation academics and practitioners have expressed support for extensive public sector involvement to promote the well-being of community members, especially those in vulnerable socio-economic positions. Whereas Austrians have repeatedly warned against the extensive substitution of political for non-political planning, this is not to suggest that policy action is always and everywhere impermissible. As Hayek [1939] 1997: 194) once noted, enacting certain kinds of policy arrangements or engaging in particular institutional reforms, for the purpose

of social betterment, may be consistent with the liberal imperative of according individual initiative “the widest possible scope and the best opportunity to bring about effective coordination of individual effort.”

Drawing upon the lessons of Elinor and Vincent Ostrom, Austrian economists have increasingly emphasised the desirability of diverse and multiple centres of political (and non-political) power and influence throughout society, which in turn facilitate the epistemic limitation of discoveries and learnings amongst individuals and their organisations (Frank and Shockley 2016; Aligica et al. 2019). The presence of multiple political units may induce competitive impulses within the polity and, in the process, generate useful policy adjustments and learnings conducive to the maintenance of economic and social orderings which protect liberty rather than magnify coercion (Yu 2011). An interesting example of the beneficial impact of polycentric institutional settings has been outlined by Jayme Lemke (2016), through her studies on the diffusion of reforms to women’s property legislation in the United States during the nineteenth century. In this case institutional competition for larger female populations throughout frontier jurisdictions in America’s West facilitated the gradual end of coverture, an important social innovation in its own right as advocated by the “first wave” emancipatory feminist movement. The ensuing extension of rights afforded to married women (instead of their husbands) to own and dispose of their own properties enhanced their capabilities to realise their ambitions in a manner consistent with liberalising “negative policy experiments” (Potts 2010).

Contending with Amartya Sen’s claim that promoting human capabilities requires more politically than “mere” abstention or non-interference in the economic and social affairs of the citizenry, there have been a range of contributions from Austrian economists and like-minded scholars suggesting there are important, if under-recognised, links between capabilities and institutional environments enabling a broad-scale exercise of freedoms. Boettke and Subrick (2003) point to an empirical correlation between those countries which more effectually uphold the rule of law and numerous measures of capabilities (e.g. life expectancy, literacy rates), all of which are vigorously attended to by social and other entrepreneurs striving to entrench their preferred models of social innovation. The significance of formal institutional quality in this context is that it enables Millian experiments, and Hayekian discoveries, which foster the realisation of expanded capability sets in the diverse beings and doings of life.

4 Conclusion

This paper advances the key claim that the concept of “social innovation” may be fruitfully interpreted through the lens of Austrian economics and, further, it can provide insights of value for researchers in this domain. A greater sense of engagement with social innovation may provide the opportunity for Austrian economics to provide a more well-rounded explanation of social phenomena, following recent advances in the interstices between Austrian economics and new economic sociology. Some facets of common ground between Austrians and social innovation researchers may include:

- The recognition by Austrian economists that human action is influenced by cultural and social phenomena, and that individual and group acts have some capacity to influence the trajectory of developments unfolding throughout society.

- An understanding of a critical role for entrepreneurship in propounding social innovation initiatives, in ways which not only rely upon material resources but creatively utilise discourse framings and narratives to facilitate robust forms of collective action for social betterment.
- In attempting to generate new sources of social value, social entrepreneurs and other participants involved in social innovation actively rely upon feedback from other community members with regard to the potential impacts of their projects and ventures.
- A variety of informal and formal institutions serve as important backgrounds that guide the extent and direction of social innovation activities, and in ways that may promote or hinder social innovation processes.

In drawing attention to these potential areas for reconciliation, we reflect upon the challenges posed by Austrian theory to outline ways in which individuals, and groups of people, may *entrepreneurially* discover more effective procedures for social coordination. These considerations place an emphasis upon action within environments that primarily use non-price feedback mechanisms, and the importance of collaboration within social networks to obtain the requisite knowledge, resources and other tools to effect social change and to diffuse social innovations. There appear additional opportunities for theoretical research that could highlight an Austrian perspective on social innovation, investigating issues as varied as human capabilities, non-violent protest and other forms of social contestation, social movement dynamics, the robustness of non-state provision of aid and services, and so on.

It is hoped that our demonstration of the utility of social innovation from an Austrian economic perspective will also inspire applied research into this underappreciated field of intersectoral study. There are potentially many case studies to an Austrian approach toward social innovation which could build on previous studies of social issues – such as natural disaster recovery (Storr et al. 2015, 2017; Sutter and Smith 2017), housing availability and homelessness (Haeffele and Storr 2019a; Lucas 2017), and aid assistance and welfare provision (Boettke and Coyne 2008; Coyne 2013; Grube et al. 2017). Researchers versed in the Austrian economic tradition tend to possess great interest in the conditions which shape the environment for the exercise of human freedoms, with emergently-ordered activities by non-state actors seen as key to a robust ecology of mutual assistance and capability development in individuals and groups. Rigorous comparative studies of the relative advantages and disadvantages of non-state and state involvement in social innovative activities could serve as another fount of future studies.

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