

# THE FUNCTIONAL CHANGE OF HOUSEHOLD'S ECONOMIC ROLE

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## **Introduction and background**

The word oikonomia can be originated from the Greek word „oikos”, whose meaning was the Greek households in the archaically age. „Oikos” is not only a place of living, but also a farming form meeting the family’s and the wider community’s (slaves, relatives) material needs (Schweitzer, 1988). The fundamental interpretation of „oikonomy” meant such operation of the households whose aim was to increase the value of the households for all the members in long terms (Egner, 1985). Economics today means the “chrematistics” (called by Aristotle as the “art of earning money”), which was created in close connection with trading and which does not know bounds. The basic theory of the oikonomia is sufficiency, while the principle of chrematistics is the short-term monetary exchange value, i.e. maximizing the profit. (Zsolnai, 2001)

The rediscovery of the original ideal of “oikonomia” i.e. „oikos”, based on reciprocity and redistribution needs the radical reformation of the dominant, profit-oriented economic structures and philosophies. I would like to prove that the household activities and performances, which are often devaluated, are the organic parts of the modern societies and national economies, and the inevitable processes of the everyday life. Looking at the theoretical basis and the findings of the research work we feel to re-evaluate and review the former axioms of such disciplines.

It is obvious that in practice such micro- and macro economic theory is not justified which says that households take part in the activities of the national economy and the society only with their incomes and consumption. I hope that this work can contribute to the development of the domestic theories of economics, since with it we can get closer to the understanding of the “everyday” economy.

### **Objectives of the research**

The aim of my research was to present to the professional public the need for the multidisciplinary examination of the households, as objects with extended internal and external system of nexus on the basis of the interpreted findings. The examination of economic role and its functional change in the households was also justified by the fact that there is an increasing need for summarizing works, which approach the problem-raising of the scientific field from different point of views. I have tried to investigate the economic role of the households in a multidisciplinary way, using the information and methods of sociology, history, economics, economic anthropology and the system theories. I have determined the following aims in a logical sense:

- *To review, to systematize analytically and to evaluate the major national and foreign literature and research findings available.*

In the processing of the literature I strived to widen the scope of my research. To have a clear and logical structure I have dealt with the general household research separately from the agricultural households.

- *To analyze the views on households of different ages.*

To present the economic and social role of households I considered important to present analytically the evolution of household economic approaches from the ancient times until today. So I tried to present the differences between the substantive and formal interpretation of the economy and the reasons for the “rediscovery” of the oiko-centered approach.

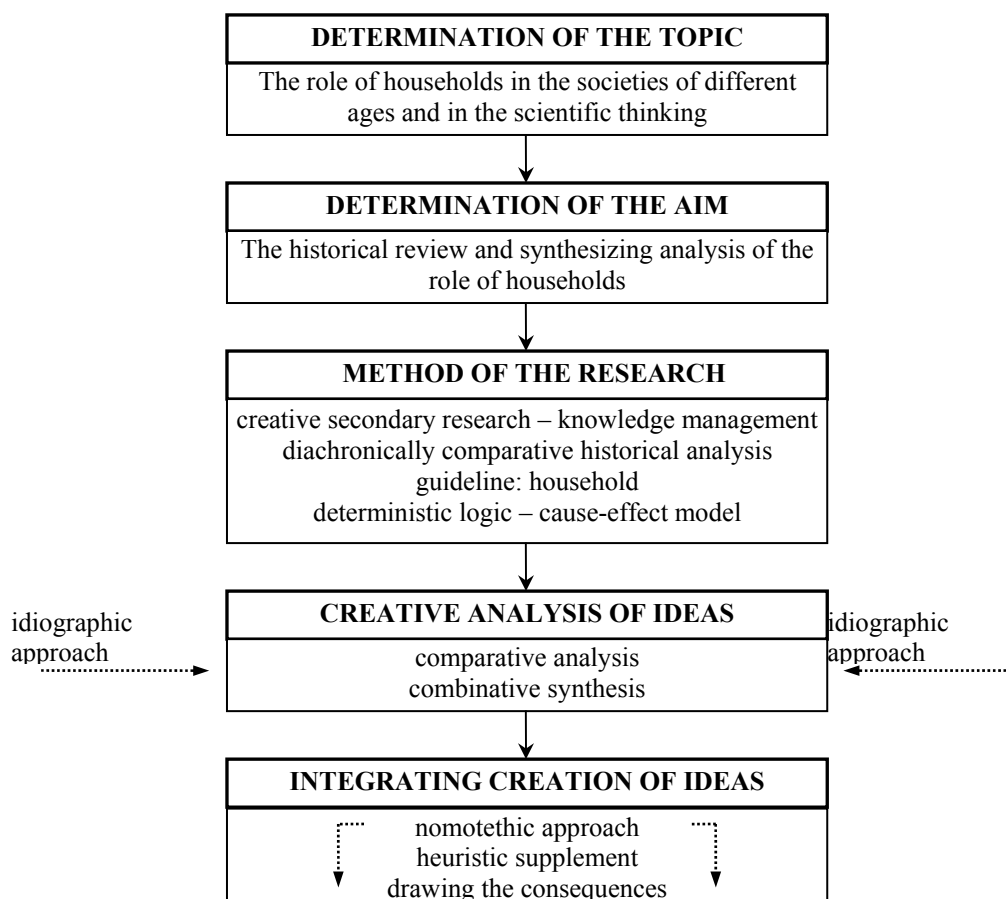
- *To Demonstrate of the household’s important role in the society*

In my thesis I tried to transfer information through a dual logic. On one hand to pass revealing-analyzing knowledge, on the other hand to present the opportunities for application of the theories through a specific social science investigation and its methodology. In my paper I examine the basic participants of the society and economy – the households – through the ‘New Household Economics’ guidelines founded by Economic Nobel-prize winner Becker and in the sense of „Giessen School” founded by Schweitzer, and I tried to determine their real roles and significance through an extended system of concepts and by socio-economic methods.

### **Methodology**

The historical study of household-related approaches was carried out with the help of one of the creative second researches, the knowledge-management. I have analyzed the information from the second research, partly combined with heuristic methods. To review the social forms of different periods and to compare the different cultures and development processes of different ages based on the methodology of Babbie (2001) I have applied a qualitative social science method: the comparative historical analysis. In that analysis I have applied as a guideline the different scientific approaches of households and their level of integration in the social-economic system. Comparative historical analysis is a social scientific method, which is suitable to compare the messages from the social products and it can be considered the main source of secondary information. Deterministic logic and cause-and-effect are characteristic to my diachronic investigations. It means that I try to explore what factors and how these factors had influenced the role of households within the economy and the society.

The research was idiographic, since I had tried to discover the background of the cause-and-effect relationships from many points of view. On the other hand, the conclusions were nomothetic because I had strived to state laws from the discovered specialties. I tried to look for the new information in several works. Corroboration made it possible for me to control the new historical coherences. I did not have opportunity to create an ideal for the households primarily because of the moral and functional differences in the historical ages.



**Figure 1: The sematic model of historical comparative analysis of household approaches**

The synthesis of knowledge based on secondary information done by me cannot be considered a typical historical research, since I did not analyze original works (certifications, original studies, registers of those times, etc.), but the views, scientific approaches and thoughts based on those times’ literature. The comparison and presentation in time of thoughts connected to households seems unnecessary without the presentation of social-economic conditions and intellectual trends, since there is an obvious mutual relationship between the parts (households and the related views) and the whole (social and economic system of a given period). I present the sematic flow of thoughts that I have applied in the investigation of historical continuity on the households researches on Figure 1.

**The evolution of theories on household economics from ancient times to date**

With the help of comparative historical analysis I have interpreted the household in its original and antique (“oikos”) meaning. I have introduced the role of households in the different historical ages and I have highlighted the important moments, which had played important parts not just in the economic and social systems, but in the evolution of the science. I have highlighted the differences between the substantive and formal interpretation of the economy and the causes for the current “re-exploration” of the oiko-centered approach. I have determined formally and compared the two fundamental economic philosophies: the “oikos” and the “chrematistics”. At the same time I have introduced the substantive meaning of our word “economics” based on “oikos” and its different forms up to now.

### ***The creation and the role of households in the ancient times***

The household of the ancient men operated only if they recognized the tools for subsistence, and how to get them and use them. The household of homo sapiens cannot be interpreted without a hypothesis saying that a part of nature is the property of a given person (family). This is not limited only to the food, clothes and other equipments, but it referred to the real estate also (the fence around the altar of the family god, the common grave of the ancestors etc.). It seems obvious that private property, as one of the most important and oldest institution of the economic activity of ancient men, was based on the religion. The characteristics of households in ancient times: a) natural feature of farming; b) the value of products is based on their utility; c) the goods are shared according to the needs.

### ***The household according to Aristotelians and its historical effects***

The concept of economy was created by the Greeks. The science of households – and also the history of household economics – is originated from antique Hellas. According to the Greek authors of that age people of that time lived in economic units called „oikos”. The word “oikos” covered an individual farming unit, which was able to provide the subsistence of a group and was led by the leader of the household (who could be only men). The people living together in an „oikos” belonged to a wider family, including relatives, and non-relatives (servants, maids). The „oikos” could include the ownership of a house or land, agricultural activities and shops. It was an economic system, providing the subsistence for the people who lived in it. It was more or less an articulated „original plant”. The „oikos” was a closed economic unit which could do both agricultural and crafts work. The word „economy” (gazdaság, Ökonomie, économie, economía) has been greatly changing since that time. In the modern period this concept is used for a science, which only concentrates on the monetarized economy and deals with the more and more perfect meeting of the material and unlimited needs of people. But the ancient European economics was based on households, which also included information on earning, but it did not primarily focus on it.

Money earning activities done outside the household and different from theirs are called “chrematistics” (or kapeliké, katalaxia) by an ancient philosopher in Hellas. While these aim at the extension of business activities and getting richer with the money accumulated and know no bounds, activities inside the households aiming at the subsistence operate in a self-limiting way, since the accumulation of properties is not the role of households. Their aim is only subsistence and the creation of better and better life conditions, while the former aims the unlimited accumulation of capital goods.

Economics, according to Aristotelians, was part of the practical sciences with ethics and politics. It was he, who made it clear the system of these three fields. Thus the subject of economics was the household and its system. Ethics dealt with the activities of individuals, while politics focused on the polis-society, i.e. the state and its organizations. ARISTOTHELES thought that ethics-politics-economics were the part of such a “practical philosophy” which tries to find out how can a good life, happiness and the best and most fair community life be created for people (Figure 2). In his sense, politics should be committed to a way which is „good in the human sense”. It is the economics, whose task is to provide the subsistence of people: politics is the empire of freedom; economics is the empire of necessity. „Oikonomia” by Aristotelians is a household economics aiming at subsistence and meeting the needs.

	EConOmiCS	CrematistiCS
Commutative fairness	price = cost	Taking interest
Distributive fairness	According to social situation	Independent from social situation

**Figure 2: The theory of fairness according to Aristotelians**

The role of Roman Times related to households in the evolution of science is that the institution of private property was defined in the clearest way in Roman Laws, putting it under the state right. It resulted that the property based on merely natural relations has become a social institution, which is an important factor of moral values in the society. It was how the varieties of relationships between people (household) and the economy, the economy and the property, and the property and the state.

Centuries after the ancient times did not removed the basic characteristics of the antique Greek thinking without marks: the Christian philosophy and theology in the medieval times partly integrated them. In this way, the household economics of Aristotelians had significant impact on the evolution of economic ethics up to the Neolithic times.

***Religious value orientations and their impacts on household economics***

Aristotelian’s household economics and the antique philosophy integrated into the Christian theology. The principles of medieval Catholic morals were mainly based on the views of St. Thomas of Aquino (1225-1274). He took over some of Aristotelian’s. A significant innovation of Thomas Aquinas was that he put all the arguments of Aristotelians into the theology. The ideas of early European economics were partly influenced by views of the ancient Greek philosophers, on the other hand the medieval Catholic theological stream, the scholastics. Though this was not an obvious process, since the medieval Europe was isolated from the impact of the antique culture for long. And unlike the polis’s quasi democracy, hierarchical relations dominated in this period. According to this, antique household concept could not become traditional in a continuative way: it was modified according to the changed social structures. Households are the everyday schools and also the practical field of Christian life in the Christian ethics. They show the real Christian life, which means the preparation for the life after death according to the system of dogmas.

In the period of renaissance, in the 15th century, which is based on the antique traditions, after the „dark” medieval clerical world, humans „uomo universale” have become again the centre of interest. With humans the family life and the household have come to the frontline. At the end of the medieval times a new process of social evolution started, which was: enlightenment. This period has brought the freedom from church and public powers, the „emancipation” of agricultural towns and the self-esteem of people based on mind and rationality. Nevertheless, I would like to call the attention on the fact that while the basic characteristics of enlightenment appeared in the economy of some European areas with great emphasis, on other areas farming continued in the same way.

The European reformation movements of the 16th century emerged differently in the countries because of the political influences. According to the approaches of those works, household farming was inevitable for nurturing, supplying activities and subsistence. The household (the husband supplying the food and the woman and their structural unit- the household), and the household in which woman is responsible for nurture and transformation, while the man does the money earning outside the

household e.g. in agriculture – or food gaining had great significance. The complex feature of the household is reflected by the fact that on German speaking areas the word „family” was not used until the 18th century. The word „Hausstand” (household) with wider meaning was used.

Despite of the religious and political battles of the period, the everyday activities for subsistence were in the centre of practical life. Before the industrial revolution, because of the must for providing the bread, the population in need and other events (e.g. epidemics), the most important economic branch was agriculture. It is shown by the agricultural literature closely connected to household works. In the medieval times the households did not only provide the subsistence under increasingly hard circumstances and the life expected by church, but the basic unit of society of states and the hierarchical feudal system (e.g. work of serfs, basis for levying tax).

### ***Industrialization and the civil growth – classics and their forerunners***

The independence of economy from the church and state tethers, after the enlightenment, made it possible for the national economics to develop from the ancient European economics. The emphasis was not only on the justification of the economic activity any more. The general laws were investigated with the help of system of coherences. The economic thinking of that period was greatly influenced by the mercantilists and the kameralists, as the major state consultants. In other sense phisocrats can also be mentioned, who tried to explain the economic development with the laws of nature. Mercantilists and kameralists only slightly contributed to the evolution of household economic thoughts. In the centre of their interest were the wealth of states and the balance of state budget. They thought it was not their task to describe the social relationships. They only strived to explain the phenomena on the surface and to extend the power of commercial capital. They recognized though that the material content of the economy is their value of utilization (so subsistence functions within the „oikos” have great importance), but they did not want to improve them but to gain money, which transfers the exchange in the processes for realization the utilization values. The well-being of their citizens was the prerequisite of their success, not the aim of their thinking. Despite of all this, merkantilists have created something long-lasting according to the economics of our age: they were the creators of scientific economics that is national economics in the modern life.

The activity of mercantilists can be considered a border, where the oikocentered approach was put in the back – and it stayed there for long, until now, and the ideas based on chrematistics have spread. Political economics (or in other words market economy) was created in this period beside the traditional household economics (as the analogy of chrematistics). Due to this, two individual disciplines dealt with the two fundamental functional fields of the households (directing a household and gaining a house) and their individual aims. With the creation of the system of disposition of market economy, the income earning activities of households stepped out of the shadow of original, dominant house-directing activities, where it was since the creation of the economic concepts i.e. the „oikos”.

### ***The “traditional” neoclassic theory of households***

The deficit, due to the eclipse of the view which puts the house, as the place of living, into the centre has become obvious with the industrialization and the dramatic change in the living conditions. It was shown e.g. in the problems of feeding, utilities, child nurturing and the high rate of children mortality. The answer to these challenges was the institutialization of the science on households at the end of the 19th century and at the beginning of the 20th. The frame of this was provided by the neoclassic economic

stream, which can be considered the starting basis for the modern economic theory from several points of views. With the institutionalizational approach, they tried to find the answer to the problems due to the fast changes of the economic and social environment. In addition they tried to define an adequate definition of this elementary place of living. I think it is important to note that though the spread of institutionalism and neoclassical principles happened partly in the same period, the institutionalists did not want to supplement the neoclassical microeconomics, but to replace it.

Thanks to the neoclassical approach two individual, but supplementary disciplines were created, based on the two fundamental types of the economics (households and market economy), while economic thinking was concentrated almost merely on the market economic processes.

The industrialization processes of the world have directly influenced the households too. The industrialization has drawn out labour from the agricultural and the civil households, the households of workers have faced existential and housing problems. This was the period when the attention of social policy has moved towards the improvement of women’ situation. The proposed the improvement of the conditions of women’s training, and in its framework the housework studies were integrated into the curriculum of public education. Thus household studies were taught in the USA as „Home Economics”, in Germany as „Haushaltskunde”. While in most European countries people were satisfied with the fact that the household studies were taught in only one semester, in America this science was – in the framework of institutionalism – developed to become a university level discipline at the end of the 19th century.

#### ***The „new” neoclassic household theory – the „New Home Economics”***

The expressions like “New Home Economics”, „neue Haushaltsökonomik” (new household economics) or „Ökonomik der Familie” (family economics) indicated the new stream, which serves the more realistic approach of households, and which was developed in the frame of microeconomics. In the new household economic movement a system of definitions were set up which has fundamentally changed the theories on household economics. The new school starts from the social feature of humans on the analogy of Aristotle’s’ „zoon politicon”. It always investigates the household activity as integrated into the active and passive mutual interactions with the natural and social environment. Environment is said to be the place of resources. Thus the decisions on resources always take the environment into consideration. This approach makes it possible to extend the household ecologically, in which humans do not appear as the manipulator of the environment, but as a careful farmer.

The ‘New Home Economics’ wanted to investigate primarily the economics of everyday life. The representatives of the stream liked to use the expression „Discipline of Everyday Life” (the science of everyday life). The things connected to everyday life, the frequent activities and the related problems were in the centre of interest. Therefore household management (home management) has become very important, which appears in a recursive way in the different historical approaches of households.

#### ***The evaluation of economic approaches of households, the possible roles of households in the post-industrial period***

The development processes of social ownerships, started in the ancient times, resulted that the resources within the households, for production use have been isolated from the resources for subsistence. This differentiation was conscious, and it was based on the view which says that the household serves the consumption, and production is done with looking at the exchange conditions of goods. In the beginning, home economics has covered the household and the farming unit (like family farms nowadays). But later these

basic functions have sharply differentiated from each other. In the development period, beside home economics – partly with its transformation – income-oriented farming has been created, and in its eventual level of development - the company- was created as the form having a looser link between the farm and the household.

According to general opinions, the creation, the development and the flourishing of companies is the result of the development of accountancy. In my opinion, this was the consequence of the differentiation processes of households mentioned above, in which homo sapiens sapiens differentiated the accounting of the private household and the farming activity (see e.g. Pacioli's activity, who worked on the spreading of dual accountancy at the end of the 15th century, whose basic principle was to differentiate the private household and the economic activity of a trading household).

The most important finding of Aristotheles from the point of view of our post-modern society was that he has proved: searching for money stepping out of the household-frame knows no bounds any more. The exorbitance of modern economic conditions, seeking after the economic growth in every way and the "unsaveability" of economics based on traditional principles make it impossible to accept the thoughts on lower level of subsistence; this is clearly the denial of Aristotelians' thoughts in the modern age.

If I compare the concepts of oikonomia and chrematistics based on today's information, four major differences can be seen:

1. economics is for long terms, not for short ones;
2. economics interprets the costs and profits from the whole community's point of view, not just from the participants of the transaction;
3. economics concentrates on the concrete utility values and its limited accumulation, not on abstract exchange values and unlimited accumulation;
4. economics does not know the concept of „enough“, while chrematistics favours gaining more and more goods.

### **Results**

- a) With the help of comparative historical analysis I have interpreted the household in its original and antique ("oical") meaning. I have introduced the role of households in the different historical ages and I have highlighted the important moments, which had played important parts not just in the economic and social systems, but in the evolution of the science. I have highlighted the differences between the substantive and formal interpretation of the economy and the causes for the current "re-exploration" of the oiko-centered approach. As the result of my research I have made a summarizing figure, which displays this extremely complex evolution of dogmas abreast of the evolution of economic scientific thinking. I have determined formally and compared the two fundamental economic philosophies: the "oikos" and the "chrematistics". At the same time I have introduced the substantive meaning of our word "economics" based on "oikos" and its different forms up to now. The return to the oiko-centered approach, to the substantive meaning of the economy can form the spine of the new economic approach.
- b) On the basis of historical approaches influenced by religious, social and economic processes, with morphological aspects I have made the classification of households. Based on it the followings can distinguished:
  - traditional (fundamental) household, which is according to rather the ancient economic approach;
  - progressive materialist household, whose living is influenced by the protestant ethics;
  - modern household, in which „homo oeconomicus consumens“ live and its



- intellectual sphere is the growth-oriented economic philosophy;
- human (close to humans) household, which is primarily the ideal of „New Home Economics” and in which family relationships and the non-blood interpersonal relations have greater significance, than in the quasi automatically subsistence processes, so it rather can be called family household.
- c) I have stated the different forms of loss of functions in the households in the post-industrial societies according to the followings:
- Narrowing of the structure of households
  - The break in the continuity of households
  - The disappearance of the autonomy of the households
  - Breaking up the household hierarchy based on the powers
  - The loss of household activities and functions

### **Conclusions and recommendations**

- a. I have taken the household as a primer organization of one or more people, where they do the activities for living together. The special structure of households, which are built up differently from the others’, and its operational principles need to be dealt as individual institution. Their internal coherences must be examined.
- b. As the result of my research it can be stated that the situation, the formation and the historical evolution of households, as the fundamental unit of the society and economy, and the related theories are not investigated to a sufficient extent. But in Western-Europe and North-America household economics is determined by clear guidance. Different important schools are connected to the discipline, criticizing the existing economic-social systems with their ongoing activity and strong theoretical background. They also call the attention to the importance of scientific investigations on households. The scientific differences in the household-economic theories in the domestic and Western societies are the result of different social and economic development. Since Hungary is rather integrating into the different communities of Western countries, it is urgent to learn and adopt the foreign approaches and methods. We should establish the conditions of research and teaching of household economics, as individual scientific field in Hungary also, which could develop the domestic economic thinking and it could serve the next generations’ new economic-social approaches (e.g. sustainability).
- c. The historical evolution of household-economics theories provides explanation to the reasons for the different approaches of households. It is also proves that there is close mutual link between the social systems based on religious and philosophical ideas and the household approaches. While households „survived” the political and economic battles of centuries, social systems and coordination mechanisms continuously changed. So what is so special in the structure and in the operation of households that made it possible? The answer to this question justifies the most clearly the empirical research of households, which should be paid more attention to, by the domestic academic sphere.
- d. In my opinion, households play a determinant role in the rural areas, but also in the whole structure of the agriculture. In my empirical research it has been proven that the family and household behavior patterns highly influence the agricultural production. In the symbiosis between the family farm and the household –as a system – the ages and ways of life of the members of the household are as changing as the not-agricultural job opportunities in the surrounding area. The characteristics and special way of operation of the households and also the complicated relationship between the household and the agricultural farm should be taken into

consideration in the rural development, too. Thus making it possible to create and plan complex programs. Examining the relations and characteristics of households and family farms I have come down to the fact that the multifunctional approach towards agriculture results in the need for the consideration of households more seriously. The role of household in the surviving ability, the flexibility and competitiveness of family farms should be investigated more seriously. The idea of agriculture integrating multisectoral and social political factors causes the necessity for isolating the social and production-related transfers.

- e. Households have several features which make their subsistence possible even under difficult economic conditions. The household work plays determinant role in the organization of the households and also in the relevant researches. Thus there is further need for investigations that clearly determine the specialties of the works in the households, their relationship with the market activities and their significance in the performance of the national economy. Production aiming at self-sufficiency (in some cases the subsistence) and the exchange of work between households result in a special formation of production, which cannot be described with the indicators for goods and services produced in the state and market. Present - GDP-oriented - measuring procedures for the economic performance and national wealth can only indicate the deals realized on the market. But the household performances exist within informal economy, so their measuring and logical determination is fundamental importance. I consider the measuring and definition of household performances important, because in the spreading alternative economic streams (focusing on sustainability) sooner or later the indicators will rather be based on the situation and relationships of households. The experiences of several former economic-sociological investigations show that the goods and services produced within the household play important role in the reproduction of wealth.
- f. In my investigations – based on primarily the different appearances of households of different historical situation – I have come to the consequence that they can become the basic units of the sustainable farming and production. Households – in the original economic interpretation – were substantive systems, i.e. their aim was primarily to meet the subsistence demands. Since the mentioned „oikos” versus „chrematistics” antagonism has become the dominance of chrematistics (catalaxia), it is necessary to draw the fundamental approach of economics to the frontline and to spread it. “Oikonomy” automatically moves towards the sustainable systems: it refers to long terms, not short terms; it interprets the costs and profits from the whole community point of view, not just from the actors of the transactions; it focuses on the specific value of usage and on its limited accumulation not on the exchange-value and unlimited accumulation.
- g. It is obvious that the improvement of the profitability of agricultural production can be expected from the strengthening and development of households. In my opinion, family-type household farming can be an alternative for the regions lagging behind – primarily in the micro-regions. And they may become more competitive in long terms. From this point of view it is not only the rational diversification of agriculture that has significance, but other opportunities and endowments due to the rural characteristics also (village-, eco-, health-tourism, maintaining the landscape, tasks for nature conservation etc.). So, with the application of this new method, we can get a more comprehensive picture of the farming of households and their role in the family farms.

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*“Economic growth in conditions of internationalization”*

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