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ITS10 – Capitalism and economic sociology

1. Introduction: capitalism and economic sociology

A. What is capitalism?

- A market-based economic system (system of production, distribution, exchange, and consumption)
- Private ownership of the means of production
- Goal = profit for the sake of profit (an end in itself, not a means to an end)

B. A sociological perspective on capitalism and the economy

- What is at stake?
 - Not defining the best economic system, but explaining why the economy is organized as it is and what the social consequences are
 - Distinguishing the sociological perspective from economics, notably neoclassical economics
- A sociological perspective on capitalism and the economy → distinguishing the sociological perspective from economics, notably neoclassical economics
 - Capitalism as a *historical* system, dependent upon specific social conditions
 - A certain level of economic development and division of labor
 - Legally-secured private ownership of the means of production
 - A stable, predictable environment (role of rationalized legal system)
 - A « capitalist spirit » (Weber)...
 - Analyzing the role of the economy in social organization
 - Analyzing economic behavior as social behavior

C. What is economic sociology ?

“the application of the frames of reference, variables, and explanatory models of sociology to that complex of activities which is concerned with the production, distribution, exchange, and consumption of scarce goods and services” (Smelser and Swedberg, 2005)

Difference from conventional economics = “direct and strong focus on the role that social relations and social institutions play in the economy” (Swedberg, 2003)

What is the object of economic sociology? “The patterns of social interaction and the institutions that people create and use in their attempts to make a living and a profit ” (Swedberg, 2003)

2. Capitalism and economic change as key concerns for the first sociologists

A. Capitalism and economic change as key concerns for the first sociologists

Why?

- The context of the industrial revolution and its social consequences
- Doing social science before the split between sociology and economics

How?

- Analyzing the causes and consequences of economic *change*
- Different perspectives
 - K. Marx
 - M. Weber
 - E. Durkheim

B. Karl Marx

- Capitalism as an economic system, or a particular “mode of production”
- In any mode of production, the production of goods is based on 2 types of “productive forces” : means of production and labor force
- In the **capitalist** mode of production, the **relations of production** are organized as followed:
- The means of production are owned by a small number of people who don’t need to work to earn a living : the **bourgeoisie**
- All other people (the **proletariat**) must sell their labor force in order to earn a living:
- Conflictive interests; Exploitation and class struggle
- The economic system as explanatory: historic materialism

C. Max Weber

The protestant ethic and the spirit of capitalism and Economy and society

- Modern capitalism is characterized by a certain **type of action**, as summed up in the idea of “capitalist spirit”
- Elective affinity with the protestant ethic : self-denial, work performed in a systematic matter, as signs of being elected
- From the impulse of a religious ethic to a self-sustained system: the “iron cage”

D. Emile Durkheim

The division of labor in society (1893)

- Addresses two major preoccupations common among the first sociologists:
 - Social order : what holds society together? (“solidarity” in Durkheimian terms)
 - Meaning of history: are societies going in a particular direction?
- Division of labor → change in the basis of “solidarity” : from “mechanical” to “organic” solidarity
 - **Mechanical solidarity**: low differentiation and individualization; individuals all share the same beliefs and “collective consciousness”; individuals perceive themselves as part of the collective body, not as individuals. Solidarity based on belonging and sharing the same collective consciousness.

- **Organic solidarity:** characteristic of differentiated, individualized societies; individuals are different from one another (jobs, functions, personalities) and perceive themselves as such. Solidarity based on functional complementarity.

3. From a sociology of capitalism to economic sociology

A. The birth of a sociological field: how “embedded” is the economy?

a) K. Polanyi, *The great transformation* (1944)

- A transformation of economy in 19th century England : decline of the hold of outside (political or religious) authorities over the market → economy becomes “disembedded”
- Notion of embeddedness
- Capitalism : “instead of the economic system being imbedded in social relationships, these relationships were now embedded in the economic system”

- The emergence of the **self-regulating market:**

“[...] never before our own time were markets more that accessories of economic life. As a rule, the economic system was **absorbed in the social system**, and whatever principle of behavior predominated in the economy, the presence of the market pattern was found to be compatible with it. [...] Where markets were most highly developed, as under the mercantile system, they thrive under the control of a centralized administration [...]. **Regulation and markets, in effect, grew up together.** The self-regulating market was unknown; indeed **the emergence of the idea of self-regulation was a complete reversal of the trend of development.** It is in the light of these facts that the **extraordinary assumptions** underlying a market economy can alone be fully comprehended. A market economy is an economic system **controlled, regulated and directed by markets alone**; order in the production and distribution of goods is entrusted to this **self-regulating** mechanism. An economy of this kind derives from the **expectation that human beings behave in such a way as to achieve maximum money gains.** It assumes markets in which the supply of goods (including services) available at a definite **price** will equal the demand at that price. It assumes the presence of **money**, which functions as purchasing power in the hands of its owners [...]”.

K. Polanyi, *The great transformation*, 1944, p.68.

“[...] normally, the economic order is merely a function of the social, in which it is contained. Neither under tribal, nor feudal, nor mercantile conditions was there [...] a separate economic system in society. Nineteenth century society, in which economic activity was isolated and imputed to a distinctive economic motive, was, indeed, a singular departure”.

K. Polanyi, *The great transformation*, 1944, p.71.

b) M. Granovetter (1985) and the “new economic sociology”

- A critique of sociologists’ reluctance to study modern markets, following Polanyi’s idea of economy having become “disembedded” from the social structure

- A different notion of “embeddedness” from Polanyi’s: *all* economies are embedded, not only precapitalist ones.
- A strong attack on micro-economics :
 - A critique of the assumption of “atomized” decisionmaking
 - A critique of the vision of the “undersocialized” individual

B. New economic sociology

a) Introduction

“New economic sociology”: theoretical tools / ties with other sociological fields (Swedberg, 2003):

- Structural sociology and networks (ex. Granovetter, 1974)
- Organization theory (ex. Fligstein, 1990)
- Cultural sociology (ex. Zelizer, 1985)
- Historical and comparative sociology (ex. Dobbin, 1994)

b) M. Granovetter, *Getting a job* (1974)

- Survey of 283 men (professional, technical, and managerial workers) on how they found their jobs
- A majority of people find their jobs through personal contacts
- The most useful contacts are not the closest/strongest ties (which tend to provide overlapping information) → « the strength of weak ties » (cf Granovetter, 1973)

c) N. Fligstein, *The transformation of corporate control* (1990)

- Against an analysis of the transformations of economy and of the forms taken by economic organizations as market-driven
- How managers of large corporations in the US define « conceptions of control » which influence their economic strategies and thereby shape the market and the economy
- 4 successive dominant conceptions of control :
 - Direct control
 - Manufacturing
 - Sales and marketing
 - Finance

d) V. Zelizer, *Pricing the priceless child* (1985)

Beginning of industrialization : child factory labor as a normal, rationalized economic convention:

- Working class children work in the factories as soon as they are physically able to do so
- No legal ban on child labor
- Life insurance conceived as a way to replace children’s income
- Courts compensated parents of children killed in factory accidents for the child’s lost wages
- Foster parents favored older boys (better income)

1870-1930: a gradual shift in the meaning of childhood, pressed by children’s advocates/Social reformers

- Signs of this shift:
 - Legal ban on child labor
 - Life insurance and compensations awarded by Courts conceived as compensation for parents' emotional loss
 - Foster parents favored baby girls (emotional bonding)
- Consequences:
 - Ban on children's factory labor as a new economic convention
 - A shift in the perception of children, from economics to emotions
 - A shift in the economic meaning of childhood: children as a long-term investment (through education) rather than an immediate source of income (through factory work)

e) F. Dobbin, *Forging industrial policy* (1994)

- Comparison of railroad development in the XIXth century in the US, Britain and France
- How each country's political culture influences industrial policy
 - France: pre-industrial absolutism → a centralized railroad network promoted and regulated by state bureaucrats
 - Britain : minimum government intervention and promotion of "small-scale entrepreneurial capitalism"
 - US : promotion of railroads by state and local governments

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