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Note from the editor

Economic Sociology and capitalism

The tides of economic sociology are intimately linked to the fate of the market in modern societies, particularly its impact as a dominant blueprint for the formation of economic relations. In one of the founding scripts of New Economic Sociology, Swedberg claimed that sociology had lost interest in markets as social arenas after the age of classical sociologists (Swedberg 2003: 266). After Weber, Simmel, Marshall and Durkheim had passed on the torch – all of whom had had a self-evident interest in “socio-economics” and markets – Parsonian thinking became dominant post 1950s. Here, the economy was treated as a subsystem that functions in its inner (market) core very much like economists describe it (Krippner 2001), while around it cultural and political action and system logics define individual preferences and principles of institutional regulation. Historically, this understanding of markets as framed or governed by society paralleled political thought in the “Golden Era” of macroeconomic governance and welfare state expansion in Europe and North America.

In the 1980s and 1990s, however, markets were re-discovered on both levels simultaneously: the global triumph of free trade and competition-friendly economic and social policies co-evolved with sociologists’ renewed interest in what sorts of social formations emerge in markets if and after they are freed from state and law regulation. In their many empirical studies on how markets develop and function, a new generation of economic sociologists showed how far from reality all economic – and at the time most political – perspectives were that assumed that stability, cooperation and efficiency emerged in markets. Instead, they showed that if free competition is opened up for market actors, habits, routines, norms, networks and conventions take over, spark all different forms of social exclusion and create power imbalances.

While the faith in free markets started diminishing after the problematic consequences of globalization and welfare state privatization became visible in the late 1990s, the financial turmoil of 2008 with its unavoidable full-frontal interventionist stabilization of national economies reminded societies – and sociologists – of the fact that they live in a capitalist market order. Contrary to what many left-wing politicians today still believe, the turn to deregulation had

not been fostered by a society-wide ‘sudden love’ for capitalism or radical liberalism, but depended, as it had always done, on capitalism’s capacity to promise and secure stability, growth and a high standard of living, at least for those groups (of employers and workers alike) who could stand the test of global free trade. The financial crisis reminded everybody of capitalism’s resilient habit to not care about the stability of the whole system if that comes into conflict with private profit interests. As Klaus Kraemer shows in his article in this issue, mainstream sociology as well as economic sociologists had over the course of the Golden Era become reluctant to even use the concept of capitalism.

Today, it seems that speaking of ‘capitalism’ as the correct concept to label the contemporary economic order is highly favored again among social scientists. Since the onset of the Greek sovereign debt crisis in 2010/11, many political economists in Europe and North America have been engaging in intense debates about the relation between capitalism and democracy in the face of European austerity measures and the widespread ascendance of right-wing populism (Streeck 2014; Crouch 2011; Woodruff 2016). This raises the question which insights economic sociologists can contribute to understanding contemporary capitalism and its precarious stability as a social order. Specifically speaking, the question is which particular social relations make markets capitalist, and what how do the social, political, cultural and cognitive embeddedness of markets (Zukin, DiMaggio 1990) contribute to the functions and dynamics of capitalism. These questions define the topic of the first issue of the 2016/17 volume of the EESN.

It is my impression that there are four major fields of economic sociological research that provide important insights for the analysis of contemporary capitalism. These are (1) the construction of calculation and future expectations as calculative devices for investment, entrepreneurial innovation and strategies of production and marketing, (2) the social structuring of resource and revenue distribution in markets, (3) the cultural and political legitimation of the core institutions of capitalism, such as private property, firm control or contract law, and (4) the social formation of consumer demand.

(1) Joseph Schumpeter has stressed that if we accept the equilibrium model of the fully competitive market, the core

capitalist elements of growth and profit cannot be explained (Schumpeter 2012). Instead, innovation that 'dares' to try new combinations of production factors depends on entrepreneurial action. Sociological perspectives have turned Schumpeter's classical celebration of the individual genius from 'its head to its feet' and pointed towards the importance of social structures that foster entrepreneurial behavior (Stark, Beunza 2009; Deutschmann 2010). Particularly in the uncertain context of market relations, in which double contingency is ubiquitous, knowledge and cognitions become important facilitators for rational planning into the future (MacKenzie 2006; Caliskan, Callon 2009; MacKenzie 2011). In this context, some authors describe the role of narratives and imaginations for making calculative economic action possible in an uncertain market environment (Beckert 2016; Castoriadis, Curtis 1997: 213ff.). This is even more so for the analysis of financial markets in which future expectations are traded at present values (Esposito 2011). For the analysis of contemporary capitalism, it is important to study how social patterns of knowledge shape the direction of investment and innovation into the future, therefore fostering (or potentially blocking) a growing marketization and opening (or closing) opportunities for profit. An important part of economic sociology research has always been the influence of economic knowledge on real economic practices, the 'performativity' of economics, and this begs the question how the rational, calculative habitus of 'capitalists' is inserted into economic relations and organizations as a form of dominant knowledge or a measurement tool, and how it is able to drive out other action orientations.

(2) Possibly due to market sociology's early, and maybe its too strong focus on the shortcomings of the standard economic market model, we lack many comprehensive perspectives on the distributive impact of the social embeddedness of markets. Organizational sociologists in the field of market analysis have stressed the consequences of cognitions and institutional rules for the symbolic, institutional and material resource distribution in markets shaping a particular strategic field of action (Fligstein, McAdam 2012; Fligstein 1990). Scholars working on the social origins of value have pointed towards the role of experts and cognitive and normative product rankings for price building, and therefore revenue streams, in markets (Aspers 2009; Christophers 2011). Accounting rules and management paradigms are important influences on the potential distribution of economic value (Cooper, Sherer 1984; Froud, Williams 2007). They show that the straightforward dichotomy between wages and profits is not able to cap-

ture all potential distributive effects of markets, if markets are understood as organizational patterns for group interest and collective action. The long lasting and extensive debate about different "varieties of capitalism" (Hall, Soskice 2001) in comparative and international political economy has also been taken up by economic sociologists in this context. Researchers who have studied structural affinities between market organization and political institution-building show that institutionalized production regimes do not only create complementary group organization among firms and trade-unions that may facilitate or hinder corporatist coordination for policy-making. Moreover, these national production regimes will, vice versa, also be supported and defended by distributional alliances within markets, intensifying and reproducing existing structures of resource and power inequality (Beyer 2010; Mills et al. 2008; Hollingsworth, Streeck 1994). Economic sociologists such as Harrison White have examined such inner-market power coalitions and organizational patterns, and explained how producer networks form niches and coalitions (White 2002). These networks may eventually use their power to guard their market positions by institutions. However, a more encompassing answer to the distributional effects of market embeddedness depends on how the double layer of distributional principles in markets – networks on the one hand and institutions on the other – can be integrated into one framework. A broader sociology of market distribution would be needed that integrates primary market distribution through networks and secondary re-distribution through social institutions. This will help to understand better the multiple distributional effects of capitalist economies as well as the socio-structural dimensions of capital accumulation. Elementaries of such an approach are visible in the works of Christoph Deutschmann, who discusses capitalism and its crises in this issue.

(3) The recent global financial and debt crises has triggered widespread public and political debate about the cultural and moral legitimacy of (financial) capitalism (Wieviorka 2012; Dean 2009; Fourcade et al. 2013). This debate was fueled even more by the strange political resilience that contemporary global financial market regulation showed in spite of the huge crisis (Blyth 2013; Du Gay, Morgan 2013; Münnich 2016). Behind the surface of regulatory carelessness, de-coupling and over-complexity in financial markets there is another, maybe deeper sociological question involved: how can we explain that this worldwide explosion of volatile future trading, ever-increasing reflexivity and public ignorance about the functioning of financial markets was perceived as a legitimate way for Western socie-

ties to allocate resources and create growth. Even though one could argue that everything happened mostly unnoticed by most social groups many researchers have pointed to the importance of positive legitimizing principles for the rise of global and financial capitalism (Krippner 2012; Seabrooke 2010; Boltanski, Chiapello 2005; Münnich 2015). Particularly from a historical point of view, economic sociologists concerned with both the rise of new markets and deregulation in formerly state-controlled sectors have stressed the importance of normative and cognitive ideas that have guided and justified the continuous expansion of the principles of free competition and profitability into new areas (Zelizer 1992; Hirschman 1986; Mau 2015; Goede 2005). It may therefore be fruitful to re-consider Albert Hirschman's classic question of whether there are re-occurring and stable cultural patterns that accompany or foster the expansion of core capitalist institutions into more and more social fields.

(4) Capitalism depends on growth and, therefore, the continuous stimulation of demand for new products or at least a higher consumption of existing products. Classical economic sociologists like Thorstein Veblen and Pierre Bourdieu have engaged in understanding the social logics behind consumption (Bourdieu 2010; Veblen 1994). The above mentioned research perspectives of social valuation and the calculation of future worth of goods and services include the demand side of the market. Consumer sociology points toward the social processes of preference building and the cultural construction of taste, fashion or marketing strategies (For an overview see: Hellmann 2009). For a further analysis of capitalism, however, it will be necessary to transcend the conceptual separation between production, marketing and consumer preferences, which has shaped modern economic thinking. Instead, we need to examine in a more detailed way how the stimulation of new demands and its congruence with the next steps of the technically and socially possible product innovation are organized in capitalist societies, as well as how the lack of congruence between culturally and socially rooted demand and production possibilities contributes to instability and crisis in capitalist economies. Such a 'sociological re-reading of Keynesianism' would also have to include the changing structure and behavior of households and add that to the insights we have about the changing role of state investment and consumption in macroeconomic governance.

I hope that the two articles and the interviews we have gathered in this EESN issue will provide an insight to and

provoke debate about how economic sociologists could provide conceptual tools and gather empirical evidence for understanding contemporary capitalism. This will help to answer the question of how capitalist principles of accumulation, coordination and distribution can remain dominant and expand globally, although economic sociologists have plausibly and with broad empirical evidence rejected all functionalist convergence theories. If we as economic sociologists dig deep and lay open the complex multitude of historical, cultural, political and social aspects of economic relations and organization, how can we explain that we still live in a society that may be labelled 'capitalist'?

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Understanding the 'Economic' in New Economic Sociology

By Jan Sparsam

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Since the 1970s, New Economic Sociology has constantly challenged economics by criticizing its conceptualizations, models, and explanations of economic phenomena. Subsequently, it has provided a plethora of sociological alternatives. The main controversial subject is the realism of the depiction of the economy: the protagonists of New Economic Sociology claim that neoclassical economics is unrealistic and propose sociology as the adequate instrument of inquiry into economic phenomena. What was a bold objective in the 1980s is an established and vivid field of research today, as a vast number of now "classic" studies bear witness. Following the self-description of its protagonists, the career of New Economic Sociology has been virtually unprecedented in "post-Fordist" sociology, rising from underdog status during the supremacy of structural functionalism to the forefront of the discipline.¹

Against this canonical background it is more than surprising that disputes about the *differentia specifica* of economic sociology in theoretical terms can be counted on the fingers of one hand. Instead, theoretical developments in New Economic Sociology primarily resemble the kind that Andrew Abbott (2001: 16) polemically mentions as "Bringing the Something-or-other Back In." The few exceptions, such as Greta Krippner's (2001) considerations, emphasize an insufficient understanding of the research object – the economy – in economic sociology. In what follows, I want to take a closer look at the categorical apparatus of New Economic Sociology and the understanding of its protagonists of what is "economic" from a sociological perspective. For this purpose, I will, in all possible brevity, delineate the conceptualizations of the emergence, order, and functioning of markets in three of the most prominent approaches in New Economic Sociology, those of Mark S. Granovetter, Harrison C. White, and Neil Fligstein. Following the description, these approaches will be challenged regarding the main objective of New Economic Sociology: to conceive of *economic facts as social facts*. I claim that the explanatory omission of the *capitalist dynamics* of

modern economies in all three approaches inhibits an exhaustive understanding of economic facts as social facts.²

From embeddedness to (non-)economic motives: Mark Granovetter

Granovetter's oeuvre comprises three well-known major theoretical innovations: Getting a Job (1974) pioneered sociological analysis in the terrain of economics by uncovering the social mechanisms of job hunting and hiring; *The Strength of Weak Ties* (1973) showed how network analysis can reveal the pathways of information flows channeled through networks; and, finally, the concept of embeddedness (1985) became the founding metaphor for what is now called New Economic Sociology. In retrospect, the first two paved the way for the third, which was groundbreaking for the methodological and institutional development of economic sociology after Parsons. With his notion of embeddedness Granovetter intended to find the middle ground between "undersocialized" and "oversocialized" explanations of economic action (Granovetter 1985: 485) and thus explored sociological grounds beyond the isolated economic actors of neoclassical economics and the determined "cultural dopes" (Garfinkel 2011: 68) of structural functionalism.

But embeddedness is not the end of the road for Granovetter. In the overall context of his theoretical considerations embeddedness is just one element in explaining economic phenomena by sociological means.³ In the first place, the notion of embeddedness highlights the role of decision-making in social situations and is opposed to the idea of individual preferences found in (neoclassical) economics (Swedberg/Granovetter 1992: 9). This definition is intrinsically linked to the network approach: "personal relations" gain center stage for the explanation of economic decision-making (Granovetter 1985: 496). Despite its striking simplicity and the virtual indisputability of its empirical adequacy – no economic actor in modern societies resembles Robin Crusoe, obviously – the notion of embeddedness has not been unopposed. Relevant critiques range from constructive-minded suggestions to extend the notion of embeddedness from personal networks to culture, politics and cognition (Zukin/DiMaggio 1993) to sub-

stantial reservations about its implications. Greta Krippner, for example, argues: "The concept of embeddedness posits that the world of the market exists apart from society even as it attempts to overcome that divide" (2001: 798). This means that Granovetter's understanding of embeddedness does not fulfill the goal of conceptualizing economic facts as social facts because he does not tackle the entity "market" as conceptualized by economics at all, just its social constraints.

Because of these conceptual restrictions Granovetter extends his perspective, combining the idea of embeddedness with two other notions: the "social construction of economic institutions"⁴ and the distinction between "economic" and "non-economic motives" for economic action.⁵ Institutions demarcate the broader social and cultural context of empirical social networks, thus locating them at a more societal level (Granovetter 1990, 1991). One of his examples is the institution of ethnicity, which sets the normative boundaries for the possibility to participate in networks. Migrants often form their own economic networks with individual rules and thus create network-specific opportunities for economic gains (Granovetter 1995).

Non-economic motives – the second notion Granovetter adds to his approach – denote the social reasons for economic decision-making. The open list for such reasons contains "social status, affiliation, sociability, approval, identity, and power" (Granovetter 1999: 160). According to Granovetter, these non-economic motives are part and parcel of the specific networks in which economic actors are embedded and thus decisive for taking economic action.

The crucial point now is Granovetter's engagement with *economic motives*. These motives are all such that have to do with economic goals. His examples are "profit maximization," "accumulation of economic resources" (1992b: 26), and "economic investment activity" (1992c: 257).⁶ Regarding the goal of New Economic Sociology – the conceptualization of economic facts as social facts – the reader would expect an elucidation of the role they play in networks and how they emerge from the overall institutional context. But this is not part of Granovetter's conceptualization. In fact, following his further elaborations, these economic motives seem to be completely separated from their social surroundings. In his words, they are pursued only "when context stands still or is well decoupled from action" (Granovetter 1999: 162). Properly speaking, econom-

ic motives in Granovetter's conception fall outside both the social context and the scope of his explanatory agenda. This is particularly puzzling because profit maximization, accumulation, and investment as generalized economic goals are clearly features of modern capitalist economies with a complex institutional background. Therefore, it is questionable to assume them to be pre-social motives that are altered or challenged only if embeddedness applies. Nevertheless, substantive economic motives are not within the range of the institutionally extended embeddedness approach.

See appendix, Figure 1

According to his numerous efforts to define the role of economic sociology, his ambition to draft "general principles, correct for all times and places" (Granovetter 1992a: 5) has, in his eyes, not been successful (Granovetter 1990: 106).⁷ This certainly has something to do with the missing explanation of substantive economic goals in the architecture of his theory. Ultimately, the only generality in modern economies are economic goals that are pursued whether non-economic motives are also present or not. But these goals are not part of Granovetter's understanding of social context and therefore fall through the cracks of his approach. He only offers the capability for descriptions of specific socio-economic constellations and the differences in their normative configurations. This capability is surely not to be underestimated, but its limitations are obvious: economic facts exist as objects out of reach for sociology.

Markets as networks in the production economy: Harrison White

Harrison White, teacher of the Harvard pioneers of network analysis (Freeman 2004), has also developed an encompassing market sociology over the decades. It evolved from a simple market model (White 1981a) to a full-fledged theory of the modern production economy (White 2002). In between, White devised a distinct social theory (1992) that has been praised as one of the most promising propositions in contemporary sociology – notwithstanding its idiosyncratic character.⁸ The extensively reworked second edition (2008) incorporates what is now canonized as the "cultural turn" in network analysis (Knox et al. 2006). His market sociology, whether it is the thoroughly mathematized model or his culture-oriented deliberations, has to this date been received very selectively.⁹ Nevertheless, it is regarded as a milestone for New Economic Sociology.

By asking the question *Where do markets come from?* (1981a), White introduced the notion of production markets. This notion designates the infusion of sociological terms such as “mutual observation” and “interaction” into the abstract markets of neoclassical economics. Production markets are inhomogeneous oligopolies in which firms with substitutable but qualitatively differentiable products monitor the actions of their competitors. Decisions on production and market supply are ruled by a process of “signaling,”¹⁰ which means that firms competing in a market make their decisions on production volume in relation to their peers. According to White, this notion is more accurate for markets in industrial economies than the neoclassical exchange market comprising two individuals engaged in barter (White 1981b: 5).

Production markets bear on a quality-ranking, which makes it possible for buyers to distinguish the products and therefore the producers. While the producers' decision-making aims at “optimal volume” in respect of revenue (White 1981a: 518), the production market as a whole edges them into a “niche” (White 1981b: 15) of the quality-ranking which is reproduced by the decisions on the buyers' side (White 2002: 32; 2008: 83–84). The separate production functions of the firms participating in a production market align with the quality ordering in the respective market, which pushes the producers into a role that matches their market position. Production markets thus function as self-reproducing emergent social orders for producers and buyers with a market mechanism that is explicitly not rooted in supply and demand: “The existence and nature of a viable market schedule (terms of trade) depend on trade-offs between cost and valuation across variations in volume [...] and quality [...]” (White 1981b: 43).¹¹

White's plain model has been criticized as a mere variation of economic models. Knorr Cetina rates it as “efficient market theory adapted to sociological concerns” (2004: 141).¹² While the math is developed very neatly, the sociological aspects are introduced quite casually at times. White/Eccles, for example, establish mutual observation in production markets with a truism: “Everyone [...] knows that buyers do discriminate among producers in ways summed up in quality” (1987: 984, emphasis added). Deducing decision-making entirely from observing their opponents is also a very stylized assumption that can be considered inadequate to the real-life complexity of the decision-making processes in firms. White merely gives a hint that the parameters of his model are selected “in conform-

ity with perceptions and practices of participants in the business world” (White 2002: 236), but this claim is not backed up by any sort of empirical evidence. Summed up, White's market model seems to be a partially “sociologized” version of the market model in neoclassical economics. Presumably, it fits more the needs of economics than of sociology. At least, it does not transcend the scope of inquiry economics exhibits.

But there is more to White's market sociology than this model.¹³ As a part of his social theory, production markets are conceived as an instance of a “discipline” – a social form of coordination – namely as an “interface”. Disciplines can be understood as “valuation orders” or “status orders,” with interfaces being based on the valuation of quality (White 2008: 63–64). Production markets as interfaces, however, are part of a larger societal system comprising a plethora of coordination forms and kinds of networks, interwoven with institutions, “stories”, and “styles.”¹⁴ According to the culturally reframed variant of White's network approach, the entanglements of social structure and culture play a major part in delivering explanations for the occurrences on markets.

But to take a step back to the notion of interface, the valuation of quality is introduced as an in-built feature of the coordination form itself, not as an aspect of larger structural formations or culture. Explaining the elementary modes of action of producers and buyers in production markets is done by defining the form of the interface. Culture enters these markets as “stories” after the fact (White 2008: 230). Stories just ensure that signaling can be processed. The content of stories is not germane for the inner workings of production markets themselves. The whole formation of market interaction is assigned to its shape as interface, a priori. So, where do markets come from? Apparently, they emerge as incarnations of a universal structure of human coordination. From a critical perspective, this explanation can be seen as rather reifying and tautological. Even the aspect of profit-making is established as self-evident, but astonishingly in an individualistic manner: “W [worth] *must* be greater than C [costs], since *each producer separately insists* on its revenue exceeding its costs” (White 2002: 67, emphasis added). But why this insistence on profit that is so central for producers in modern economies if it is not nascent in the form of coordination? This matter remains untouched. White simply explains the momentum of modern economies – capitalist accumulation in market competition – as a mixture of

social universals and personalized matters with cultural aspects of economic formations as epiphenomena.¹⁵

This reification is pushed even further regarding White's notion of markets as "integral actors" (2002: 206) or as a "new level of actor" (2008: 74). According to White, every market develops a "life of its own" (2002: 200). Production markets thus have the ability to "transmute" individual valuations into quantities measurable in money (White 2002: 205). In other words, White supposes that these production markets establish the general commensurability of the value of commodities. Using a notion of Simmel (2011: 84), production markets as actors have the power to perform "real abstractions":¹⁶ they unify subjective – and hardly measurable – valuations into prices and hereby create both the quantitative order of modern economies and economic courses of action. But how does White explain the emergence of production markets as autonomous actors in the first place? He simply assumes their mode of existence as a kind of congruence of experience and ontology: "The point is that the patterns of action, in some contexts, come to be interpretable as, and taken as, emanating from actors on a second level" (White 2002: 204, emphasis added). This statement invokes the understanding that if economic actors experience markets as self-generated entities with supra-individual characteristics – simply put: the systemic features of modern economies – it must be their nature. Accordingly, the commensurability of commodities that already exists in the form of prices in modern markets must be established by these markets as integral actors. But White gives no sociological account of how this is possible.¹⁷ In his conceptualization the production market thus becomes the *deus ex machina* of market economies. Like automatons, they facilitate the contingencies of social life into (ac)countable economic worlds. It is challengeable whether White's theory of production markets can sufficiently explain the emergence of modern economies, because economic facts are captured in purely functional – actually mechanical – terms and objectified as a universal property of the forms of human existence.¹⁸

Markets as fields: Neil Fligstein

The sociological branch of new institutionalism in New Economic Sociology is best represented by the work of Neil Fligstein. Recently he co-developed a distinctive version of a theory of fields on a more general level with Doug McAdam (Fligstein/McAdam 2012). Concerning empirical economic sociology, he is famous mainly for his historical contributions to the analysis of management under the

shareholder value regime (Fligstein/Shin 2007), as well as for his analyses of changing management paradigms in American economic history (Fligstein 1993). But Fligstein also made a "systematic attempt to characterize the social relations within markets generally" (2002: 14), which will be examined here. This attempt is mainly fleshed out in his book *The Architecture of Markets* (Fligstein 2002), which succeeded his earlier, more historical work on the development of US markets in the post-war era (Fligstein 1993).

Most intriguingly, Fligstein's market sociology embarks on the elaboration of an action theory.¹⁹ His starting point is that profit maximization as the main goal of economic actors is unrealistic, because social phenomena such as institutions and cooperation cannot be explained as the outcomes of atomistic profit maximization (Fligstein 2001: 106; 1993: 299–300). Therefore, Fligstein proposes "effectiveness" as the goal of economic actions, which means that firms aim to secure their survival in markets (2002: 11). By analogy to maximizing man in rational choice theory, we are, in this instance, dealing with a *safeguarding man* instead: "the central goal of managers in the past hundred years has been to make sure their firms survived" (Fligstein 1993: 5). From this perspective, efficiency appears to be the contingent result of effectiveness, not the other way around.²⁰

Fligstein's action theory is the starting point for his conceptualization of markets as fields. The basic mechanisms of these fields can be outlined as follows: Markets are characterized as "structured exchange" (Fligstein 2002: 30), a stable relationship between a limited number of participants in the same market. Similar to White's conception, Fligstein assumes that competing firms watch each other very closely. But the crucial point in his approach is that they "choose a course of action depending on what their competitors do" (Fligstein 1993: 33). The reference point usually is the most powerful firm in the respective market which is believed to have the greatest leverage to force its strategy through. If a certain set of strategies can be established social order is secured in the respective market. As Fligstein suggests, this is a process that is not nearly harmonious, but dominated by acts of power and politics (Fligstein 2002: 69). The next crucial point is that Fligstein understands the setting of entrepreneurial strategies as a process of institutionalization. In his view, the establishment of institutions as "cultural constructions" in markets denotes the "coexist[ence] under a set of understandings about what makes one set of organizations dominant" (Fligstein 2002: 68). The most important levers for deploy-

ing such constructions are "conceptions of control". They are defined as "corporate culture" (Fligstein 1996: 659), "interpretive frames" (Fligstein 2002: 69), or, more precisely, as "simultaneously a worldview that allows actors to interpret the actions of others and a reflection of how the market is structured" (Fligstein 1997: 9). Conceptions of control can be effective only if they are sanctioned by the state. Therefore, every market as a field intersects with economic "policy domains" (Fligstein 2002: 39), the field of activity of actors concerned with legislation that influences markets directly. Big firms are prone to act directly in such policy domains (Fligstein 1987: 45).

Fligstein's market sociology has also evoked some criticisms. Their main point is that it is not yet clear if profit can really be ruled out as the goal of entrepreneurial action.²¹ Fligstein later clarified that in his view it can be taken for granted "that the actors who control corporations are all interested in generating profits" (Fligstein 2002: 124). Moreover, he does not challenge that entrepreneurial activity generally aims at "what works to make money" (Fligstein 2002: 119). As such, Fligstein's notion of profit maximization is defined in the strict sense of neoclassical economics: the regime of supply and demand leading to market equilibrium. This does not rule out profit orientation as the main goal of entrepreneurial action at all. In Fligstein's opinion, sharpened by his historical studies of stabilization attempts in US markets in the previous century (1993), direct and unregulated competition just has not been the best strategy for the survival of firms. Firms thus could not rely on the price mechanism and have sought more stable forms of profit-making. Therefore, stabilizing the market as a profitable management strategy is the outcome of the path-dependency of market regulation in the past hundred years. But, after all, stabilizing economic action is accomplished for the purpose of generating profits: "Efficiency can be defined as the conception of control that produces the relatively higher likelihood of growth and profits for firms given the existing set of social, political, and economic circumstances" (Fligstein 1993: 295).

Seen from this angle, we are, however, confronted with an unexplained and untheorized meta-goal of effective action in markets as fields: profit-making. Fligstein's whole elaboration on effective action through conceptions of control in markets is eventually derived from capitalist firms accumulating capital. Therefore, profit-making is simply presupposed as an exogenous condition of economic action in modern economies, but not as the objective of sociological analysis.²² It simply appears as an end in itself. How this

end in itself has – despite specific features of certain markets and nationally and historically diversified conceptions of control – evolved as a market-spanning characteristic of modern economies and main driver of effective market action remains unacknowledged. Regarding the conceptualization of economic facts as social facts this appears to be a major omission.

See appendix, Figure 2

One could argue that this simply is outside the scope of Fligstein's market sociology but the omission of profit-making also shows up problematically in his explanations of the reasons why market participants devote themselves to conceptions of control. This renders his whole concept challengeable. After all, isn't superiority in the market and not the evasion of competition the actual goal of firms (Huffschnid 1992: 192)? Admittedly, this becomes apparent only if competition is not reduced to market action (supply and demand) alone but revealed in production as well. From the angle of production, the adaption of conceptions of control can be thought of as "coercive isomorphism" (DiMaggio/Powell 1991: 67–69): the survival of firms in markets is possible (and not even guaranteed) only if they can keep up with the profit rates of their competitors. But the conceptual problems of Fligstein's approach run even deeper. One might even ask, in the first place, whether there is a hidden tautology in his conceptualization of economic action: markets are stable if profit can be realized in the long run, which in return has a stabilizing effect on markets. This tautology is just not visible if profitable action is strictly redefined as a strategy for survival. Eventually, profit is accepted as the primordial aspect of entrepreneurial action and simultaneously as a byproduct of stabilization attempts. Subsequently, profit just vanishes from Fligstein's approach as an explanatory factor. This is paradigmatically visible in his discussion of price. In Fligstein's perspective, the survival of firms is possible only if they obtain prices "at which their organization survives" (2002: 18). He does not inform the reader about the assessment basis of such prices. Therefore, this notion conceals the composition of entrepreneurial profit in modern economies: cost coverage and average profit (Fiehler 2000: 154). Prices at which the firm can survive must – at least in the long run – contain average profit. Capitalist firms cannot live from cost coverage alone. The origin of profit simply cannot be addressed by Fligstein's market sociology because he does not give any hints how and to what extent – if at all – profit is realized at prices at which firms survive.

Conclusion

Does New Economic Sociology fulfill its goal of conceiving of economic facts as social facts? Against the background of the reconstruction of three of its main advocates, who have developed distinctive theoretical approaches, it is hard to answer this question positively. How can we boil the individual problems of the approaches down to the essence? Instead of proclaiming the addition of missing contextual conditions of the social world that have to be "brought back in," the critique has to be accentuated differently: It is rather the disregard of market-spanning – or in the words of the three economic sociologists dealt with in this article, the network-, interface-, or field-spanning – economic conditions that give rise to explanatory deficits, analytical blank spots, and the eventual failure of the approaches to accomplish their mission. This is also what renders them inadequate regarding the explanation of the causes of economic action and the modes of operation of modern economies. More precisely, there is no engagement with those causes that induce economic actors to behave as is generally the case in capitalist economies: as buyers, producers, laborer, investor and so on. Furthermore, the modes of operation that form the non-intentional substructure of these dispositions of economic action are untheorized: profit orientation, (re-)investment, money (as the incarnation of wealth), property relations, and competition. After all, all these aspects, which must be mentioned if one wants to make sense of economic action in modern societies, are simply presumed. Subsequently, they are not directly addressed as research objects for economic sociology. Summing up, it seems that the failure to conceive economic facts as social facts in New Economic Sociology is ultimately grounded in the fact that it is currently analytically unprepared for inquiry into the specifics of capitalist economies. How can economic sociology face this deficit?

In my opinion, part of the problem is the detachment of subjects in New Economic Sociology in combination with the centrality of market sociology. Conducting economic sociology as "the economic sociology of x" – with x being convertible into markets, money, consumption, finance and so on – proliferates the conceptual isolation of topics and leads to a cognitive fragmentation of the subject area. This fragmentation is governed by the treatment of the market as *pars pro toto* for the inner workings of the economy. In a quite puzzling way, even the notion of production markets in White's and Fligstein's approaches contains no specification of production at all. As far as I

can see, market sociology still applies as the domain in which generalizations about the economy and methodological standards for the sociological treatment of economic phenomena are authored. These generalizations and standards subsequently are seized on in the other branches of economic sociology. This is not unlike the significance of "the market" and microeconomics in neoclassical economics: In a first step, the main analytical object is determined as "market" (the circulation of goods and services) which, in economic reality, is only a segment of economic life in modern societies.²³ Nevertheless, this segment is absolutized: economic interaction is identified as market interaction and the economy is conflated to a system of interconnecting markets. This general understanding of the economy subsequently underlies every specific inquiry – with all the problems that its analytically limited object range entails.

Overcoming this fragmentation and the reification of "the market" that sociologists still seem to have internalized due to the dominance of neoclassical economics, which provides the basic framework for our worldview of the economy, should be the first step towards an economic sociology that is sensitive to capitalist dynamics. This does not entail the abandonment of New Economic Sociology and its plethora of insights at all. Two of its strong points can be built upon: the ability to identify economic phenomena in the first place and analytical integration. It should not be a problem to display the same analytical sensibility for identifying general market-spanning economic phenomena as it does with the local social, cultural, and political aspects. After all, voices demanding a focus not only on the varieties, but also the commonalities of capitalism are getting louder (Streeck 2011). Empirical considerations of general dynamics in capitalist societies, for example, have tentatively been delivered by Sewell (2008), who identifies accumulation and expansion as their main characteristics. A further attempt has been made by Beckert (2013), who claims that the management of expectations is the main driver of economic action in the face of the systemic conditions of the need to be creative, credit financing, commodification, and competition.²⁴ A third conceptualization is offered by Deutschmann (2001), who suggests that we understand the permanent re-institutionalization of economic strategies as a process driven by the promise of "absolute wealth" incorporated in modern money. Nevertheless, these are only occasional contributions. But similar inquiries have the potential to be integrated with the ones generated by New Economic Sociology. For example, a paramount question for an eco-

conomic sociology that is sensitive to capitalist dynamics should be the following: How can we bring together the many (inter-)subjective meanings of money (Zelizer 1995) with its general synthesizing virtue in modern societies? Another topic would be how different kinds of embeddedness and local strategies of economic action, notwithstanding its varieties, contribute to the constitution and reproduction of the global systemic aspects of capitalism. These and further questions guiding an economic sociology of capitalism still have to be cultivated in the first place.

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Endnotes

1This narrative was recently refuted by Daoud/Kohl (2016) who show that economic topics in sociological journals archived by JSTOR have been incrementally in decline relative to other topics since the classical period of sociology.

2The following remarks are based on a thorough reconstruction I developed in my book *Wirtschaft in der New Economic Sociology* [The Economic in New Economic Sociology] (2015a), in which German-speaking readers can get a more detailed impression of the argument. A synopsis (also in German) can be found in Sparsam (2015c). My reconstruction is limited to strictly sociological approaches labeled "new economic sociology" or "market sociology" in US discourse, namely Social Network Analysis and New Institutionalism in Organizational Sociology. Both approaches are the common denominator when it comes to identifying the historical core-theories of new economic sociology (cf. Swedberg 2003; Fourcade 2007; and recently Fligstein/Dioun 2015). Within these core theories, Granovetter, White and Fligstein have provided the most elaborated and systematically developed theories of economic phenomena. My critique is strictly immanent, I only review whether the theories live up to their own ambitions and do

not demand that they fulfill any goal they do not posit themselves. Since economic sociology has opened up to other sociological theories in the past decade, especially by embracing European sociology, further examination of this problem is necessary. For a discussion of Callon's performativity thesis in comparison with White's approach see Sparsam (2015b).

3Unfortunately, Granovetter has still not finished his long-planned book *Society and Economy*

(<https://sociology.stanford.edu/people/mark-granovetter>) and his thoughts remain scattered over a large number of articles.

4Mainly developed in Granovetter (1990, 1991, 1992a).

5See especially Granovetter (1991, 1992b).

6It is of vital importance to emphasize the substantive character of these goals. This substantive notion is contrasted with the formal definition of economic action that can be found in Granovetter (1992b: 32–33): drawing on Robbins (1945) and Weber (1978), Granovetter defines economic action as formal rational action not unlike rational choice theory. In this sense, both economic and non-economic goals can be pursued economically (read: "rationally"; Granovetter 1992c: 234).

7Contrary to Maurer's/Mikl-Horke's assumption that Granovetter does not want to develop a general theory, there are many passages in his papers in which he emphasizes exactly this intention; see especially Granovetter (1990: 106, 1991: 77)

8Because of his unconventional way of writing, reading White can feel like learning sociology from the bottom up again, especially for the non-native speaker.

9See especially the work of Mützel (2009) and White's insightful communication with the proponents of *Économie des conventions* (Favereau/Lazega 2002).

10Originating from the work of the economist A. Michael Spence (1973) honored with the Nobel Memorial Prize.

11Hence, White discards the expression "supply equals demand" as an "aggregate tautology" (White 1981b: 45).

12See also Rojas (2006).

13I will concentrate on White's social-theoretical deliberations; for the extensive technical unfolding of the model see White (2002).

14For a full assessment of these categories see White (2008) and for a recommended overview White/Godart (2007).

15This is true even though White identifies a possible match of quality orderings in production markets and modern "business discourse" entailing an "invidious idiom of quality" (2002: 300–301) because, logically, business discourse enters ready-made production markets from the outside. Therefore, Erikson's (2013) assumption that White's relationalism is diametrically opposed to formalist network theory is questionable, too. In my opinion it is a proto-functionalist amalgamation of formalist and cultural aspects.

16Simmel originally assigned the power of real abstraction to money.

17He solely draws tentative analogies to the linguistics of Michael Silverstein (White 2002: 309–310).

18This is mirrored by the science-orientated and technical metaphors White uses to describe production markets, such as markets as “molecules” (2002: 7), “transducer mechanisms” (1993: 224) or “aggregators” (1982: 12). Stories are even described as “gears” (White 2008: 83).

19A sociological alternative to action theory in economics has been called one of the most pressing desiderata in new economic sociology (Beckert 2006: 162).

20For an anthropological foundation of this action theory see Fligstein/McAdam (2012).

21See Scott (1995: 120) and Donaldson (1995: 95–96) aiming at Fligstein’s *The Transformation of Corporate Control* (1993).

22To put it in perspective: Fligstein only mentions profit-making as a side-issue; it is by no means part of his action- or field-theoretical deliberations: “[T]he issue is not that managers seek out profit, but how they do so” (Fligstein 2002: 227).

23That markets are empirically very diverse arrangements that cannot be reduced to rational action alone (Dobbin 1999) is not at issue here.

24In my opinion, Beckert’s approach suffers from similar problems to the ones discussed above. For a critical assessment of his conceptualization of capitalism see Sparsam (2015a: 259–261).

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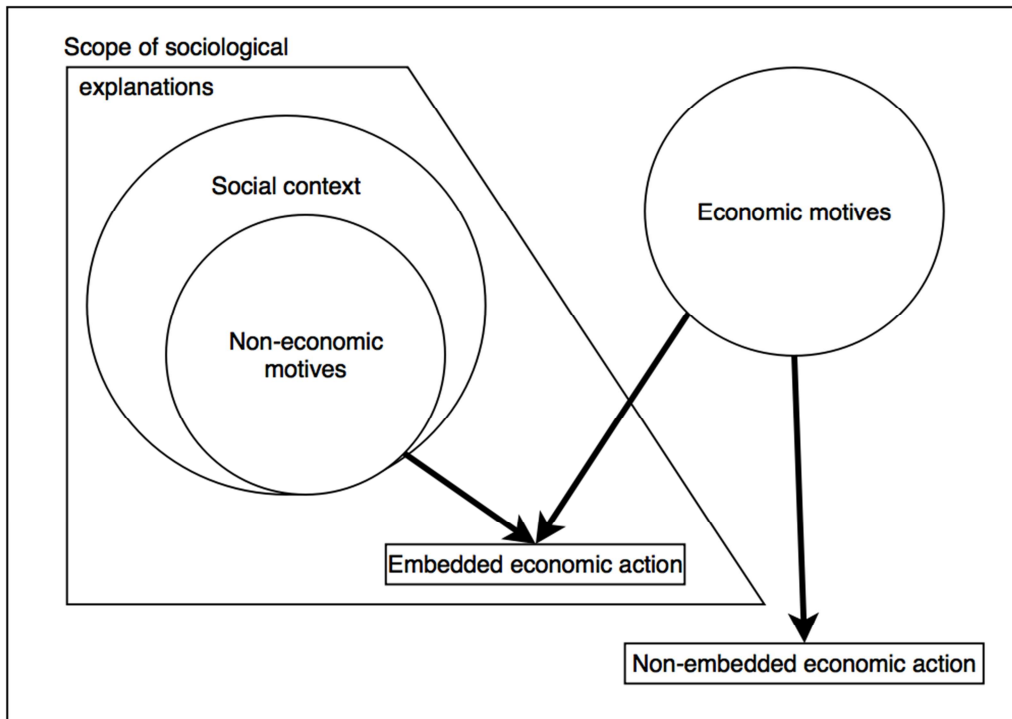
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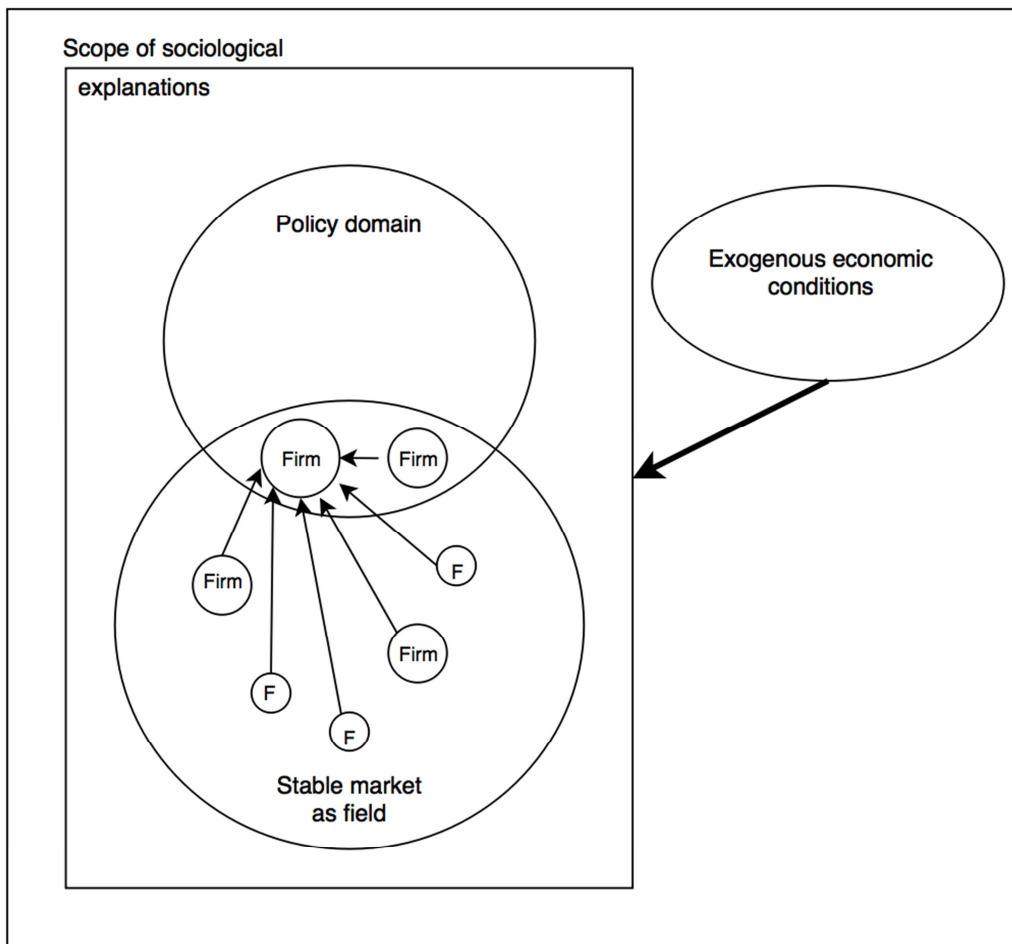
Appendix

Figure 1: The explanatory scope of Mark Granovetter's approach



Source: Author's chart, translated from Sparsam (2015c: 191)

Figure 2: The explanatory scope of Neil Fligstein’s approach



Source: Author's chart, translated from Sparsam (2015c: 200).

Sociology and capitalism research

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1 Sociology and the post-capitalism thesis

How has capitalism been discussed in recent decades? First, for decades now there has been a lack of theoretical approaches at the heart of sociology to move the concept of capitalism to the center of attention. Over the past four decades, social diagnoses of contemporary society have nevertheless repeatedly raised the question of whether modern societies can still be described as capitalist. The answer to this question, however, has been fairly unanimous: modern “Western” societies today must be described as post-capitalist social orders (PCSO). Various lines of reasoning have been put forward to support the PCSO thesis. In France, Alain Touraine (1971) interpreted the social change of the 1960s as an epochal transition from a “capitalist industrial society” to a “post-industrial society.” Daniel Bell (1973) adopted this interpretation and popularized the term “information society”; he claimed that the institution of private property at the heart of capitalist “industrial societies” had lost considerable influence in US society. Privileges and social influence depend much more on “theoretical knowledge” than on private property rights. In Germany in the 1980s and 1990s, Ulrich Beck’s *Risk Society* (1992) dominated the “market” for sociological diagnoses. Beck, too, subscribed to the basic idea that social change could no longer be grasped in terms of an analysis of capitalism. Incidentally, the reasons given for this turn away from the analysis of capitalism were not just the untenable assumptions made by Marxist social theory. It should be noted that little theoretical attention had been paid to non-Marxist approaches to the analysis of modern capitalism, too, such as the ones developed in the context of comparative political economy in political science (Hall and Soskice 2001).

The departure from the analysis of capitalism in sociology has certainly been motivated by the questionable nature of key assumptions of Marxian theory. Among them are the labor theory of value and exploitation, the speculative philosophy of history underlying the idea of stages of social development, as well as the base–superstructure heuristic

and narrow economic analysis. Its economic reductionism specifically has been rejected particularly vehemently in the social sciences and cultural studies. Marxian theory seemed unsuitable if for no other reason than that it provided no way of investigating the characteristics of symbolic orders and subjective patterns of meaning, especially without having to make reference to economic relations.

As opposed to Marxian prophesy, modern capitalism has not evoked ever-sharper class conflict. We observe quite the contrary in the wake of institutional arrangements to regulate class conflict, such as the rule of law and the welfare state. Capitalism has by no means automatically led to the proletarianization of the middle classes. The history of the twentieth century demonstrates that capitalism, mass affluence, and democracy need not be mutually exclusive, either theoretically or practically. One also encounters a wide variety of different constellations. What is more, capitalism is in principle open to various kinds of social and cultural change.

The *new economic sociology* has done little to change the lack of attention paid to capitalism. This is hardly surprising as *new economic sociology* from the outset was not concerned with examining the impact of modern capitalism on culture and politics or on social stratification. By inverting the classic direction of sociological inquiry, new economic sociology directs its attention primarily to the social prerequisites of economic action in markets and enterprises. The social problems of coordinating economic action have been closely examined from the perspectives of network theory, neo-institutionalism, and cultural theory (Smelser and Swedberg 2005; Beckert and Zafirovski 2006). Recent economic sociology has above all concentrated on the micro- and meso-sociological grounding of economic action and, in adopting Granovetter’s (1985) theorem of embeddedness, has compiled important insights into the social constitution of markets. The focus on the problem of coordinating economic action has nevertheless led to the neglect of a number of issues that must be considered essential for reformulating a contemporary analysis of capitalism from the perspective of economic sociology. Among them are the past debates in industrial sociology and more recent debates in the sociology of work on company rule and control over labor and creativity and, in close connection with that, research on the capitalist enterprise as the locus of the social organization of labor. It fits the picture that little attention has been paid in

recent debates in economic sociology to deeper questions regarding social inequality with regard to the appropriation of added value and the products of labor. Economic sociology is often perceived as a subfield of sociology that is preoccupied with the sociology of markets. More fundamental issues, such as the relations between the economic, political, and cultural orders are often ignored or merely addressed in passing. Ambitious theorizing informed by a theory of society has become rare in the now established field of economic sociology (Deutschmann 2011).

Although economic sociology has taken note of the debates on the institutional varieties of contemporary capitalism inspired by Hall and Soskice (2001), in the field of comparative political economy (Streeck 2011), as well as those of French regulation theory (Boyer and Saillard 2002), these approaches have rarely been seized as an opportunity to investigate the altered relationship between the economic, political, and social orders under the conditions of global capitalism.

2 Is there a sociological theory of modern capitalism?

In the late 1990s, the concept of capitalism re-emerged as a label to characterize contemporary society; for instance, in Richard Sennett's work (1998), in which he described the consequences for the cultural order of the institutional changes of the world of work under "new capitalism". At about the same time, Luc Boltanski and Ève Chiapello (2005) sketched the emergence of a "new spirit of capitalism." In these and other works, the concept of capitalism tends to be used more as a label attached to the transitions witnessed by contemporary societies and not necessarily as a major theoretical category. What is even more striking is the lack of attempts to problematize capitalism's relations with the cultural order (Hirschman 1982) and with the political order, both of which have always been controversial in the social sciences. Not to belittle the works of Sennett and of Boltanski and Chiapello, but I would nevertheless like to remark that they make no reference to the theoretical debates in sociology on the characteristic features of "modern societies" and use the concept of capitalism in a manner more or less devoid of theory. One gets the impression that the concept of capitalism seems to require no further explication despite its checkered history in the social sciences. I will express doubts about this usage in more detail below. At this point, we need to note two things: the currently observable but hardly explicated renaissance of the concept of capitalism (Fulcher 2004; Ingham 2008) will help to advance

sociology only if it does more than provide a rough sketch of the complex realities of contemporary capitalist orders. Contrary to recent attempts to reinvigorate a "critical theory of (capitalist) society" (Dörre, Lessenich, and Rosa 2015) along the lines of categories such as "land-grabbing," "acceleration," and "activation," the following considerations are not geared toward a *sociological critique of capitalism* but are intended to identify a few theoretical problems of a contemporary *sociology of capitalism*. The advantage of a *sociology of capitalism* that sets itself apart from a *sociological critique of capitalism* is that it makes phenomena or processes in contemporary (capitalist) social orders visible that are contradictory or have paradoxical effects and which are much too easily ignored once normative preconceptions of a "better" society begin to dominate the sociological analysis.

Specifically, I will discuss five sets of problems of a sociology of capitalism: What are the key problems of analyzing capitalism from the perspective of a theory of society (3)? What significance does Max Weber still have for the study of contemporary capitalism (4)? What non-reductionist heuristic lends itself to the investigation of social change in modern capitalist orders (5)? How can we determine the relationship of capitalism and the cultural order (6) and of capitalism and the political order (7)? I expect the outline of this set of problems to yield instructive insights into what would constitute a viable sociological theory of modern capitalism.

3 Theory of society and the analysis of capitalism

What problems do we encounter when attempting to formulate a sociological theory of capitalism? The first problem is whether the concept of capitalism is intended merely to describe a specific economic order or whether it is meant to refer to a comprehensive model of social order at the same time. The assumption that capitalism is more than an economic order of production – that it rather represents a specific form of sociation – stands and falls with the question of whether it is only the economic order that displays characteristic features of capitalism or whether the political-institutional and the cultural order also do so. Any sociologically informed theory of capitalism faces the problem that we can speak of capitalism only as representing a comprehensive social order that extends beyond the sphere of economic production and distribution if the non-economic spheres of action, specifically, can be conceived of as somehow being shaped by capitalism. The key theoretical problem is therefore how to determine the relationship between the economic, cultural, and political orders.

Criticism of economic reductionism is a matter of course in sociology. For this reason, we must refrain from making simple equations by inferring from a capitalist economy to a capitalist society. Nonetheless, the extent to which capitalism as the dominant principle of economic order also shapes the social relations that constitute the political and cultural order is controversial. The differentiation of economy and politics, commercial enterprise and household, or science and religion are fundamental theoretical insights that are at the heart of a sociological analysis of “Western” societies. In view of the question pursued here concerning the relationship of capitalism and society, we must not allow the fundamental insights from differentiation theory into the nature of modern society (Luhmann 2012) to mislead us into overlooking a dual problem: on one hand, this pertains to the question of the relative dominance of the economy over all other differentiated subsystems and, on the other, to the also unresolved question concerning the relative autonomy of, for instance, the state or culture vis-à-vis the economic order. In any case, a theory of capitalism as a *theory of society* would have to give a plausible account of the dominance of the economic order over other subsystems. The same applies to the opposite assumption of relative autonomy. It is indeed conceivable that (relative) dominance and (relative) autonomy might constitute a relationship of mutual enablement and enhancement.

We should be cautious not to discard the (relative) dominance thesis prematurely. A number of things in its favor can be put forward. *First*, from a historical-sociological perspective, there can be no doubt about the “revolutionary impact” of capitalism on the dynamics and change of modern societies (Berger 1986). On the basis of free enterprise and markets, a historically unique, ever-expanding system of technological-industrial production capacities has been erected, which has profoundly transformed our natural living conditions. Here mention needs to be made of the transformation of agriculture into agroindustry; the rationalization of manual labor through work done by machines; the substitution of organic by synthetic materials; the commercial utilization of information and communication systems; and, more recently, genetic engineering and nanotechnology. Such a historically unparalleled pace of innovation could hardly be explained sociologically were one to consider only the capitalist organization and control of labor and ignore the “process of creative destruction” that is so typical of capitalist entrepreneurship (Schumpeter 2008: 81ff).

Second, it has not only been the material structure that has constantly been revolutionized. The transformations of

modern capitalism have most notably also involved the system of social stratification. Alongside the economic order of capitalism has emerged a system of social stratification that differs profoundly from the hierarchical status systems of premodern social orders. The process of liberating the individual – in societies of the Western type – from the traditional estate system and its communities not only opened up novel opportunities to choose and decide. Above all, access to coveted material goods, economic power, and social prestige is no longer determined by birthright, the privileges of dominion, or belonging to specific groups but primarily by individual economic success in markets. Class positions that are mediated by the opportunities and risks in markets have come to be very significant criteria in determining social status.

Third, the individual’s position in the system of social stratification directly depends on class position, as determined by market opportunities, or indirectly on welfare state transfers. In both cases, social life chances are in very fundamental ways tied to the ability to pay. Private households provide the economic framework for each individual. Under conditions of an advanced division of labor, these households lack any notable capacity to produce their own means of subsistence. Almost all conceivable goods must be purchased in markets. If we leave the remaining niches of non-monetary exchange (for example, local exchange trading systems) aside, there is no alternative to the use of money. The funds necessary to acquire goods and services of any kind can usually be appropriated only if one is successful in “selling” one’s own labor power in labor markets. Only a small minority consisting of the well-to-do and rentiers enjoy the privilege of being able to maintain their own ability to pay without having to engage in gainful employment. All others are granted this privilege only for more or less limited periods as they do not command sufficiently high income from speculative transactions, that is, from capital or real estate.

Fourth, this fundamental dependence on having money at one’s disposal extends not only to the individual or household level. It applies to the organizational or systems level of a society as well. The first entity that needs to be mentioned here is the state: The modern tax state relies on the investment activities of the owners of capital. As we have witnessed over the course of the recent “sovereign debt crisis,” the state’s ability to pay also stands and falls with domestic and foreign investors’ willingness to provide credit. In this context, we must also not forget to mention economic citizens’ tax morale (Streeck 2014). Their attitude toward taxes at the same time indicates the extent to which economic

citizens are willing to accept the political order of the tax state as a legitimate one. The ability and willingness to pay have an immediate impact on the scope for shaping the system of government. Irrespective of how the relationship between market and state coordination is balanced out in each individual case (Hall and Soskice 2001), all governments in OECD countries provide a variety of governance (labor market, education, infrastructure policy) and redistributive functions (social policy) that extend far beyond the traditional tasks of the “night-watchman state,” which are to maintain the rule of law and the liberal market economy. The services provided in this context are costly. Of course, the regulatory capacity of the state depends on political-institutional and political-cultural factors that can vary considerably among countries. This explains why nation states pursue different “paths” of coping with problems, even though their economic performance may be comparable. The extent of institutional variance notwithstanding, the scope for coping with problems is almost always linked to whether the funding for compensation payments can be secured. At any rate, distributive conflicts can hardly be mitigated without monetary payments by appealing to a “belief in common nationality” (Weber 1978: 395) instead. Calls for consumers to behave in ways that conserve resources also go unheard when they fail to be backed by costly innovations in environmental technology.

The dependence of other parts of a social order on the capitalist economic order becomes especially apparent whenever the ability to pay becomes problematic. Particularly in the areas of social life that are distant from the economy, it is far from irrelevant whether financial resources are available or not. Often these payments are not unconditional but tied to specific terms. In the event of the inability to pay, services specific to a particular field or system can no longer be provided. What is more, a mere anticipation that the ability to pay might be threatened can easily open the gateway for outsiders to be able to influence decisions in a specific field. Particularly when maintaining the ability to pay is closely tied to the provision of monetary resources by external organizations, there may be no clear-cut dividing line between indirect influence and direct control. Thus we can distinguish organizations in accordance with various degrees of economization along the dimensions of loss avoidance and profit realization. The degrees of economization give us an idea of the extent to which monetary management instruments and economic management practices can affect the internal operations of organizations in areas that are distant from the economy.

4 What remains of Weber’s analysis of capitalism?

At the beginning of this paper, I pointed out that the concept of capitalism has resurfaced in social scientific debate since the early 2000s after a period in which it was a non-issue. However, it frequently remains unclear what is to be expressed. At times, one gets the impression – especially in the context of general cultural diagnoses – that “capitalism” could be equated with “market” in the sense of buying and selling. Against such a theoretically inadequate use of the term, a first objection is in order: It makes a difference whether individual actors are out for their own small benefit in everyday market exchange and seek to make a living by buying and selling or whether a for-profit enterprise produces goods for the purpose of making profits in markets. Equating individual logics of action with “systemic” pressures to generate profits would render the distinction between market, market economy, and capitalism meaningless, which Fernand Braudel (1991: 100) once called for.

To get to the bottom of and understand more precisely what distinguishes a market order from a capitalist one, we must first of all clarify how to go about defining a sociologically rich concept of capitalism. To begin with, we need to call to mind Weber’s dictum that capitalism is the “most fateful force” (2003a: 17a) of modern society, although we must acknowledge that Weber’s elaborations in economic sociology and history – similar to those of Marx – do not allow us to distill an explicit analysis of modern capitalism as a model of social order. However, reference to Weber as such already underscores that equating the analysis of capitalism with “Marxist” analysis is neither compelling nor a matter of course. Weber’s work in economic sociology in *Economy and Society* (1978) and his lectures on “universal social and economic history” (2003b; cf. Collins 1980) have provided a basic conceptual framework for a sociological analysis of capitalism, the potential of which is far from exhausted and which can certainly be expanded on (Swedberg 2000).

Weber’s occidental rationalism thesis, which runs through his entire work, certainly overdrew the calculability of economic action. The uncertainty of economic action, a constitutive problem of modern capitalism (Beckert 2013), was not a major issue for Weber. One aspect that this pertains to is the question of the extent to which uncertainty represents a coordination problem for economic actors, which *new economic sociology* since Granovetter (1985) has not ceased to emphasize. But there is another respect in which the prob-

lem of uncertainty has been ignored. It is not only in the understanding of new economic sociology that uncertainty is a problem for economic actors and one that needs to be addressed by transforming uncertainty into predictability. At the same time uncertainty opens up opportunities for capitalist entrepreneurship in the sense of Schumpeter and the Austrian school of economics. Uncertainty not only poses a basic problem for economic actors; it is also an essential prerequisite of innovation and “capitalist dynamics” (Deutschmann 2008). Both aspects – uncertainty as a coordination problem and as an opportunity for innovation – played no significant role in Weber’s understanding of modern capitalism. In today’s view, this seems surprising if one takes into consideration that Weber himself had doubts about the extent to which economic decisions could actually be based on rational calculation. In his discussion of basic sociological terms, Weber stressed, accordingly, that “the rational achievement of ends” is “a limiting case” (1978, 26). In Weber’s view, rational calculation was also not possible without the belief in the calculability of things and thus not without a culturally formed expectation. The problem of uncertainty, as perceived by more recent economic sociology, can certainly be fruitfully combined with the notion that the *belief* in rationality in the Weberian sense has great significance for economic actors in that it provides legitimacy and reduces the burden of decision-making.

If we leave the problem of uncertainty aside for a moment, we can hold that the socio-economic, socio-historical, political-institutional, and cultural prerequisites or conditions that constitute the framework of modern capitalism that Weber described (cf. Collins 1980) remain an important anchor point. In determining key socio-economic features, Weber departed from Marx’s terminology. But in essence, except for the theory of exploitation that was central to Marx, Weber’s insights were not fundamentally different from Marx’s: According to Weber, modern capitalism is inconceivable in the absence of private property rights and entrepreneurial control over the “potential means of production” (1978, 92). Weber expressly mentioned the “expropriation of workers from the means of production” but also the “appropriation of the enterprises by security owners” (1978, 166), which made the separation of ownership and control possible that became so typical of large listed companies during the twentieth century. Equally constitutive features, according to Weber, were the differentiation, legally and in terms of accounting, of the for-profit enterprise (business capital) and the household (private assets), as well as the institution of formally free labor. Weber’s equivalent of the Marxian formula $M-C-M'$ is the “formal rationality” (1978,

85f.) of capital accounting on the part of for-profit enterprises. Contrary to the private household, the for-profit enterprise does not generate monetary income for the purpose of providing for and satisfying needs. Neither is the money that is generated used for consumption or to build up assets for the purpose of spending them in accordance with the communal norms of justice shared in a partnership or family (“substantive rationality”), which is typical of private households. Rather, the commercial enterprise utilizes monetary income for the purpose of generating profits. Utilizing labor and producing goods are merely the means to the end of creating profits that serve to continuously increase profits. Weber also harbored no illusions in another respect: Owners – and the staff acting on their behalf – decide on how the enterprise utilizes labor. The very right of the owner, or the staff acting on their behalf (management), to issue orders renders the for-profit enterprise a “system of domination” based on “shop discipline” (1978, 108). Like Marx, Weber describes modern capitalism in terms of a constellation that is restricted in two ways: both owners and employees can “choose” only between adaptation or failure. The market opportunities that this involves are nevertheless highly unequally distributed. Employees are sooner or later forced to utilize their market opportunities in labor markets as they have no other steady sources of income at their disposal. Owners, by contrast, usually have the option of continuing their business operations or shutting them down and investing their capital in other, more profitable ventures. In using the term “formal rationality,” Weber – similar to Marx – alluded not to individual choice under market conditions, which in the extreme case can intensify to the point of “greed,” but rather to the emergent effects of an economic order that “in the impersonal form of [...] inevitability” (1978, 731) leaves all economic actors only “with the choice between the alternatives: ‘teleological’ adjustment to the ‘market,’ or economic ruin” (2012, 90).

Weber’s basic economic-sociological terms give us an impression of the importance he attached to the socio-economic analysis of modern capitalism. At the same time, Weber’s sociology stands for a non-economistic research paradigm. According to him, the capitalist economic order, first established in the West, relies on the presence of other political-institutional factors. Among them are a predictable legal and administrative order based on formal legal rules that are intended to create legal security and guarantee property rights and civil liberties, as well as freedom of contract and free enterprise. There must also exist a political – or, in today’s view, in the case of the European Union, a supranational – monetary system because, in Weber’s view,

the formal capital accounting of “entrepreneurial capitalism” would be impossible otherwise.

In addition to a political-institutional order that enables a “rational” economic orientation toward profit in enterprises and markets in the first place – or at least does not destroy it – Weber perceived a specific cultural order to be indispensable as well (if only in the phase of the emergence of the modern capitalist “attitude toward economic activity”) to provide the motivational grounds on the basis of which market and profit opportunities are identified and their pursuit seems desirable to begin with. Weber could not imagine that modern capitalism could have emerged in the absence of moral validity claims that would lend legitimacy to specific kinds of economic action. From today’s perspective, the important thing is not so much whether Weber’s reconstruction of the cultural sources of a rationally tempered economic mentality in the West on the basis of his sociology of religion is plausible or would have to be reconsidered in light of the contradictory empirical evidence on the significance of Protestant asceticism for the “spirit of capitalism.” More important is the issue pursued here: Weber’s assumption that modern capitalism had, over the course of its establishment, emancipated itself from value-rational justifications of any kind is not really convincing. More than a hundred years have passed since Weber’s Protestantism study was published. If we look back in history, it is difficult to miss that capitalism has not only been marked by innumerable conflicts of interest but also by value conflicts revolving around the legitimacy of capitalism as an economic principle, which could hardly have been foreseen around 1900. Weber’s famous dictum (2003a) that modern capitalism could do without ethical-cultural legitimation of any kind once relentless competition for market opportunities had come to prevail is not easily reconciled with his basic methodological position that the economic cannot be fully explained only in economic terms. With reference to Weber specifically, an argument could be made that it would hardly be sufficient if capitalism were to function because it functions. The regulatory framework of a capitalist economy further requires more than a political-institutional pillar of support. Ideological justifications by elites are also not enough. What is needed above all are motivational underpinnings of economic action. Even if the motives for economic actors to participate in market competition did not extend beyond the pursuit of market opportunities, the public must at least be willing to accept profit-seeking as a tolerable form of behavior. Capitalist business practices are protected politically and intellectually. They would eventually dwindle otherwise. It is at least as important that they are

culturally justified, from “below” as it were; in other words, from the perspective of ordinary people. In short, the problem of legitimizing capitalist social orders does not disappear even if one accepts Weber’s scenario of the erosion of the practical ethics of Protestantism.

5 Capitalism and social change – a heuristic

In Weber’s works, we can see the contours of a heuristic that provides a non-reductionist way of analyzing social change in modern capitalist social systems. Non-reductionism means that processes of change are explained in ways that refrain from culturalist or economicist simplification. Weber did not develop such a heuristic systematically. However, we can extract some basic assumptions from his works.

- (1) First of all, we can analytically distinguish two levels of investigation. The first level addresses the *interests* that individual or collective actors pursue in their actions. The second level focuses on the value systems and world views or *ideas* that individual and collective actors refer to. At first glance, *interests* and *ideas* (Weber 1946: 280) might seem to represent a rather simplistic conceptual basis for the analysis of social change.
- (2) Weber was fully aware of the significance of conflicts. Conflicts are waged for the assertion of interests or over the validity of ideas.
- (3) The inescapable consequence of this premise of conflict is that interests and ideas are not static. They emerge and become established. They can also be transformed or replaced by new interests and ideas. Weber’s Protestantism study shows the social impact that (religious) ideas can have; it shows that, in everyday economic reality, ideas can become a “routine” part of a new economic mentality, which can subsequently erode and ultimately have unintended effects.
- (4) Interests and ideas do not have isolated effects but mutually affect one another. Research on Max Weber has given controversial answers to the question of the direction of such influence. One side has argued that Weber explained social change by referring to the impact of collectively shared ideas. Such an idealistic interpretation of Weber has been objected to by emphasizing the dominance of interests over ideas. Contrary to these lines of reasoning, Lepsius (1990) proposed not opting for one or the other when an-

swering the question regarding the relation of interests and ideas. According to him, making generally valid claims about the direction of such influence or stating that one of these explanatory factors always takes priority over the other as a matter of principle is simply not possible. Lepsius (1990: 31) argued that interests and ideas "interact." The benefit of such a position is that it allows us to conceive of the distinction between interests and ideas as being only an analytical one. And we should also not interpret Lepsius's thesis of "meshing" as if ideas and interests must always have equal weight. One can easily imagine social constellations that weaken the impact of ideas and that these ideas are revived only when conditions change or they are replaced by new ideas.

(5) Ideas and interests do not emerge or unfold their effects at random. They invariably develop their social impact in concrete, historical-sociological constellations that constitute the framework guiding action and within which they can thrive, dwindle, or fail. The degree of mutual influence and permeation depends on this framework. For this reason, Lepsius (1990: 7) suggested complementing the concepts of interests and ideas with a third one: "institutions." "Interests refer to ideas; they need to make reference to values to formulate their goals and justify the means by which to pursue these goals. Ideas refer to interests; they take shape around interests, and these interests lend them their power of interpretation. Institutions shape interests and offer procedures for asserting them; institutions lend validity to ideas in certain contexts of action. Struggle over interests, controversy over ideas, and conflict between institutions give rise to ever-new constellations, which keep the process of historical development open. Out of interests, ideas, and institutions emerge social orders, which determine people's living conditions, personalities, and value orientations." To institutions therefore can be attributed the "function" of justifying, legitimizing, and safeguarding in the long term specific constellations of interests and ideas.

The concept of institution directs our attention to the fact that neither all ideas that circulate nor all interests that are articulated actually become socially efficacious. Some interests can hardly make themselves heard or are ignored; others prevail and gain dominance until they are ultimately forced to come to terms with new interests. Some ideas are collectively shared and may prevail as legitimate worldviews to the point of becoming sedimented in everyday cultural conventions. Other ideas remain marginalized, never cross the threshold of public attention, or fade quickly and are forgotten. All this is not the product of random processes,

yet cannot be predicted. It might be that ideas have a particularly forceful impact in times of rapid social change and technological innovation. In such periods, inherited expectations begin to erode. A novelty takes hold when it is not only useful and "efficient" but above all when it can also be justified as morally appropriate. Ideas satisfy the need to legitimize the new, as Lepsius also suspected (1990: 38). The advantage of expanding Weber's heuristic along the lines of institutional theory ultimately lie in its ability to explain more precisely why some interests and ideas are more successful than others. That is to say, institutions expand or narrow actors' chances of effectively pursuing ideas and interests. It is therefore not only ideas that act "like switchmen" in determining "the tracks along which [...] the dynamic of interests" develops (Weber 1946: 280). In the same way, institutions act as "switchmen" when it comes to articulating ideas and asserting interests.

(6) Such a heuristic, drawing on Weber and going beyond, would not live up to present-day demands of a theoretically informed sociological analysis of social change if it failed to take at least two aspects into consideration: emergence and contingency. As indicated above, an analysis of the interrelation between interests and ideas based on institutional theory does not remain focused on the action or actor level but expressly includes the formation of social order. Even though Weber did not work out an explicit theory of institutions, he did impressively demonstrate that the unfolding and establishment of modern capitalism cannot be traced to intentional action, no matter whether these intentions were driven by interests or ideas. Weber also refuted mechanistic explanations that see some sort of structural economic forces at work. Rather he described modern capitalism as the unintended product of intentional action, which can be explained only by considering numerous factors of a socio-economic, socio-structural, and cultural kind, as well as factors related to economic history. Seen from the perspective of the history of sociology, Weber provided an early example of a description of the formation of an emergent social order.

(7) Weber's criticism of both intentionalist and mechanistic explanations has not only sharpened our view of the emergence of social order but has also directed attention to the contingency of social change. From the insight into the immense significance of unintended effects in the formation of social order it follows that it is hardly possible to make any reliable predictions regarding the direction of social change. This of course also applies to the sociological analy-

sis of modern capitalism and its recurrent but not really predictable crises and waves of innovation.

So far, the potential of a heuristic drawing on Weber for the analysis of capitalist systems from the perspective of economic sociology has not yet been exhausted. There is a need to explore more deeply the extent to which the neo-institutionalist, cultural-studies, and network-theoretical approaches in *new economic sociology*, a field marked by Anglo-Saxon scholarship, or *économie des conventions* in France can be put to productive use for the further development of such a heuristic. Finally, I would like to discuss the aforementioned issue of the contingency of social change in light of the relation between the formation of the economic, cultural, and political orders.

6 Capitalism and the cultural order

In his study of Protestantism, Weber proposed the thesis that a methodically rational conduct of life, which enabled the rise of the modern capitalist economic mentality in the first place, required value-rational underpinnings for its legitimization (Protestant ethic). However, once capitalism became the dominant economic order, such a value-rational justification, according to Weber's well-known reasoning, no longer mattered. Weber did not explore other moral justifications that could have lent legitimacy to the exploitation of market and profit opportunities. From today's perspective, Weber's famous diagnosis culminating in the dual thesis of a "loss of meaning" and "loss of liberty" seems problematic. One must merely recall the justifications circulating in politics, the public sphere, and academia to lend moral legitimacy to capitalism. First and foremost, mention needs to be made of liberal conceptions of justice (Hirschman 1982). Capitalism's moral superiority is seen in its "efficient" use of scarce resources. Liberal theories argue that such "efficiency" enables not only the best-possible use of resources demanded for which is high but also ensures the greatest possible level of justice and prosperity. In the liberal view, the social system of capitalism is perceived as just also because it enables "free" and "equal" access to scarce resources that does not depend on inherited or socially attributed privileges. Unequal distributional outcomes are considered no cause for moral concern as long as they reflect nothing other than differences in individual "achievement" or "market success." Other, non-market modes of allocating scarce resources would merely result in "disincentives." They are rejected as an "inefficient" waste of scarce natural resources and human potential and hence as morally questionable.

The liberal promise of justice and prosperity already exposed the entire set of problems associated with Karl Polanyi's (1944) classic thesis that capitalist markets are morally dis-embedded (cf. Krippner 2001). In modern capitalism, social conflicts have been conflicts of interest from the outset. At the same time, they are invariably also value conflicts that are conducted not over *whether* but over *how* markets are to be morally embedded. Over the course of the nineteenth century, a highly influential standard of justice emerged in rivalry with the liberal conception of market justice. This alternative standard of justice has not lost much of its social appeal even today. According to this norm, capitalist economic activities are not legitimized through a morality of achievement or efficiency but are tied to expectations of social inclusion and a "socially just" distribution of market outcomes. In addition to these two classic, rival conceptions of a legitimate normative "embedding" of capitalist markets, others have emerged over recent decades, demonstrating an astonishing openness – hardly conceivable during Weber's time – of capitalist economic systems toward cultural and normative change. Enterprises have opened up – although initially with some hesitation – to the normative idea of gender equality and the principle of not discriminating against homosexual orientations and advocating cultural diversity. "Green" first movers are developing new markets for renewable energy resources. Even the speculative transactions in financial markets are occasionally framed as morally legitimate. Here the spectrum ranges from rather pragmatically motivated expectations that such activities drive technological innovations to prophetic sounding promises of salvation that hold out the prospect of coming to terms with problems that society might face in the future (Kraemer 2013).

If we look at eastern and southeastern Asia, there can be no doubt that there exist normative models other than the Protestant work ethics that lend cultural legitimacy to the transition from a traditional to a modern economic mentality. As Shmuel N. Eisenstadt (2000) has shown, employing the concept of "multiple modernities" – that modernity allows for a variety of combinations of religious and secular orientations – the capitalist organization of economy activity is obviously also compatible with different (even disparate) normative orientations. And there is even less reason to expect that there are simple answers to the question of what a cultural order designed to stimulate capitalist growth would have to look like. In contemporary societies with capitalist economies, we encounter cultural orders that are primarily egalitarian or based on new, neo-feudal status systems, offer equal opportunities or tie these to social

background. The cultural order can also promote or hinder social advancement. It can be marked by ethnic boundaries or can be open toward immigrants, reproduce gender inequality or be characterized by norms promoting equality. Of course, the cultural order can encourage an ascetic conduct of life in the Weberian sense or stimulate hedonistic mass consumption instead (Bell 1979). It is quite obvious that very different conceptions can coexist in capitalism. In any case, it is not clear why one or the other notion of justice should represent a source of legitimacy that is incompatible with the principles of a capitalist economy. In his introduction to *The Economic Ethics of World Religions*, Weber (1946: 267f) concedes that “externally similar forms of economic organization may agree with very different economic ethics.” A specific economic ethic – or, in more general terms, a specific cultural order – is “not a simple ‘function’ of a form of economic organization; and just as little does the reverse hold, namely, that economic ethics unambiguously stamp the form of the economic organization.”

Even criticism of capitalism can revitalize the economic order and trigger productive renewal. Boltanski and Chiapello (2005) have demonstrated this with reference to the “social critique” by the socialist labor movement and social Catholicism (“exploitation”), as well as the “artistic critique” (“alienation”) rooted in the bohemian lifestyle. These brief remarks should suffice to illustrate the argument that there can be no specific cultural order that by necessity must have a conducive or obstructive impact on the capitalist economic order. What we should expect instead is that one and the same cultural order can reinforce and undermine an existing capitalist economic order at the same time. The wide range of different normative lines of reasoning merely indicates that capitalist economic orders can obviously not do without moral-cultural justifications. Early on, Hirschman (1982) directed attention to some of the paradoxical effects and proposed judging the relative significance of cultural norms that shed positive or negative light on the capitalist economic mentality differently, depending on the specific historical context of a society. That is to say that the respective cultural order should not be explained in functionalist terms by the economic order nor should one take the opposite approach and explain the economic order in terms of culture. In modern capitalism, a wide spectrum of different combinations of economic and cultural orders is conceivable instead. From a normative perspective, the cultural “flexibility” or openness of capitalist economic orders may be confusing. This openness, however, points to the contingency of historical processes – and, in so doing, to the limits of sociological theory-building.

7 Capitalism and the political order

As shown above, we can discern no general patterns of cultural justification that would render it appropriate to speak of the cultural order of modern capitalism. What we are looking at is rather an economic model that is culturally open. This openness also extends to the political order. An older version of modernization theory that goes back to Seymour Martin Lipset (1960) still has quite a bit of merit: In many cases, a prosperous economy provides conditions that are beneficial to a stable representative democracy. Of course, we would be mistaken to assume a simple automatism between economic and political development. However, the great significance of a vital economy for the stability of democratic systems becomes apparent in the opposite case of economic depression. The destruction of the Weimar Republic is a particularly tragic example that illustrates the tremendous impact an economic crisis can have on the political order.

This historical experience demonstrates that modern capitalism does not require the existence of a democratic order. What is more, capitalist economies can even prosper in the absence of a political order that resembles a representative democracy according to Western standards. Cases in point are the oil-exporting Arab societies – for instance, the autocratic-monarchic system of Saudi Arabia or the patriarchal presidential system of the United Arab Emirates. Another example is Chinese capitalism. But not only a look at Asia should caution us against making too simplistic causal assumptions. How much variety there is between political orders can be observed among the post-Soviet transition economies of eastern Europe, whose political systems can be classified as clientelistic or neopatrimonial. Especially Myant and Drahoukoupil’s (2011) research on “oligarchic capitalism” has shown that contemporary post-socialist economic orders do not fit the category of “Western capitalism” (for eastern and southeastern Europe, see Bohle and Greskovits 2012; for Latin America, Schneider 2009). Even the frequently diagnosed close symbiosis between capitalism and democracy in Western postwar societies is no longer seen as a matter of course by some social scientists (Crouch 2005; Streeck 2014).

The long-standing normative certainty – rooted in modernization theory – that the combination of a capitalist economic order, legitimate democratic political rule, and a culturally open social order is evolutionarily “superior” has given way to a much more sober view. Kocka (2016, 65ff.) remarked – and indirectly called to mind Marx’s thesis on “original ac-

cumulation" – that the expansion of early modern capitalism in South America, as well as the nineteenth-century North American plantation economy was associated with forced (slavery) and other forms of unfree labor. We can also identify periods in history that suggest the primacy of politics, for instance, during the time of mobilizing the economy and society for the war effort in WWI or the period of National Socialist rule in Germany after 1937. The second half of the twentieth century witnessed the emergence of the welfare state in "Western" societies.

It would certainly be too simplistic a conclusion were we to assume a much too schematic pendular movement between phases marked by the dominance of the economy and phases characterized by the dominance of the political order. There is ample evidence suggesting that the specific relationship between the economy and politics can be explained only from a historical-sociological perspective. At any rate, welfare state institutions were rolled back as a matter of course in the 1980s in the same way that welfare capitalism had been established as a matter of course from the 1950s on. Economic deregulation must nevertheless not be equated with enforcing *laissez faire*. Such a principle of order can well be limited only to the upper echelons of a society. Among the lower ranks, especially in regard to the marginalized underclasses, it can take on forms of statist repression, as Waquant (2009) demonstrated referring to the example of the transformation of the US welfare state of the postwar era into a restrictive social welfare system (*workfare*) and a punitive state (*prisonfare*) in the 1990s. In the European Union, we have not witnessed such a development even though Germany's Hartz reforms might be interpreted as a variant of a new welfare-state paternalism. Apparently, capitalist economic systems are compatible with widely disparate social conceptions of order. The political order can be based on "mass democracy," as was typical of Western Europe's postwar societies. But it can also take on "post-democratic" forms.

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Interview: Economic Sociology and capitalism

Christoph Deutschmann interviewed by Sascha Münnich

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Stuttgart, August 10, 2016

1 Professor Deutschmann, thanks again for this opportunity, as well as your willingness to share your thoughts on contemporary capitalism, its crisis and its significance for economic sociology, with us. In your 2011 SER article titled "A Pragmatist Theory of Capitalism" I found this quote that provides a good starting point: "Capitalism is not only an economic term, but a sociological one as well." What are the most important characteristics of capitalism as a sociological term?

After all, I am an economic sociologist, and my ideas have grown in the context of economic sociology, with [its] catchword "embeddedness". Indeed, "embeddedness" was a term intended to denote the social character of market relations. As it was argued, a sociological perspective on markets should focus on networks, trust and institutions. In the meantime, embeddedness has become a term so broad and so vague that even Mark Granovetter (as its inventor) says he avoids it because it has become so diffuse. The problem is, although the concept has inspired a lot of fruitful and productive research, in some sense it [has] guided all of us on[to the] wrong track. The implicit consequence of the embeddedness concept was to neglect the core institution of capitalism, the institution of private property, and with it market exchange as a *social* relationship, and money as a medium of mutual recognition and transfer of property rights. I think it would be misleading to locate the social character of market relations only in

trust, networks and institutions, and [to leave] out the key institution of private property itself. This is a point that [was] raised by Greta Krippner already some time ago. As an unintended consequence, the embeddedness concept helped to maintain the neoclassical idea of markets as an asocial sphere, as a sphere dominated only by technical or instrumental orientations.

2 It keeps up the idea that there is a core of a-social or non-social market interaction.

Yes, but this is only one problem in this approach. The other implication is what I would call a parochial view of society, because the "social" element of markets appears to be confined to their local, regional or at most national contexts. In contrast to this parochial view, private property is a universal kind of institution that has a truly worldwide spread. Private property rights are an institution that can most easily cross the boundaries of cultures, of civilizations, of local traditions. Marxist world system theories and Marx himself have always emphasized this. The classical liberals (Smith, Ricardo) too, argued that the "natural" system of the economy, as they described it, is a universal one, not one bound to particular cultures or collective identities.

3 Yes, but it is my impression from your work that to say we have to concentrate on the universal core elements of capitalism from a sociological point of view is only one of your points of view. There is also a second line of critique, in which you argue that for explaining capitalism, it is still not enough to say we have private property of the means of production as an institutional setting, because it is just potential. We still have to ask about what really makes society develop in the direction of capitalism.

Capitalism cannot be defined simply as an "economic subsystem" within a frame of noneconomic institutions. In some sense it is this that the liberals of the eighteenth century had in mind: a society [in which] people could regulate their affairs freely on the basis of market exchange; [in which], however, the state, the church and cultural traditions had their proper place, too. What they could hardly imagine was that their own message could become so overwhelmingly successful, taking the character of a "militant credo" (Polanyi), and wiping [away] all traditional boundaries of the reach of markets. In the nine-

teenth century, the market model spread into all spheres of society and initiated a process, which today we [usually] term – following Polanyi – the “disembedding” of markets. To capture this process it is useful to distinguish between four dimensions of disembedding. The first one is a *territorial disembedding* in the sense of a spectacular expansion of world trade developing at a large scale since the nineteenth century. The second one is *social disembedding*, undermining local subsistence economies, and making entire populations dependent on markets. An “individualized” society in Simmel’s sense emerges, [in which] everybody takes the role of a buyer or seller, of a debtor or creditor. The third dimension is *material disembedding*, referring to the extension of private property rights from the results of production to its conditions, i.e. to land, other means of production, free labor, and, finally, money as the medium of markets itself. As a result, the entire circle of human reproduction [comes] under the control of markets. The fourth dimension is *temporal disembedding*: a new, linear, future-orientated time structure of the economic process arises, which is sharply different from previous cyclical, natural or custom based time structures. In his new book on “Imagined Futures”, Jens Beckert focuses on this very temporal dimension. Thus, capitalism is defined by markets becoming the most encompassing social system, covering all dimensions of human existence, though non-economic institutions – of course – do not disappear. The reach of the latter, however, is confined to regional, national, local or subsystemic levels.

4 But, if you explain it like that, is disembedding still the right word for that? To me it sounds more like a transformation of many cultural and social practices from pre-modern forms of thinking and acting to new forms – it is not about throwing off feudal shackles and now everybody is just an individual pursuing their profit interests, but a broader emergence of new understandings of time, of space.

It means that property and market based social transactions are becoming dominant in an extensive and an intensive sense. They spread across territorial borders, they intervene into social interactions and almost all spheres of everyday social life. Moreover, with material disembedding, the property claim embodied in money no longer extends only to the given quantity of goods already produced, but also to what *could* be produced via the organized exploitation of the creativity of labor. This means that the economy even develops an imaginary dimension, giving rise to dreams and imagined futures.

5 Is this control over the infinity of possibilities also what brings your analysis of capitalism so close to questions of religion, a connection you have been working on for a long time? Do we have to care more about religion in economic sociology in order to understand capitalism?

The parallels between capitalism and religion lie in two points. The first one is related to what we have just discussed: capitalism generates dreams; even more, it can realize them. Capitalism manages contingency; it literally can do “wonders,” like the saints; consider only the cases of electricity or the airplane. That humans can fly like birds would indeed have appeared as a wonder ... to the generation of Adam Smith. Sure, capitalism does not promise the pleasures of eternal life and of paradise; instead it can fulfill the most important desires of mundane life, such as affluence, health, freedom, at least for those who can pay for them. Such desires – of course – have always been vital for religious believers, too. The second parallel between capitalism and religion lies in the fact that both represent forms of human universality – a point made already by George Herbert Mead. Like disembedded markets, the big religions constitute universal forms of sociality, which Jaspers and Eisenstadt analyzed in their theory of “axial” civilizations. Religious communities do not see themselves as one among other communities of a similar kind, like families, like nations or local groups. They form the most encompassing community, which exists only as a singularity; this was also Durkheim’s argument. The same applies even more to disembedded markets. Different even from Christianity and Islam, whose universality was confined to the regional “civilizations” which they created, it is only capitalism that generated a truly global, encompassing and singular form of sociality.

6 What would be some of the characteristics of this particular collective identity, which, as you said, transcends the boundaries of other local or national identities? What is this particular collective identity built around?

Markets do not generate sociality in the sense of collective identity. The relational sociality of markets is different from the type of community generated by religions or other forms of collective identity. What is collective identity? We all are familiar with Mead’s theory of symbolic interaction and his analysis of the formation of individual identity. Ego forms his/her identity by taking alter’s perspective on him/herself. Identity, thus, is not an innate quality of the single individual. It is a social construct that can develop only via the “detour” of communication and identification,

of ego identifying him/herself with significant or generalized others. This model of identity formation works on the individual level; it can also work on the level of intermediate collective identities, i.e. groups, clubs, families, even nations. However it cannot be applied to the level of society as a whole, since by definition there is no collective "alter" serving as a reference point for ego. This is why Mead failed to deliver a theory of encompassing social identity, as Habermas noted in his critique of Mead. From this, the enigmatic character of religious identity formation explains itself. Due to the singular character of the religious community, identity formation can proceed only via the *social construction* of God as collective alter. Only by identifying with God and taking his perspective on itself can society become aware of its own symbolic unity. To become a force of social integration, however, the socially constructed character of the collective alter must remain hidden to the believers; it must be displayed by and performed in rituals; it must be made visible by icons and myths. Capitalism clearly is a form of sociality, but not a form of collective identity in this sense.

7 But it needs it in a way.

Capitalism relates people to each other in a network-like way, apparently without need of a collective alter. Nevertheless, some imaginary [version] of the collective alter is required in capitalism, too. This is apparent, if you come to problems of trust that occur in the use of money: people need to trust in the given currencies and forms of money. To accept money as a means of payment, everybody has to trust in the readiness of other people to accept money, too, in particular in the case of contemporary currencies without intrinsic value. This type of trust may indeed require a kind of collective imagination similar to religion. The "numinous" qualities of money, discussed already by Simmel, explain themselves largely from here.

8 If subjective motivations and expectations are vital for capitalism, how can we explain that people always, or at least very often, tend to subjectively act and react in ways that advance capitalism?

The question is: do they really have a choice, beyond the vast variety of options which capitalism offers? It is difficult to imagine situations in which people have a real option *not* to continue the logic of capitalism. Of course it depends also on the relative class position in which people find themselves. However, there is also a more general methodological problem involved here, a problem about

our own position as scientific observers. Society and capitalism as a whole cannot become an object for any observer. We cannot view society or capitalism like a man on the moon views the earth, from the outside, because even we as observers are always involved in the object of our observations, and we can only describe our situation and explicate our perceptions. All we can do is reconstruct the mechanisms driving capitalist dynamics, without being able to anticipate the end it will lead to. I think, one of the key motivational factors driving the dynamics of capitalism is what I would call the double bind character of the capitalist class dichotomy.

9 What does that mean?

This is related to what I have called material disembedding, the extension of markets to the means of production. The result of material disembedding is the capitalist class dichotomy, with proprietors of land, of material, means of production on the one hand and labor on the other. The capitalist class dichotomy, however, differs from pre-modern class structures in important respects, as individual affiliation to classes is not personally fixed. It is not determined by birth and social origin, but is simply a matter of the type of property owned. The double bind character of class relations results from the fact that the class structure is collectively closed and individually open at the same time. On the one hand it is factually almost impossible for the unpropertied to cross the class dichotomy and to rise into the class of capital owners. On the other hand the class dichotomy is formally open, and this generates ever new dreams of social rise by hard work and entrepreneurship on the side of the poor. Capitalism is a dream machine also in the sense of generating dreams of social advance. What keeps the system moving are just such illusions.

10 So, it is the potential or promise of social mobility that makes so many people want to join the collective identity of market makers or entrepreneurs?

Yes, indeed, but if you want to go deeper into the problems of social rise, we have to take account of at least two conditions. First of all, the chances of social rise – of course – depend on the structural distribution of wealth and social opportunities: how polarized is the distribution of capital and political power; how strong is the position of the middle classes; [what] is the structure of labor markets and the organizational power of workers; how egalitarian is the educational system? Second, what is important is not only

the class structure as it displays itself to the scientific observer, but also as it is perceived by the actors themselves. Of course, this depends also on the class position in which you find yourself. I think Merton's classic model of deviant behavior is still useful to understand how people perceive the double bind nature of class. As is well known, Merton focuses on the inconsistency between institutionalized goals in society and legitimate means to attain these aims. Those well-equipped with legitimate means are not likely to experience any conflict here. Those having little means, but nevertheless obliged to pursue the institutionalized goals, have a variety of options to deal with the conflict: conformity, retreat or rebellion. What is most relevant from the viewpoint of our discussion is the option that Merton calls "innovation": To find ways out of the means–end conflict, people explore unconventional ways, sometimes beyond or on the verge of legality. A plausible hypothesis is that the pattern of innovation is most likely to emerge in the middle classes and in the qualified layers of the working classes. In the lower and marginalized classes, people do not expect much from their lives. Conformism, retreat and apathy are widespread modes of adaptation. Innovation is most likely to emerge not in the lowest classes but in people of the middle classes who have at least a minimum confidence in their personal potential.

11 So, this means that the dynamic of growth and the progress of capitalism depend on the fate of the middle class, which means that capitalism can only be dynamic if the people who are successful are not too successful. If they are overly successful and are enabled to fence themselves off from the middle class, then there would probably be a problem for this kind of social and economic order.

Yes, this dilemma, like any other, has two horns. The one horn is a too rigid social structure, which blocks and discourages social risers. For a long time such a constellation seems to have prevailed in Latin America, where the semi-feudal rule of land and capital owners offered little chance for lower middle class people to advance. If the class structure is too rigid, this has a negative impact on growth; this is the one horn of the dilemma. The other horn evolves if too many people are moving upward; a constellation, which Ulrich Beck had called the "elevator" effect (*Fahrstuhleffekt*). It is this that seems to have happened in Western Europe, the United States and Japan in the decades after the Second World War. The lower classes diminished, and the middle classes and even the elites became larger. What are the effects of structural upward mobility on growth and capitalist dynamics? My hypothesis is that

the effect on growth will be equally problematic – perhaps not immediately, but in the longer term – because the likely result will be an imbalance in capital markets. Financial or capital assets are always based on debtor–creditor relationships. The worth of assets depends on solvent debtors requiring the capital and paying it back at a profit. As a consequence of structural upward mobility, the volume of profit seeking assets increases due to growing wealth, not only of the elites but also of the upper middle classes. The volume of financial assets seeking profitable opportunities will rise. On the other hand, the social reservoir of potential entrepreneurs, being eager to indebted themselves to finance their social rise, will decline. Subsequent social risers will not only become less numerous, but also be faced with increasing difficulties. The prior risers and their offspring will enjoy an edge in getting access to vital resources, such as education, credit and networks, however, without having an existential interest in further social advance. They may still be career-oriented, but are not inclined to take the risks and troubles of an *entrepreneurial* career. In other words, structural upward mobility will result in a growing disequilibrium on capital markets, with more and more financial assets seeking profitable investment opportunities, on the one hand, and fewer and fewer entrepreneurial risers demanding credit and capital on the other. The impact on growth will be negative too, albeit for reasons different from the first constellation.

12 Now we enter the topic of the fate and present situation of European societies. If I understand you, the problem that European societies currently have, concerning growth and facing financial and political instability, is not so much an elite problem as a problem of the middle class having been too successful or being too keen to become creditors.

The key problem of the present crisis is a big oversupply of financial assets seeking profitable investment outlets. We have a vast volume of ailing credits and assets, hidden in the balance sheets of the banks.

13 And this is essentially a middle class phenomenon?

It is also a middle class phenomenon, because if you consider the social composition of financial assets, you can observe that, in the last 20 to 30 years, not only the top rich have become even richer, but considerable wealth has been accumulated in the upper middle classes, too. They have invested much money in life insurance and investment funds, and these institutional investors are now fac-

ing tremendous difficulties finding outlets for their capital. The situation of the lower middle classes is very different: these people do not have substantial savings and assets, and they find themselves in a "sandwich position", as their employment conditions are deteriorating, wages are stagnating and prospects of social rise are declining. In the United States, Britain and many Western European countries we have clear evidence of social polarization. Not only have the elites in general become substantially richer, but something like a financial aristocracy of extremely rich people has emerged. On the other hand, the situation of the middle classes has deteriorated. In Germany, the class structure still is not so polarized: until 2008 or 2009, there was a tendency towards polarization, but since then it has not continued; the distribution of wealth is still not so unequal as in the United States, Italy or the UK.

14 So, the solution to the crisis is not primarily about a smart way of governing, not a question of institution-building or reforming policies. As I read in one of your articles, the situation in Europe would not be much better if we did not have the euro. Instead, it has much more to do with social structural processes over the long term?

That it is not the euro, which lies at the heart of the trouble, can be concluded from the simple fact that we have very similar problems in countries not belonging to the euro zone: Britain, the United States, Japan. Richard Gordon and Larry Summers have come up with their stagnation theories; they predict a long period of stagnation, which they believe to be due to a lack of promising scientific inventions. I am not very convinced about this either, since there appears to be no lack of new scientific ideas (in nano- or biotechnologies, or in the digitalization of manufacturing, for example), and it seems impossible to predict the future course of scientific discoveries. My recommendation is to come back to Schumpeter's distinction between scientific inventions and innovations. What drives capitalist growth is not scientific inventions as such, but their transformation into marketable products by entrepreneurs; this is what Schumpeter meant by his concept of innovation. It is not a lack of scientific progress, but the deterioration of the social environment for entrepreneurs in the advanced capitalist countries that explains the present crisis. What we are lacking are not scientists, but entrepreneurs.

15 In the sense of organizing innovation?

Yes. The question about social conditions favorable for the generation of entrepreneurs, is a sociological and not a technological or scientific one. Science as such does not produce economic growth, only entrepreneurs do. As has been shown by several empirical studies, a strongly polarized distribution of wealth and social chances, as has developed in many advanced capitalist countries during recent decades clearly has a negative impact on entrepreneurship.

16 We know from entrepreneurial research, which is something that you mention in your text quite often, that ethnic communities, for example migrant communities, are much better in forming entrepreneurial spirit and innovative capacities, because of the special social situation they have. So is there maybe some hope in the broad migration situation that we have in Europe now, because it may spark entrepreneurship?

Yes, there is an element of truth in that. The ratio of emerging entrepreneurs is much higher among the immigrant population than among the natives. The problem is that, due to the low average level of qualifications, immigrant entrepreneurship is largely confined to special segments of the economy that are already overcrowded, such as personal services, gastronomy, import-export trade, etc. Immigrant entrepreneurs are largely absent in more sophisticated areas, such as software or digital technologies. I do not think that broad immigration can be a solution for the present day European growth problems. What is needed are qualified immigrants, so-called high potentials, but the international competition for such high potentials is extremely tough.

17 Let us talk about the political dimensions or political implications of your arguments. When people discuss social inequality and the present crises in Western countries, one of the major political puzzles seems to be why we do not see a renaissance of social democracy at this moment of distributive troubles in Europe. I once read in one of your statements that the success of social democracy was never built around redistribution, it was built around social mobility. Here you have an argument that is not very present in today's the debate. Do you think that the growth problems may have something to do with the lack of a politically powerful group or party that carries a renewed and convincing narrative of social mobility?

Indeed, the present problems of European Social Democrats seem to be closely associated with the above discussed social consequences of structural upward mobility; in some of my papers I have suggested the term “collective Buddenbrooks effect” to describe these consequences. Social democracy is a political movement of social risers. As long as the hopes of many workers in social upward mobility were largely fulfilled – as happened in the 1950s, 60s, 70s, and still in the 80s – everything went smoothly and social democrats could celebrate their successes. However, what has come after that success? Not everybody can move upward into the wealthy classes, because this would lead immediately to a breakdown of capital markets. Not everybody can become a manager or a professor; we still need “Indians”, not only “chiefs”. Upward mobility as a recipe for solving social problems can only work temporarily. As soon as success is achieved, the crisis will set in, except perhaps under the condition of new streams of immigrants continuously filling the lower layers of society (this is what seems to have happened in the United States in the nineteenth century). As I said above, however, it seems doubtful whether broad movements of immigration can provide a solution for the present stagnation of the EU economies. These are the problems social democrats are faced with today.

18 I would like to focus now on the more immediate lessons to learn for economic sociologists from everything we have discussed so far. What do you think would be the most important directions to take in economic sociology research to make further progress with the analysis of contemporary capitalist societies?

Most importantly, economic sociology can provide more realistic views of the economy. At the same time, its theoretical claims are more modest and more historically based than those of mainstream economics. I think mainstream economics still enjoys good reputation among political decision makers for its analyses and advice. However, at least since the financial crisis this reputation has suffered. Mainstream economists, nevertheless, still have a very strong self-confidence about their own potential to give interpretations of the situation and to formulate economic policy proposals. In my view, they are too self-confident, and economic sociology could help to develop a more realistic understanding of the role of scientists as political consultants. Of course, there is still a long way to go, because we are still far away from being in a position to compete with mainstream economists. I think, a particular strength of economic sociology is that it does not reclaim

for itself the role of moral “preacher.” It does not claim to show politicians the way to the common good, a mission, which not a few economists still seem to have their eyes on. This is a strength of economic sociology, not a weakness.

19 So, one thing is that we can be more realistic and empirically oriented in understanding economic processes; that is an important thing. Do you think it is the right way to continue the micro-oriented research of the New Economic Sociology that concentrates on empirical research about how different markets or different fields develop and function, or do you think that we actually need a more encompassing view, maybe in close exchange with other sociological disciplines?

I think micro-macro analysis is vital for economics and sociology, and still it is posing many unsettled problems. Mainstream economists are working on these problems too, and they appear as unresolved as they are in economic sociology. But I think we have a potential to develop empirically valid micro-macro analyses, while at the same time refraining from what one could call holistic claims. We have to confine ourselves to partial explanations and partial analysis of the micro-macro relationship and I think that economic sociology could be more successful in this field than it has been so far.

20 Do you think that the concept of capitalism which we just discussed, your sociological concept of capitalism, should in any way enter into empirical economic sociology research? Should we look more for the capitalist aspects in the partial research that we do?

Yes, I think it would be fruitful to consider markets not only as a sphere of instrumental action in the sense of economic theory, but to analyze disembedded markets as a social system, and as the most encompassing system of society. Starting from such a macro view and then entering into the depths of micro-macro analysis would be a promising approach. It would also lead us away from what, to cite him again, Ulrich Beck has called “national container thinking”, which means the focus of political economy and academic economics on the national state as the center of economic governance. To settle the unresolved questions of globalization, it is vital to understand global capitalism as a coherent form of society, instead of thinking about global society as an aggregate of national societies.

21 *From how you develop your theory of capitalism and the role of creativity, I think there is an even more fundamental conceptual difference between your account and other contemporary economic sociology perspectives, which I see in the emphasis you put on the processual character of capitalism and entrepreneurs. Capitalism, as I see it in your work, is primarily a process and not a specific institutional order, and this is something which of course could also be related to Marx's decision to name his most important work "Capital" and not "Capitalism". But is such a processual understanding of capitalism a blow to any structural economic sociology?*

The dynamic forces of capitalism, first of all, are located on the macro-level, and here I would also differ from Schumpeter. There is much truth in Schumpeter's emphasis on the transformative role of the individual entrepreneur. Nevertheless this is a shortcut, because the entrepreneur as social type needs a particular institutional environment to emerge. The most important aspect of institutional change relevant for the rise of entrepreneurship is what I called material disembedding of markets, the extension of the property claims of money from goods to the factors of production, including free labor and its creative capacities. Human creativity is a resource that never can be redeemed or exploited exhaustively; it is impossible to deliver a comprehensive theory or definition of it. The emergence of a market for free labor, [in which] workers develop a genuine self-interest in selling their own capacities, is a key macro-condition for entrepreneurship. Of course, adventurers, speculators, and merchants of all kinds have existed at almost all times. The modern industrial entrepreneur, however, is something new and unique. In short, structural conditions – disembedded markets – are vital; but it is just such a conceptualization that allows us to take account of the active and transformative role of individuals, and not to treat them as mere marionettes of structures.

22 *And something that cannot be derived from some structural features of the system but depends on how everything interplays, how everything is interrelated – that is why I thought maybe it is not so much about studying the structure of the market which is important but which is maybe just the first step. Then afterwards it is about how these conditions play out and bring about different developments.*

Of course, to arrive at a more specific analysis, we have to proceed step by step. It is not material disembedding alone that generates entrepreneurship. It is a necessary condi-

tion, but additional factors must come into play. Beyond what I said above on the structure of social inequality and its perception by the actors, cultural, institutional and political conditions, as they are considered in present day theories of growth (North, Porter, Sala-i-Martin) are relevant, of course. Moreover, the temporal and dynamic character of capitalism highlighted by Jens Beckert can never be emphasized enough. Capitalism must move, and the key force making it move, are fictions and imagined futures.

23 *I also felt in reading your work, you are always excited about the sociologists who put these dynamic, progressive elements at the center; this is also true for Marx and Schumpeter, but also for Hayek. I found it very interesting that you have a very positive perception of what Hayek said – not for his political normative side, but for the analytical position that the market is a discovery process that cannot be predicted or governed. Should we use Hayek's concepts more in order to advance economic sociological research?*

The problem with the [economic] liberals is that many of them did not take their own ideas seriously. The German ordo-liberals, for example, praise the superiority of self-regulated markets, but they want to permit self-regulation only within certain nationally defined confines. The market designed by the ordo-liberals is not really a free market; it is a national container theory of the economy. It is only Hayek and the Austrian school (which he came from) who take the liberal idea of markets as the very core of a global society seriously. Nevertheless, Hayek tends to eulogize the miracles of free markets and entrepreneurship, and he does not go deep enough into the conflicts and contradictions of a society dominated by markets. He helps himself with sermons and abstract formulas. For example, he says we should respect traditional, naturally grown institutions. But at the same time he says these institutions should not become an obstacle against innovation. He does not go into a deeper analysis of the conflicts between global markets and locally based cultures and institutions. Of course, this relationship is not a harmonious, but a deeply contradictory one. Wolfgang Streeck has presented brilliant analyses of this issue. One could also think of Benjamin Barber and his model of Jihad versus McWorld, which highlights the "antagonistic relationships" between globalization and locally based national or religious identities too. It is just these antagonistic feedbacks we are observing today in the phenomena of religious fundamentalism, and militant nationalism and populism. Clearly, Hayek is not helpful in analyzing these conflicts, but I appreciate that he is almost

the only one of the liberals who takes his own ideas seriously.

24 I always found very striking that he is actually willing to admit that leftists are right in claiming that the results of the market will never be just. With that move he gets rid of the precarious promise of classical liberalism that in the end there will be the best society for everybody. Hayek says that is actually not true but let us still stick to this organization because only it can guarantee freedom.

As Hayek preaches, the ultimate outcome of free market processes will be a higher level of human evolution. However, this is not a scientific statement, but a kind of quasi-religious faith. There is an analogous debate with regard to Adam Smith and his often-cited concept of the “invisible hand.” Smith himself did not use this concept very often, in the *Wealth of Nations* only once and in the *Theory of Moral Sentiments* two or three times. Nevertheless, if you go deeper into his analysis, you see that it is the key to understanding his position. The argument always ends up in an apology for the self-correcting forces of markets. There is a debate on the theological background of Smith, on his Deist convictions. There are interpreters who argue that what Smith had in mind was indeed a multilevel model of society, with the actors on the micro level being guided by their individual interests and by “divine providence” on the macro level, arranging individual actions and their consequences in a way that is collectively beneficial. Not all commentators agree about this. However, I think that there is a good point in interpreting Smith’s conception as one that is at least “half-way” theological. There is no rigorous theoretical explication of the mechanism of the invisible hand in Smith’s work. In the last instance, it is God who acts. This is a conceptualization running largely parallel with Hayek’s; the difference lies only in the terminology: while Smith speaks of “divine provenience”, Hayek addresses the superior logic of “human evolution.”

25 Smith was much more optimistic about the simple fact that actually you have to live from the self-interest of others and that creates empathy among people. Because I have to think about what you need and you have to think about what I need, this can be enough empathy to guarantee social solidarity.

Yes, but what is wrong about that? How should a free and enlightened society be possible without leaving people room to regulate their own affairs autonomously among themselves?

26 Yes, exactly and this is what drove Marx so mad because Smith was actually writing this in the context of a violent process of [asserting] property rights that was happening right there in Scotland.

Still, it was an extremely powerful message, a message with a universal resonance.

27 We did not go into very great depths with regard to our last point, the antagonistic circle between global markets and particular collective identities, which are always of a particular, of a local or at least national nature. Do you think that is the dynamic behind what we are witnessing at the moment, this outbreak of fundamentalism on all political sides, which also has a full-front religious aspect.

As I said, Wolfgang Streeck’s model of an antagonistic circle between what he calls “Durkheimian” and “Williamsonian” institutions, or Benjamin Barber’s model of “Jihad versus McWorld” are promising approaches to understanding the present-day emergence of fundamentalist movements. What is happening here is not only a revival, but a re-invention of traditions. The present nationalist and fundamentalist movements are heavily contextualized by the reality of globalization. They express a reaction against the universal claim of globalization, taking a global and total character in their turn. Olivier Roy has characterized religious fundamentalism as a “de-contextualization” of religion, as a re-invention of religion in a way that uncouples it from its local and cultural roots. In this way it can be transformed into a message that can work everywhere and operate on the same level as capitalist globalization.

28 Is this also similar to what happened to the “market faith” in global capitalism?

Yes, just think about neoliberal ideology, which makes the market model the core of a militant and global belief.

29 To close the circle with Polanyian disembedding: Do you think that what is happening now on the political side also in Europe – I mentioned the outbreak of nationalism – do you think that Polanyi’s double movement is coming back; are we living through a “second” or the “next” Polanyian moment?

I don’t think so, because the problem of Polanyi’s double-movement approach is that it is not constructed in a symmetric way. Polanyi’s focus is on the second phase of the movement, the anti-liberal counter-movements. What he

does not really explain is the first phase of liberalization. You find only occasional remarks in his book, such as his characterization of liberalism as a "militant creed," or as an outcome of industrial machinery etc.

30 *He claims somewhere that the bourgeois classes were no longer willing to take the common course...*

A convincing theory should be able to explain *both* phases of the double movement, including the first one. Polanyi's failure to explain the disembedding of markets, and the rise of global capitalism themselves has to do with his strong anthropological assumptions. He interprets the embeddedness of economic action in society as a constitutive element of human "nature". Here Polanyi's theory clearly meets its limits. What we need is an elaborated version of the double movement theorem that avoids Polanyi's "anthropological" shortcuts, that takes account of the social universality of markets, and allows a symmetric perspective on both phases. There is a second ambivalence in Polanyi's interpretation of anti-liberal movements. In the present, we are indeed observing militant counter-movements against globalization, such as the Brexit campaign, the spread of nationalism and populism in many European countries and the U.S., the rise of authoritarian regimes such as in Russia and Turkey. Is this what Polanyi meant with his double-movement theory? On the one hand, the answer seems to be yes due to the anti-liberal character of these movements. On the other hand, most of us certainly would not see the present day counter-movements in such a positive light as Polanyi did it for his time. He himself was faced with the same problem when analyzing the fascist movements of his time, and he seemed to have difficulties coming to a clear position on this point.

31 *I also think there is a third point, which is that Polanyi is constantly stressing this opposition between a planned first movement and the spontaneous character of the counter-*

movement that was also not bound to any ideology but a form of inevitable reaction to the cultural catastrophe of commodification. And this is also something that we do not see today at all, we do not see a common cause of protecting people against market-induced instabilities across all political camps. To the contrary, we see a lot of popular support for pro-market reforms and so there is something more sociological to it.

The increased level of socio-economic interconnectedness is a reality that cannot be undone, on the level of Europe as well as on the global level. We have a historically unprecedented level of transnational interdependence, which in fact is much more than a purely "economic" phenomenon. In fact, we have already gone a considerable way not only towards European integration, but also toward globalization, though the idea of a global "civil society" is still not much more than a beautiful dream. All our current political ideas, even the anti-liberal ones, presuppose the factual context of growing interconnectedness, be it in a conscious and explicit, or in an involuntary way. There is no way back to national container economies. That would also be my main critique of the Euro critics. In Germany we have a proverb "Den Sack schlagen, aber den Esel meinen", ("Beating the sack, but meaning the donkey"). Euro critics are beating the sack, which is the common currency, but what they in fact mean is the single market, the drastically increased interconnectedness of European nations, which could be undone only at unbearable cost. We have no choice but to seek ways to make the supranational governance of the European economy more effective and more democratic, despite all the tremendous difficulties.

32 *Professor Deutschmann, thanks a lot for this interview and for your interest in the European Economic Sociology Newsletter.*

Book Reviews

Book: Morgan, Jamie (ed.), 2106: *What is Neoclassical Economics? Debating the Origins, Meaning and Significance*. Cambridge: Cambridge University Press.

Reviewer: Paul Robert Gilbert, University of Sussex, p.gilbert@sussex.ac.uk

What epithet could carry more emotive force where economic sociologists are concerned than the 'neoclassical' in neoclassical economics? In the pages of this very newsletter, Edward Nik-Khah (2006: 19) has cautioned that the performativity of economics programme was 'fostering a situation where science studies will come to increasingly resemble neoclassical economics, if not serve as its cheerleader.' And, in the concluding rounds of the virtualism/performativity debate between Callon (2005) and Miller (2005), a central concern was the specific 'role of neo-classical economics in this process of configuration-reconfiguration of concrete markets' (Callon, 2005: 10, emphasis added).

Since the 2008 financial crisis, the economics profession (and especially neoclassical economics) has come under renewed attack, both from 'heterodox' economists and broader publics. Jamie Morgan, co-editor of the *Real-World Economics Review*, has been an important voice making 'the case for heterodoxy' in economics education in the UK (Morgan, 2014). For many heterodox economists, the challenge – as Morgan notes in his introduction to *What is Neoclassical Economics?* – is that neoclassicals seem to have captured the economics profession, effectively monopolising claims to objectivity, and retreating from constructive dialogue. This, at any rate, is a common narrative about neoclassicism that circulates in heterodox and pluralist circles. But is it adequate?

Morgan identifies three further ways to explore 'the neoclassical'. Firstly, there are those who define 'the neoclassical such that the mainstream exceeds the neoclassical' (p. 3). Here it is argued that the emergence of, for instance, behavioural economics, reflects the *declining* mainstream significance of neoclassicism. Secondly, there are those, like Yanis Varoufakis (2014), who identify a core set of neoclassical assumptions or 'meta-axioms' (typically methodological individualism, methodological instrumentalism, and methodological equilibration). Adherence to these

meta-axioms allows dissatisfied neoclassicals to move 'away from the neoclassical nucleus' in the pursuit of alternatives, before eventually collapsing back to their original neoclassical position, or, 'even worse, to a position at a higher plane of neoclassical abstraction' (Varoufakis, 2014: 7). Here 'the neoclassical' is more encompassing of (if not equivalent to) the mainstream.

Finally, there is an approach to identifying neoclassicism that draws on the 'social ontology' critique associated with Tony Lawson and the Cambridge Social Ontology Group. Here, the question becomes: 'How does one characterise and name the mainstream?' (p. 10). Tony Lawson's essay, entitled 'What is this "school" called neoclassical economics?', reproduced in Morgan's volume from the *Cambridge Journal of Economics*, seeks to provide an answer to this question. The remaining chapters in this volume consist of responses to Lawson's provocation. In his essay, Lawson appears motivated by a concern that loose usage of the phrase 'neoclassical economics' has, 'especially in criticism...tended to deflect from the real source of the discipline's problems' (p. 35). The biggest mistake, he argues, is to see neoclassicism's failings as the product of substantive theorising. Far more serious than the manner in which neoclassicals theorise is the reliance, in modern economics more broadly, on 'mathematical deductivism' (p. 33).

Returning to Veblen's (1900) essay where the designation 'neoclassical economics' made its first appearance, Lawson makes use of Veblen's distinction between *taxonomic* science (which seeks correlations between empirical regularities, taken to be approximations of a 'normal' case), and *evolutionary* science, which accepts an open, historical, 'causal-processual' ontology (p. 52). In keeping with Veblen's original usage of the term 'neoclassical', Lawson argues that it should be used today to designate those who insist on using 'taxonomic' methods (deductivist mathematical modelling) while 'simultaneously accept[ing] a historical or causal-processual ontology' (p. 59). It is this, the 'basic tension between ontology and method', that hinders the economics discipline, and not any specific substantive matters (p. 65). With the problem of defining neoclassicism resolved, Lawson returns to the idea that 'the term "neoclassical economics" should be dropped from the literature' (p. 65). The task at hand ought not to be one of delineating a select group of guilty economists.

Indeed, many allegedly heterodox economists are, by Lawson's reckoning, neoclassicals. Thus he calls on economists to turn to the more pressing task of reconciling ontology and method in the pursuit of an 'ontologically-grounded causal-explanatory social science' (p. 67).

Several of the chapters in *What is Neoclassical Economics?* engage with Lawson's interpretation of Veblen, and of the historical relationship between classical, neoclassical and mainstream economics. The contribution that most closely cleaves to Lawson's framework is Steve Fleetwood's application of the social ontology approach to the specific case of labour economics. In particular, Fleetwood is at pains to show that neoclassical labour economics cannot be delineated with reference to substantive theory, but only in terms of a method/ontology mismatch. Fleetwood shows that the searching and matching approaches to labour economics, which have largely displaced supply/demand frameworks, gesture towards a causal-processual ontology. And yet, the mathematical models used by labour economists 'have to' treat labour market agents as 'isolated atoms', to 'ensure that they display event regularities' and 'systemic (theoretical) closure' (p. 303). For Fleetwood, this is a fine example of the utility of Lawson's framework, which focuses on 'meta-theory' rather than substantive concerns in identifying neoclassical labour economics (although it could just as well be read as an application of Varoufakis' [2014] framework, which focuses on the backslide towards neoclassical 'meta-axioms' that follows when economists insist on 'closing' their models, and eliminating indeterminacy).

As might be expected, those heterodox economists who do deploy mathematical models in their work do not entirely identify with Lawson's approach. Steve Keen, an increasingly influential heterodox economist, challenges Lawson on two grounds. Firstly, he argues that neoclassical economics is *not* deductivist or mathematical at all, but rather is 'mythematical', since 'it preserves the a priori beliefs of the neoclassical school in the face of mathematical contradictions of these beliefs, while concealing this practice beneath a welter of superficially mathematical formalisms' (p. 246). Secondly, Keen makes the case that there *can* be a mathematical economics which is not neoclassical in the terms outlined by, for instance, Varoufakis (2014). The problem with neoclassical or 'anti-complexity' economics (p. 250) is that methodological individualism, methodological instrumentalism, methodological equilibration – along with Keen's additional 'methodological bar-

ter' (p. 244) – rule out, *a priori*, engagement with non-linear, complex, or complex adaptive systems.

Keen is not alone in challenging Lawson's approach. John King questions why it is that Veblen is afforded 'proprietary rights' over the way in which 'neoclassical' is used in economics (p. 168), and remains unconvinced that using the term neoclassical *does* hinder effective critique. Additionally, King questions the conflation of 'mathematical deductivism' and 'formalism' (p. 176), the latter of which could extend to any theoretical abstraction. Likewise, Sheila Dow asks if Joan Robinson's contribution to the Cambridge Capital debates – based on 'deductivist mathematical reasoning that capital and its return need not be inversely related' (p. 113) – should really be termed 'neoclassical'. Perhaps, Dow suggests, Lawson's work – warts and all – should be examined as economic rhetoric, and we should ask 'How far has it been persuasive by posing a duality between orthodoxy and heterodoxy, supporting heterodoxy's growing sense of identity?' (p. 109).

Ben Fine, however, takes significant issue with Lawson's treatment of heterodoxy. In particular, he rejects the method through which Lawson (and Fleetwood) render substantive theoretical commitments irrelevant when delineating neoclassicism. Neoclassicism *does* exist, argues Fine, and is *more* than ontology. The pluralist movements upon whom Lawson has had much influence do daily battle with neoclassicism, and 'as such, it is of the most compelling strategic imperative to specify and critically deconstruct neoclassical economics rather than somewhat casually dismiss it as ephemeral' (p. 181). To reduce neoclassicism to an ontological matter, to a privileging of mathematical reasoning, is to detract attention from its other substantive commitments: 'methodological realism, lack of history of economic thought, lack of pluralism, lack of methodology, policy failures, etc.' (p. 195). Lawson's approach, in fact, 'is devastatingly debilitating for the most welcome tsunami of critical reflection that has been targeted at neoclassical economics, particularly in the wake of the global crisis' (p. 195).

Lawson's method may also seem odd to certain sociologists, particularly those working on the performativity of economics. As Fabian Muniesa has recently observed, 'the ultimate, quite naturalistic, epistemic critique – that of accusing a body of science of being wrong – is jeopardized within the performative idiom' (Muniesa, 2014: 38). Indeed, 'a critique of economics that is uncomfortable with performativity has to claim, first, that economics does not

matter...and, second, that it needs to be criticized anyway' (ibid.). But equally, the capacity to defuse and deflect critique is fundamental to the maintenance of the kind of institutional power that makes (certain kinds of) economics matter (see Morgan, 2015). Perhaps, then, this collection should be judged in terms of its capacity to provoke change in the economics profession, and the 'acts of economizing' (Muniesa, 2014) that might be enabled in a world where neoclassical economists find themselves on the back foot.

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With the overall discipline of Sociology continuously debating its own crisis, it seems remarkable that this crisis has, at least according to most scholars from the field, never seri-

ously affected the subfield of New Economic Sociology (NES). In his dissertation on the academic practices within the subfield, Jan Sparsam strongly criticizes this self-perception by characterizing what he perceives as a number of fundamental deficits.

As the central objects of NES, the author identifies the conceptualization of economic matters, the principles of sociologically explaining economic phenomena, the economy as a dynamic order, as well as explanations and critiques of (socio-)economic specifics and their continuous transformation (25ff). Starting from the hypothesis that NES systematically fails to meet these aspirations, Sparsam aspires to offer a metatheoretical critique of New Economic Sociology. His empirical basis constitutes central concepts of central authors; namely Harrison White, Mark Granovetter, Neil Fligstein, and Jens Beckert. The selection of these four theoretical approaches follows a dual principle: firstly, these are only perspectives aspiring to propose a general sociology of the economy and which, secondly, do not derive their principles from the field of rational choice theories.

After introducing the topic and research question in Chapter 1, Chapter 2 formulates the analytical framework of the study (inspired by Critical Theory of the Frankfurt School and some of its successors). Chapter 3 then describes the development of NES as an independent discipline. As the emergence of the field of NES did not only derive from Parsionian sociology's increasing inability to explain economic developments from the 1970s onwards, but also from similar (though more genuine) limitations of neoclassical economics, Chapter 4 explains the latter's shortcomings as the object of NES's critique. By reconstructing a selection of the writings published by the above four authors, Sparsam then goes on to substantiate the main thesis of his work. He concludes his immanent critique of the four approaches by offering the suggestion that none of the authors manage to take into account the very preconditions of the objects they attempt to explain. From a Marxist perspective, these preconditions, Sparsam explicates, can be subsumed under the term of the capitalist mode of production, namely profit-making through capital accumulation and (re-)investment as a goal in itself (1), the particular price form of commodities and its effect on measurability (2), the systemic character and the internal logic of the economy (3) and the effect economization on other societal spheres (4).

As one central deficit of the approaches discussed, Sparsam names insufficient references to 'the classics' of sociological reflections on the economy. At least with regards to the mainly meso-level focused and largely case-study based research, a lot of which was published in the *American Journal of Sociology* starting from the 1970s, such a tendency can be observed (although, for example, quite a lot of Georg Simmel's work can be found cited in the writings on network-analysis). In my opinion, this argument works only as long as you do not include scholars whose work intersect with NES (such as Wolfgang Streeck or Fred Block). By looking closer at the more recent writings of Jens Beckert on fictional expectations, who basically deals with Weber's ideas on rationalization, or the field-theoretical approach of Fligstein and McAdam, Sparsam neglects their explicit and (in my opinion) relatively far-reaching implications and references to classical authors and texts. Interestingly, while recognizing Beckert's attempt to systematically introduce a concept of agency into NES's theorizing, similar proposals by the Fligstein and McAdam are more or less ignored. If, and here I agree with Sparsam, NES attempts to establish a narrative of being immediately connected to the classics, I would welcome his critique.

Formally, the book is well-written and neatly structured and it is remarkable how much literature Sparsam incorpo-

rates into the text. All in all, however, and to be plainly honest, I am not really sure what to make of this book. I am convinced that Sparsam has carefully read everything he quotes from the authors, and from what I understand, he perceives a lack of a macro-perspective on 'Capitalism' as a comprehensive system. By confronting NES with what he describes as his own goals (or better: what he defines to be the goals of NES), his arguments derive their contours from a discrepancy between nominal aim and academic practice. Although I strongly sympathize with the argument, I am, however, not sure in how far I share Sparsam's description of NES's goals.

Coming from a tradition of Parsonian sociology, young scholars from the 1970s turned to meso-sociological thinking not least for the reason that they perceived macro-theories such as Parsons' as too ample and complex to explain the rapidly changing economy. While Sparsam does account for the intraprofessional negotiations of the discipline's representatives during the 1970s and 1980s, a stronger empirical focus on the ongoing within this community (i.e. a perspective established from the angle of a sociology of professions) could reveal more specific insights on the emergence and development of NES as an epistemic community.

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