

Historical Overview of the Economic Sociology¹

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Abstract

There exists a rich and colorful tradition of economic sociology, which roughly began around the turn of the twentieth century and continues till today. This tradition has generated a number of helpful concepts and ideas as well as interesting research results, which this article seek to briefly present and set in perspective. Economic sociology has peaked twice since its birth: in 1890–1920, with the founders of sociology (who were all interested in and wrote on the economy), and today, from the early 1980s and onward. A small number of important works in economic sociology – by economists as well as sociologists – was produced during the time between these two periods, from 1920 to the mid-1980s.

Key words

Economical sociology, economic analysis, society, economic relations, organizations

JEL Classification: A14

Introduction

The article explores the history of the development the science such social economics, the undoubtedly connection between economy and the society. The main goal of the article is to show how economic sociology was developed and how economists started to make their works linked to sociology and the same how sociologists started to research roots of sociological problems in economical life of the society in average. In the 21th century the social economics as a science has been increased in popularity among the researchers. Indeed, economists and sociologists have been estranged from each other for far too long. There was no effective communication between economists and sociologists from 1920 till 1980. Still there is the need for more interaction and communication between economists and sociologists. The main goal of the article is to remind the sharp need of the interconnection between these two sciences and show how their combination - "social economics", "economic sociology" etc. have been developed in historical context. There are a huge amount of scientists whose works were dedicated to the problem of social economics, and its history either, likes: Howard Brick (University of Oregon), Karl Eschbach (Harvard University), James Duesenberry (Har-

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vard University), Charles Perrow (Yale University), Ayvazyan Sergey (Lomonosov Moscow State University) etc.

1 The pioneers of economical sociology

Economic sociology can be defined in many ways. We define economic sociology broadly as the study of the social processes of resource creation, distribution, exchange and consumption. Special interests within economic sociology include the study of: business, caring, crime, disability, employment, entrepreneurs, environment, families, food, gambling, gender, health, housing, markets, money, networks, philanthropy, taxation, technology, wealth, and more. Economic sociology studies both the social effects and the social causes of various economic phenomena. The field can be broadly divided into a classical period and a contemporary one. As Neil J. Smelser defines, economic sociology is "the application of the general frame of reference, variables, and explanatory models of sociology to that complex of activities concerned with the production, distribution, exchange, and consumption of scarce goods and services."

The subject matter of economic sociology can be defined as encompassing economic actions, relations, and processes within their social setting.

A major concern of economic sociology is the relationship between the market and the economic system, on the one hand, and the state and its institutions, on the other.

The first use of the term economic sociology is thought to have occurred in 1879, when it appeared in a work by British economist Jevons. The term was then taken over by the sociologists, and it can be found in the works of Durkheim and Weber during the period 1890 – 1920 (for example, *T sociologie économique*, "Wirtschaftssoziologie"). It was also during these decades that classical economic sociology was born, in such works as *The Division of Labor in Society* (1893) by Durkheim, *The Philosophy of Money* (1900) by Simmel and by far most importantly *Economy and Society* (written between 1908 and 1920) by Weber. What characterizes classical economic sociology is primarily the following: First, there was a sense among Weber and his colleagues of being pioneer sand of constructing a new type of analysis. Secondly, there was a focus on such fundamental questions as, what is the role of the economy in society? How does the sociological analysis of the economy differ from that of the economists? To this must be added that there was also an attempt to size up capitalism and understand its impact on society of the great transformation, as Polanyi put it. In hindsight there are clearly several works from before the 1890 – 1920 period that in one way or another prefigure some of the insights of economic sociology (Swedberg, 1990).

Important reflections on trade and other economic phenomena can, for example, be found in *The Spirit of the Laws* (1748) by Montesquieu. This work also contains a pioneering comparative analysis the way in which economic phenomena are influenced by different political regimes (republics, monarchies, and despotic states). The role of labor in society is central to the work of Saint-Simon (1760-1825), who also helped to popularize the term industrialism (1964). The only two figures before Weber who will be discussed here, however, are Tocqueville and Marx. Tocqueville is of special inter-

est since his analysis of economic phenomena, including its sociological dimension, has attracted next to no attention. Marx is a towering figure in nineteenth-century thought and very much part of a tradition that helped to inspire the creation of economic sociology (Swedberg, 2003). The scientific status of economic sociology – and of the social sciences in general – is however based on a conception that is different from that of both monism and dualism. The application of the scientific method, based on the verification of hypotheses, does not necessarily require the formulation of general laws. Indeed, this is not the aim of the social sciences; they instead aspire to the formulation of models. While laws are expected to be generally applicable, models are ideal reconstructions of specific situations, defined by particular conditions limiting their validity in space and time. They are elaborated on the basis of a historical–empirical situation, but do not treat it exhaustively. Instead, they serve to interpret it. While Boudon called this approach to the social sciences “formal theory”, recalling Simmel, it also comes close to Weber’s ideal types. Weber proposed these last in a methodological debate where he sought to set out a scientific program for economic sociology, envisaging a specific space for research that would break free of the limits of historicism and positivism (Trigilia, 2002).

The most popular pioneers of economical sociology were Karl Marx, Max Weber, Emile Durkheim, Joseph Schumpeter Georg Simmel Emile Durkheim Karl Polanyi and Talcott Parsons.

Karl Marx (1818–1883) was obsessed with the role of the economy in society and developed a theory according to which the economy determined society’s general evolution. What drives people in their everyday lives, Marx also argued, are material interests, and these also determine the structures and processes in society. While Marx wanted to develop a strictly scientific approach to society, his ideas were equally infused by his political desire to change the world. The result was what we know as “Marxism”— a mixture of social science and political statements, welded into a single doctrine.

In economic sociology Max Weber (1864-1920) occupies a unique place. It was Weber who made the first sustained attempt to develop a distinct economic sociology. His experience as a professor of economics for many years was no doubt helpful in these efforts. He wrote two dissertations, as was necessary at the time to qualify for a university position in Germany - one on medieval trading corporations and another on the sale of land in early Rome. Max Weber is a subject in next pages.

Emile Durkheim (1858-1917), compared to Weber, knew less about economics and made less of a contribution to economic sociology. The most important fact about Durkheim's work, namely that it is deeply original and still largely unexplored in light of economic sociology. While Durkheim was no expert on economics and never taught economics, he had nonetheless studied many of the major works in the field. While none of Durkheim's own studies can be termed a work exclusively in economic sociology, many of them nonetheless touch on economic topics In one of Durkheim's articles on the tasks of sociology and its various subfields, he gives the following definition of economic sociology: Finally there are the economic institutions: institutions relating to the production of wealth (serfdom, tenant farming, corporate organization, production in factories, in mills, at home, and so on), institutions relating to exchange (commercial organization, markets, stock exchanges, and so on), institutions relating to distri-

bution (rent, interest, salaries, and so on). They form the subject matter of economic sociology (Swedberg, 2003).

It is not known to what extent Georg Simmel (1858-1918) was familiar with economics. He rarely used references in his works, and at the most there is an occasional mention of Adam Smith or Karl Marx in the text. Simmel's work contains much that is of value to economic sociology. One point illustrating this last statement is that Simmel's major sociological work, *Soziologie* (1908), contains an important analysis of interest. In the main theoretical chapter of this volume Simmel addresses the problem of what a sociological interest analysis should be like and why an analysis of interest is indispensable to sociology. Two of his most central propositions are that interests drive people to form social relations and that it is only through social relations that interests can be expressed.

It is not possible to discuss the work of Joseph A. Schumpeter (1883-1950) without also saying something about the contribution that economists more generally have made to economic sociology. On the whole one can say that the work of several of the early economists is of great interest to economic sociology.

The work of Thorstein Veblen (1857-1929) appeared in sociological journals and is of much relevance to economic sociology. Veblen's most important contributions to economic sociology include his analyses of such topics as consumer behavior, why industrialization in England slowed down, and the shortcomings of neoclassical economics. "A vested interest", in Veblen's memorable formulation, "is a marketable right to get something for nothing". A final mention should also be made of Werner Sombart (1863-1941), a friend and colleague of Weber. Sombart wrote on the history of capitalism, on the economic temper of his time.

Like many of the early figures in economic sociology, Karl Polanyi (1886-1964) had lacked a formal education. Trained in law, Polanyi later taught himself economics economic history and economic anthropology. His main specialty was economic history, with an emphasis on preindustrial economies and nineteenth-century England. Though the work of Polanyi has become quite popular among contemporary economic sociologists, large parts of it are still unknown and other parts have not yet been fully assimilated. Polanyi's most famous work is *The Great Transformation* (1944), conceived and written during World War II. Its main thesis is that a revolutionary attempt was made in nineteenth-century England to introduce a totally new type of economy, in which everything was centered around the market. Polanyi casts some of his analysis in *The Great Transformation* in interest terms and argues that in all societies, before the nineteenth century, the general interests of groups and societies had been much more important than the money interest of the individual. "An all too narrow conception of interest," Polanyi emphasizes, "must in effect lead to a warped vision of social and political history, and no purely monetary definition of interest can leave room for that vital need for social protection".

Talcott Parsons (1902-79) was educated as an economist in the institutionalism tradition and taught economics at Harvard University. At this time he developed the notion that while economics deals with the means-end relationship of social action, sociology deals with its value aspect. In the 1950s Parsons recast his ideas on the relationship of economics to sociology in a work coauthored with Neil Smelser, *Economy and Society*. This work constitutes Parsons's major contribution to economic sociology,

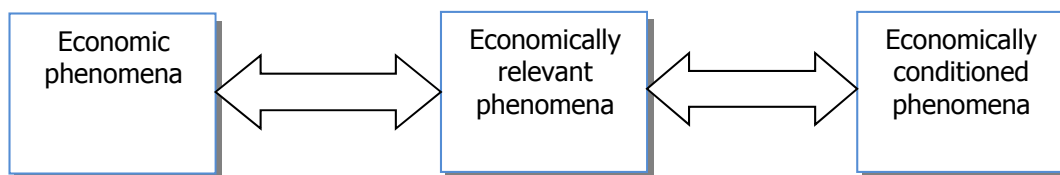
even though he produced several other works that are relevant to this field. It should also be noted that it was Parsons who translated much of Weber's work on economic topics into English; he also pioneered an important essay on Weber's theoretical economic sociology in *The Theory of Social and Economic Organization*.

2 From Weber's studies to modern economic sociology

Among the classic authors in economic sociology Max Weber (1864 - 1920) occupies a unique place. Weber made the first sustained attempt to develop a distinct economic sociology. As a young man, according to Marianne Weber, he decided to leave law for economics because the latter was a much younger and more flexible science.

Weber argues that economic analysis should not only cover economic phenomena but also economically relevant phenomena and "economically conditioned phenomena" (see figure 1) (Weber, 1949).

Figure 1 The Subject Area of Social Economics, according to Weber



Source: Own processing.

In his early work Weber saw the study of economics as consisting of the following three parts: the study of the economy (Economic phenomena), phenomena that influence the economy (Economically relevant phenomena), and phenomena that are partly influenced by the economy (Economically conditioned phenomena) (Weber, 1949).

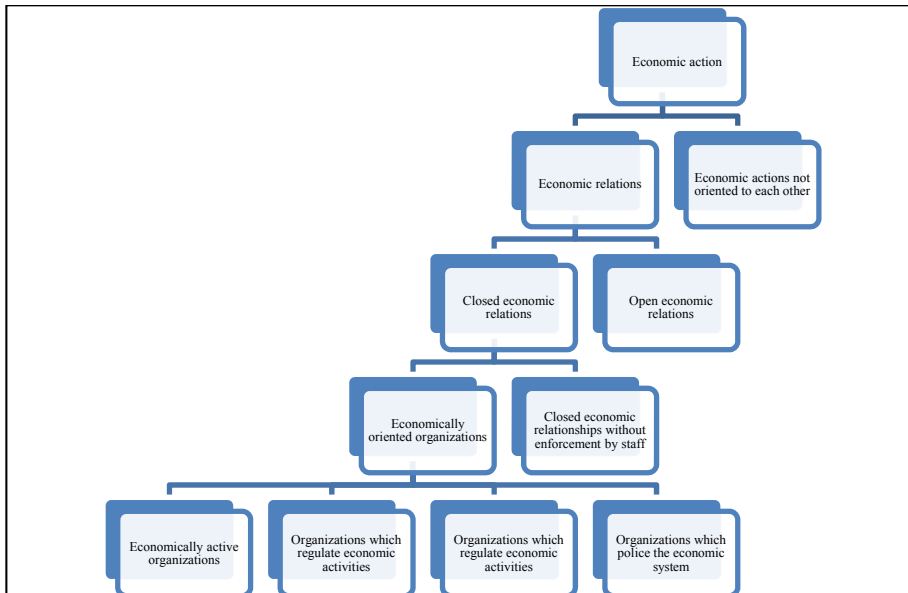
Weber's best known work in economics concerned the preconditions for capitalist development, particularly the relations between religion and capitalism, which he explored in *The Protestant Ethic and the Spirit of Capitalism* as well as in his other works on the sociology of religion. He argued that bureaucratic political and economic systems emerging in the Middle Ages were essential in the rise of modern capitalism (including rational book-keeping and organization of formally free labour), while they were a hindrance in the case of ancient capitalism, which had a different social and political structure based on conquest, slavery, and the coastal city-state.

Weber's ideal bureaucracy is characterized by hierarchical organization, by delineated lines of authority in a fixed area of activity, by action taken (and recorded) on the basis of written rules, by bureaucratic officials needing expert training, by rules being implemented neutrally and by career advancement depending on technical qualifications judged by organizations, not by individuals (Kenneth & Kenneth, 2005).

Economic organizations constitute another important form of closed economic relationships; and Weber introduces a full typology of different economic organizations. This typology ranges from purely economic organizations to those that have as their

main task to regulate economic affairs, such as trade unions (see figure 2). Weber attaches especially great importance to the role of the firm in capitalism, which he sees as a revolutionary force (Mass, 2009).

Figure 2 From Economic Action to Economic Organizations, according to Weber



Source: Own processing.

Note: In *Economy and Society* Weber constructs his economic sociology in a systematic manner, starting from economic action and continuing via economic relations to economic organizations (Weber, 1978).

Weber regarded himself primarily as a “political economist”, and all of his professional appointments were in economics, though today his contributions in that field are largely overshadowed by his role as a founder of modern sociology. As an economist, Weber belonged to the “youngest” German historical school of economics. The great differences between that school's interests and methods on the one hand and those of the neoclassical school (from which modern mainstream economics largely derives) on the other, explain why Weber's influence on economics today is hard to discern (Schweitzer, 1975).

Contemporary economic sociology focuses particularly on the social consequences of economic exchanges, the social meanings they involve and the social interactions they facilitate or obstruct. Influential figures in modern economic sociology include Fred L. Block, James S. Coleman, Mark Granovetter, Harrison White, Paul DiMaggio, Joel M. Podolny, Richard Swedberg and Viviana Zelizer in the United States, as well as Luc Boltanski, Laurent Thévenot, or Jens Beckert in Europe. To this may be added Amitai Etzioni, who has popularized the idea of socioeconomics, and Chuck Sabel, Wolfgang Streeck and Michael Mousseau who work in the tradition of political economy/sociology.

The focus on mathematical analysis and utility maximalisation during the 20th century has led some to see economics as a discipline moving away from its roots in

the social sciences. Many critiques of economics or economic policy begin from the accusation that abstract modelling is missing some key social phenomenon that needs to be addressed.

Economic sociology is an attempt by sociologists to redefine in sociological terms questions traditionally addressed by economists. It is thus also an answer to attempts by economists (such as Gary Becker) to bring economic approaches - in particular utility maximisation and game theory - to the analysis of social situations that are not obviously related to production or trade. Karl Polanyi, in his book *The Great Transformation*, was the first theorist to come up with the idea of the "embeddedness", meaning that the economy is "embedded" in social institutions, which are vital so that the market does not destroy other aspects of human life (Becker & Murphy, 2003).

Conclusion

During the last 30 years social economics as an independent branch of science came through different periods, was influenced by the political situation in particular historical formation, and was examined and analyzed by different sociologists and economists mentioned in the article. The main point is that still in our time the connection between economists and sociologists is not strong enough, what was written by Swedberg in his numerous books and works in the end of 20th century. Despite the crisis that came to the world social economics still not developed and the area of these branch of economics with its problems and disputes needs to be developed in the future.

Making a conclusion, we can say that social economics is a branch of economics that focuses on the relationship between social behavior and economics. Social economics examines how social norms, ethics and other social philosophies that influence consumer behavior shape an economy, and uses history, politics and other social sciences to examine potential results from changes to society or the economy.

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