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## **Ch. 12: The Cat's Dilemma and Other Questions for economic Sociologists**

This concluding chapter is devoted to a series of issues that invite to discussion rather than to exposition and analysis as the topics in the earlier chapters. The first issue on the agenda is what to do with the various topics which have been left out (“*Issue # 1: The Question of Structural Holes in Economic Sociology*”). Why have certain topics been ignored in economic sociology and how can this be remedied? This is followed by a section on the role of interests in economic sociology (“*Issue # 2: The Concept of Interest and Its Role in Economic Sociology*”). Since the main theoretical claim of this book is to have systematically introduced the concept of interest into economic sociology, what has been said on this topic in the earlier chapters needs to be summarized and discussed. One objection to using the concept of interest that has to be dealt with, for example, is the argument that if everything is due to interests, the notion of interest runs the risk of becoming redundant. Another is the argument that the concept of interest is reductionistic in nature.

A third issue which is important to touch on before this book comes to an end is the issue of objectivity and reflexivity, or the extent to which economic sociologists need

to reflect on the conditions under which their own analyses have come into being and the extent to which they are reasonably objective (“*Issue # 3: The Role of Objectivity and Reflexivity in Economic Sociology*”). I will also argue that the discussion of reflexivity should be extended to include the production of economic knowledge in general, including economic theory, economic ideologies and the role of economic news in the media.

The last issue on the agenda in this chapter is perhaps the most important of all: to what extent can economic sociology be used outside of academia, as a policy science (“*Issue # 4: Should Economic Sociology be a Policy Science?*”). This is the issue I had in mind when I decided to call this chapter “The Cat’s Dilemma and Other Questions for Economic Sociologists”. My viewpoint can perhaps best be summed up by the cartoon below, which depicts a cat contemplating how to get a ball on a table. Should she first try to figure out exactly how this can be done theoretically and then get the ball? Or should she forget about the analysis and just go for the ball? There are a few other meanings that can be read into this cartoon as well, if one looks at it with economic sociology in mind – but this I leave for the reader.

**/CARTOON FROM NEW YORKER: “CAT THINKS OF A  
COMPLEX EQUATION TO GET A BALL OFF OF A TABLE” (ID  
46752, PUBLISHED 11/26/2001)<sup>1</sup>**

### **1. *Issue # 1: The Question of Structural Holes in Economic Sociology***

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<sup>1</sup> For this cartoon, see the very end of this chapter.

Since its rebirth in the 1980s economic sociology has devoted much effort to analyzing key topics in the economy, such as the role of corporations, banks, networks and so on. It has, however, also failed to address a number of important topics, and as result of this several “structural holes” have appeared (cf. Aspers 2001a). The metaphor of structural holes is useful in this context because it draws attention to the fact that these holes have not appeared in a random fashion, due to the simple fact that the economic sociologist cannot possibly cover everything. On the contrary, there is a story behind each of these holes, which it is important to know.

That this is the case can be illustrated by referring to some of the holes that this book has attempted to fill. That economic sociology has paid so little attention to the role of gender in the economy (Ch. 11) is obviously related to the more general lack of interest for gender issues that is characteristic of all the social sciences and which is due to the devaluation of women. Why so little attention has been paid to law (Ch. 8) is less easy to pinpoint. Perhaps it has to do with the fact that law and sociology are taught in different parts of the university and also are very different in nature. While professors of law essentially teach their students a practical skill which can be used in society, professors of sociology teach their students a certain way of analyzing problems – a skill for which there is little need outside of academia. Finally, consumption (Ch. 10) is often disregarded by economic sociologists; and one reason for this is that this topic has a tradition of being studied by sociologists who specialize exclusively in consumption.

But why should economic sociology be so concerned with filling all of these structural holes? Is it not the case that economic sociology is a distinct perspective, and that it cannot possibly cover all of economic life in an encyclopaedic manner, especially

since it is so young? This is true. Still, it would be odd if economic sociology did not discuss all the main topics in economic life. A student who takes a course in economic sociology, or who reads a general book in this field, should be able to get some sociological insight into all of the major areas of economic life.

This, however, is *not* the case today; and as examples of the many structural holes that currently exist, the following can be mentioned: *entrepreneurship*, *stratification* and *the potential use of game theory in economic sociology*. Many others could be added, such as risk, technology and the role of ethnicity in the economy. The first three, however, will have to do for now since I basically want to illustrate the general issues involved.

It is, for example, clear that the existing literature on entrepreneurship, stratification and game theory in the other social sciences can add substantively to economic sociology, both in terms of factual knowledge and in terms of theory. This is true not only for economics but also for economic history and economic anthropology, which are still largely untapped by economic sociologists. In some cases it is also enough to highlight the sociological part of some insight in a neighboring social science, and downplay its non-sociological part, in order to turn it into economic sociology. This, for example, is the case with many of the studies of consumption that have been produced by social and economic historians. In many cases the difference between economic sociology and related social sciences is also terminological in nature.

If the minimum strategy for economic sociology, in handling structural holes, would be to simply “import” studies from the other social sciences, without adding much of its own, the maximum strategy would be to produce innovative analyses by drawing

on the tradition of economic sociology. The latter strategy is preferable for several reasons. For one thing, if economic sociology would be able to develop an innovative approach to such topics as gender, law, consumption and so on, students in the other social sciences would want to work in economic sociology. Economic sociology would also be freed from the burden of having to follow very closely what is going on in the other social sciences, instead of focusing on studies of its own.

To this can be added that while many economic sociologists agree on the existence of certain structural holes, this is by no means always the case. Economic sociology can be defined in different ways, and the ambitions for the field also vary. Of the three topics that I mentioned earlier, it seems fairly obvious that entrepreneurship should be part of the repertoire of economic sociology, and the sooner this happens the better. It is however more difficult to know how to deal with the other topics that were mentioned, and if they really constitute structural holes (stratification and game theory).

*Entrepreneurship* has been of little interest to social scientists during the 20<sup>th</sup> century, including sociologists, but is today in the process of constituting itself as an interdisciplinary field, somewhat like organization theory after World War II. Economic sociologists, however, have been slow to realize that entrepreneurship plays a key role in the economy and will do so even more in the future (for some exceptions, see Thornton 1999, Swedberg 2000b, Aldrich forthcoming). In business schools all around the world, entrepreneurship is today being taught to the students, just as courses in management have been taught for half a century; and the hope is clearly to turn entrepreneurship into a teachable and routinized skill.

The sociology of entrepreneurship would first of all have to break with the a-social individualism that pervades this field, from the attempt by psychologists to find the entrepreneurial personality to the focus on the entrepreneur as an actor who singlehandedly builds a fortune and an empire. One way to proceed would be to analyze entrepreneurship as a group activity, along the lines that Rosabeth Moss Kanter has suggested in *The Change Masters* (Kanter 1983; cf. Kanter 1988). The entrepreneur, from this perspective, is primarily a person who can motivate other people, coordinate their efforts, and wield them together into a group that can realize the goal that she has chosen. Another approach would be to analyze entrepreneurship with the help of network theory. Entrepreneurship, from this perspective, can e.g. be conceptualized as an attempt to string together resources with the help of a broker standing midway between different networks that are in need of each other (Burt 1992). The entrepreneur, in this scenario, essentially makes her profit by controlling the traffic between the networks.

Of much interest in recent studies of entrepreneurship is the issue of startups. Comparative studies of frequency rates in various countries have started to appear but still have some way to go (e.g. Aldrich 1999). Contrary to what was earlier believed, it has also been established that the initial vision of the entrepreneur has an important impact on the structure of the firm as well as its performance (Baron and Hannan forthcoming). A firm where the employees have been handpicked because of their personal commitment, tends for example to do better than a firm where the employees have been selected in a conventional manner. When a firm is started up, there is also a need for inputs of various kinds from other firms, such as law firms, venture capital firms and the like; and the way

that this is handled is very important for the development of the firm (e.g. Castilla et al 2000).

It is finally also clear that sociologists can make use of the insights about entrepreneurship that have been produced in the neighboring social sciences, including economics. While economists on the whole have ignored entrepreneurship, there exist some outstanding exceptions. There is first and foremost the work of Joseph Schumpeter, who is the founder of the study of entrepreneurship and whose definition of entrepreneurship is still very useful: *the putting together of a novel combination of resources* (Schumpeter 1911:Ch. 2, [1928] 2002, 1934:Ch. 2). There is also the work of the neo-Austrians on entrepreneurship as a form of arbitrage (e.g. Kirzner 1973, 1997). According to this approach, the entrepreneur is someone who is constantly on the outlook for opportunities to buy cheap and sell dear. While Schumpeter's entrepreneur breaks an equilibrium, the activities of the neo—Austrian entrepreneur help to establish it. The work William Baumol must also be mentioned (Baumol 1993). One of Baumol's many interesting ideas is that entrepreneurship can be destructive as well as constructive. What differentiates the two is the social structure and social context within which entrepreneurship takes place.

The issue of *stratification* as a structural hole differs from that of entrepreneurship on several accounts. The most important of these is that stratification and economic sociology have been treated as two distinct subfields in sociology since its very beginnings; and this is something that is still seen as perfectly natural by most sociologists. Max Weber, for example, discusses economic sociology and stratification in two different parts of *Economy and Society*; the former in Chapter 2 ("Sociological

Categories of Economic Action”) and the latter in Chapter 4 (“Status Groups and Classes”).

Little attempt has also been made by the leading experts on stratification to relate their work in some fundamental way to economic sociology - and vice versa for economic sociologists. Still, it is clear that the two fields do connect and also overlap at several points. Property, for example, is important to both of them, and so is consumption. One can also mention the topic of labor markets, since it involves conventional stratification issues as well as attempts to understand the way that markets operate (e.g. Granovetter 1986, Reskin and Padavic 1994).

Property, it seems to me, is an example of a topic with much potential for further development in this context. Weber’s analysis of situations in which actors are consciously excluded from some opportunity plays, for example, a key role in his concept of property as well as in his theory of stratification. While this has led to quite a bit of work on stratification, this is not the case with property (for “closure theory”, see e.g. Parkin 1979; Murphy 1984, 1988).

It would also seem obvious that economic sociology and stratification theory would both be interested in the recent changes that have taken place in the property structure of industrial countries, from individuals being the main owners to institutions. Roughly 60 per cent of the assets of the one thousand largest corporations in the United States are today owned by institutions, such as pension funds, mutual funds, insurance companies and the like (e.g. Davis and McAdam 2000:201). To this can be added that while stratification theory knows much about income inequality, there has been little research on “wealth inequality” (e.g. Western 2001). What is very clear, however, is that



the latter is much more unequal. While data from the beginning of the 1990s in the United States indicate that the top 1 percent received 16 percent of all income, the equivalent figure for wealth was 40 percent (e.g. Keister 2001).

Similarly, economic sociology and stratification theory have both an interest in the topic of lifestyles and how these are related to the way that the economy works. In economic sociology this interest grows out of its concern with consumption; and, as mentioned in Chapter 10, the concept of lifestyle has replaced class as the relevant unit of analysis in some contemporary studies of consumption. The concept of lifestyle has, on the other hand, always been important to stratification theory or at least since Weber opposed class and production to status and consumption/lifestyle. Recently it has also been suggested by some experts on stratification that lifestyle and consumption have replaced class and production as the major source of differentiation in modern society (for an introduction to this literature as well as a rebuttal, see e.g. Grusky and Weeden 2001).

In my opinion there also exists another argument why economic sociology should try to incorporate some of the findings of stratification theory. As I see it, it would be very strange if economic sociology was *not* concerned with the end result of the economic process - or who gets what and how. Exactly how a substantial link between economic sociology and stratification theory can be forged is something which needs to be discussed. This type of enterprise would also help to counteract a certain tendency in today's economic sociology to only deal with the upper layer of the economy - with the corporations and their CEOs.

As to *game theory* – the last of my three examples - and its potential use in economic sociology, it should first of all be noted that most economic sociologists are not interested in game theory and see little place for it in economic sociology. The reason for this is probably that game theory uses a rational choice perspective; that it draws heavily on mathematics; and that it has strong links to standard economic theory. It is also difficult (if at all possible) to establish empirically what strategies of action are open to an actor and what their respective payoffs are. To this can be added that it seems difficult to use game theory in quantitative research of the type that sociology specializes in. A wellknown methodologist has, for example, stated that “unfortunately, it has turned out to be very difficult to do empirical work, using GT models” (Petersen 1994:501).

Some additional reasons why sociologists may find it hard to use game theory may be found in Erving Goffman’s wellknown essay on strategic interaction:

Persons often don’t know what game they are in or whom they are playing for until they have already played. Even when they know about their own position, they may be unclear as to whom, if anybody, they are playing against, and, if anyone, what his game is, let alone his framework of possible moves. Knowing their own possible moves, they may be quite unable to make any estimate of the likelihood of the various outcomes or the value to be placed on each of them...Of course, these various difficulties can be dealt with by approximating the possible outcomes along with the value and likelihood of each, and casting the result in a game matrix; but while this is justified as an exercise, the approximations

may have (and be felt to have), woefully little relation to the facts.

(Goffman [1961] 1972:149-50)

Much of this critique of game theory and its possible use in sociology may well be true, but it still appears to me that game theory could have a role to play in economic sociology. My own preference would be for game theory of a fairly elementary type, such as prisoners' dilemma and Thomas Schelling's work (for a fuller discussion of this and related issues, see Swedberg 2001). I also would argue that there do exist quite a few situations in economic life where strategic thinking plays a crucial role – and game theory may be helpful in these.

Weighing all of the arguments together, it seems that we are currently far away from having the kind of game theory that we need in sociology. Phillip Bonacich, who has pioneered the use of game theory in sociology, may well be correct in his assessment:

With respect to the future, my feeling is that sociologists don't know game theory and economists, who do, are hopelessly naïve about social structures. The best work remains to be done by those who have mastered both disciplines. (Bonacich 2000)

## **2. Issue # 2: The Concept of Interest and Its Role in Economic Sociology**

While the dominant approach in economic sociology emphasizes the importance of social relations for a proper understanding of the economy, I argue that while this is important, interests should be an equally integral part of the

analysis. Institutions, for example, can be seen as distinct constellations of interests *and* social relations. An economic sociology that ignores the role of interests, I argue, runs the risk of becoming trivial. The reason for this is that interests, much more so than social relations, is what drives economic action. This is by no means a novel insight, as the work of Weber and others show. It is, however, a position that has been forgotten in much of modern economic sociology.

That this argument for an economic sociology centered around the concept of interest needs to be discussed is clear. I will therefore first quickly summarize the case for an economic sociology which assigns a key role to the concept of interest, and then indicate some issues that need to be addressed. These latter include how interest should be defined, and how to go about an analysis which takes interests seriously. There is also the questions of circularity and reductionism. It is sometimes argued that an analysis which draws on interests runs the risk of being tautological. It tries to explain everything as the result of some interest, a bit like one of the characters in a play by Molière explains the sleepinducing effect of opium by its “dormative quality”. Interest analysis, it is also argued, has a tendency to reduce everything in a mechanical way to some interest. Finally, a few words need to be said about the relationship between interest and motivation, its equivalent in psychology.

The idea that the concept of interest should be central to the analysis of social reality is common enough, as I have tried to show in this book. It stretches back to the very beginnings of social theory, and it can be found in the works of

many of the classical social theorists as well as the founding fathers of sociology. Among the former are David Hume, Adam Smith and Alexis de Tocqueville; and among the latter Max Weber, Emile Durkheim and Georg Simmel. Also some of the major sociologists of modern times have assigned an important part to the concept of interest in their analyses. This is especially the case with James Coleman and Pierre Bourdieu – two figures who usually end up in opposite corners.

Much more could have been said in this book about the general history of the concept of interest, but I have not had the ambition to improve on the works of Stephen Holmes and others in this regard. There is one exception to this however: I have wanted to show that there also exists *a sociological concept of interest*, which was developed around 1900. The basic idea of Weber, Simmel and a few other thinkers is that interests can only be realized within the framework of society, and that the role of social relations always has to be taken into account in an analysis of interests.

As opposed to some of the writers on the concept of interest I am favorable disposed to this concept and advocate its use. I generally think that it should be regarded as a major concept in the social sciences, and that it is absolutely indispensable to economic sociology. If sociologists use the concept of interest in their analyses, it should be noticed, they tend to do so in a casual and unreflected manner, which differs from the way that they deal with key concepts. “Throughout the tradition of sociological analysis it [that is, the concept of interest] is often referred to without further specification”, as one commentator

points out (Demeulenaere 2001:7715). Key concepts, in contrast, are typically discussed and defined in standard works; they are consciously improved upon; and they are taught to students in introductory courses and texts – all of which is currently *not* the case with the concept of interest in sociology. The concept of interest, in brief, constitutes a “proto-concept”, in Robert Merton’s terminology: “A *proto-concept* is an early, rudimentary, particularized, and largely unexplicated idea...; a *concept* [on the other hand] is a general idea which once having been defined, tagged, substantially generalized, and explicated can effectively guide inquiry into seemingly diverse phenomena” (Merton 1984:267; emphasis added).

I have also argued that a watershed took place in the history of the concept of interest when the economists, towards the end of the 19<sup>th</sup> century, gave up on the more complex and many faceted type of interest analysis that can be found in the work of such thinkers as Tocqueville and John Stuart Mill. It is from this point onwards that the concept of interest begins to be reduced to, and exclusively equated with, *economic self-interest*. It is also at this point that interests became the beginning, so to speak, as well as the end of the analysis. That is, instead of using interests *to suggest plausible hypotheses*, to be tested empirically, they were used to logically reason your way to the solution of some problem.

This strategy may well have its advantages - but it has also impoverished the analysis of economic and other phenomena. It has, among other things, eliminated the concern with non-economic interests and other economic interests than self-interest. And this way of using the notion of interest cannot handle the

situation that people often do not know what their interests are; and when they do, they do not necessarily know what they should do in order to realize them (cf. Goffman's critique of game theory). When economic analysis is applied to non-economic activities, it also tends to recast these exclusively in economic terms, such as competition, monopoly, trade and so on. It furthermore fails to take social relations into account. This whole set of problems is what Bourdieu has in mind when he states that "the word *interest*...is also very dangerous because it is liable to suggest a utilitarianism that is the degree zero of sociology" (Bourdieu 1993:76)

Throughout this book I have tried to point out why interest, especially as it has been used by people such as Hume, Smith, Tocqueville and Weber, is still a very useful concept. A number of reasons why this is the case can be cited. For one thing, the concept of interest imparts a distinct dynamic to the analysis because it is mainly interest which makes people take action. It supplies the force which make people get up at dawn and work very hard throughout the day. Combined with the interests of others, it is a force which can move mountains and create new societies.

A corollary of this is that it helps to explain conflict, which takes place when interests clash. This is true for what happens in a person's mind as well as between individuals, groups and societies. But interests do not only clash and energize the actors; they can also block each other, reinforce each other or immobilize an actor by making her back some religion or politics that supports tradition. The concept of interest, in brief, is a flexible tool of analysis.

Taking interests seriously also means shifting the center of the analysis from the surface of things to what has an important impact on social action. Weber's analysis in *The Protestant Ethic* is paradigmatic in this respect, in its attempt to analyze what made people change their behavior in such a fundamental way that a whole new rationalistic mentality was created. This aspect of *The Protestant Ethic* may in the long run prove as important as its wellknown thesis about the importance of ascetic Protestantism for modern life.

Taking interests seriously can also help to give a balanced place to the role of subjectivity and culture in the analysis of economic behavior. These latter must indeed not be ignored – interests are to some extent always subjective as well as shaped by culture – but interests are also “objective” in the sense that they often constitute an uncommonly stable and stubborn part of social reality. The state or public morality may e.g. forbid a certain activity – which will anyway take place.

Utopian thinkers, from this perspective, can be defined as thinkers who disregard interests in their work. Actors without official interests (say, students) are ignored by those in power and are also prone to utopianism in their actions and thoughts. Being a “free-floating intellectual” is by no means as positive as Karl Mannheim believed. Having an established interest may tie you to the order of things and make you “sell out” - but it also makes you a contender and anchors you in reality.

I have tried to point out that there exists an attempt by sociologists in Weber's generation as well as today to integrate interests into the sociological type of analysis; and that this approach (as opposed to the non-sociological and



non-empirical interest theory of mainstream economics) is what is most congenial to economic sociology. One can summarize this approach as one that takes both interests and social relations into account - as long as it is clear that interests are defined and expressed through social social relations. “Far from being an anthropological invariant,” as Bourdieu warns, “interest is *a historical arbitrary*” (Bourdieu and Wacquant 1992:116). Also the following statement by Bourdieu gives a sense of how deeply intertwined interests and social relations are:

“anthropology and comparative history show that the properly social magic of institutions can constitute just about anything as an interest” (Bourdieu 1998:83).

But even if there exist a number of positive qualities to the concept of interest, it also raises some problems which need to be discussed. One of these has to do with the difficulty of defining what an interest is. Up till this point in this book, for example, I have not supplied my own definition of interest, and the reason for this is that I have been unable to find one that is satisfactory. It should be emphasized that it is often the case in the social sciences that it is hard to find good definitions of key concepts.<sup>2</sup>

Nonetheless, it is time for me to advance my own definition of interest, and it is as follows: *interests are what drive the actions of individuals at some fundamental level*. To this must be added that interests are intensely social phenomena. Other individuals have to be taken into account when an actor

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<sup>1</sup> See the end of this chapter for this note.

attempts to realize her interests; there is also the fact that interests are socially defined.

This definition is broad enough to encompass many different types of interests, not only economic ones. Much hinges, of course, on what is meant by the expression “at some fundamental level”. The reason for using this expression is that the concept of interest is typically used to capture the major forces that drive human behavior, the ones that really matter. What is imperative in an interest analysis is to situate the analysis at a deeper level, as Weber does in *The Protestant Ethic*. I also would argue that once the notion of interest has been properly introduced into the analysis, it can be useful to drop it and replace it with some other, more specific term, which better describes what drives the actor in some specific situation. This is often the way that Tocqueville, Weber and other thinkers proceed.

Another issue that needs to be discussed is that of tautology. One of Albert O. Hirschman’s articles is entitled “The Concept of Interest: From Euphemism to Tautology”, and it contains the argument that the economists’ concept of interest tends to be tautological since it is used to explain everything (Hirschman 1986). Hermann Isay is another scholar who has given voice to this type of criticism, in one of his articles on the jurisprudence of interests:

In the first place, the notion of ‘interest’ is too colorless and therefore almost devoid of content. It does not become clearer by being defined as man’s ‘desire for the goods of life’ [by Philip Heck, elsewhere in this volume]. Under this definition, ‘interest’ comprises everything that affects

human beings either as individuals or as a community: not merely material goods but also ethical, religious, moral interests, the interests of justice, of fairness, ‘the highest interests of mankind’, and the like. Oertmann has justly remarked that in this way the concept of interest is being inflated to such proportion that it becomes useless. (Isay 1948:316)

What Isay argues is that the concept of interest is treated as if it constitutes the philosopher’s stone, something which it certainly isn’t. If too much weight is put on the notion of interest, it will brake. While interest should not be treated as if it was *the* major concept in sociology (similar to the way that, say, “class” is used in Marxism), it nonetheless deserves to be treated as one of the more important sociological concepts - and surely as a concept that is indispensable to economic sociology.

A related topic is the question if the concept of interest is reductionistic in nature, that is, if it reduces everything to some interest and thereby impoverishes the analysis (e.g. Merton 1968:553-54; cf. however Merton 1976:82-3, 152-53). This critique has recently been made by Frank Dobbin, who argues that in contemporary Western society people tend to explain practically everything in terms of interest (“the interest frame”). This, however, is no reason for social scientists to do the same, according to Dobbin, who adds that

when anthropologists observe totemic societies in which local lore has it that frog spirits rule the universe, they do not conclude that frogs are inscribed in plows and circumcision mats because frogs indeed rule this domain. They conclude that the locals have developed a system of

meaning that locates authority over social practices in the frog totem.

Likewise, when we study modern social practices, we must do what we can to step outside of the frame of reference of the locals [that is, the interest frame]. (Dobbin 2001:78)

Most of Dobbin's argument, it should be noted, is not directed at the concept of interest that is advocated in this book; what he aims his critique at is the concept of self-interest in economics.

As earlier mentioned, motivation is the equivalent concept in psychology to interest in the other social sciences. The parallels between these two concepts comes out well in the following quote:

Psychologists favor the term *motivation* to describe the wants, needs, and preferences that guide behavior. Without motivation, there would be few conflicts or problems in human life, especially not between people, because no one would care about anything. Then again, without motivation hardly anything would get done. In fact, without motivation, the human race would not even reproduce itself. Motivation is vital for life to continue. (Baumeister forthcoming).

Since there exists a body of research on motivation, why not simply discard an old-fashioned and "literary" term such as interest and replace it with a more modern and scientific one, such as motivation? One reason for *not* doing so is that this would turn the whole analysis into a study in psychology, as opposed to one in sociology. This is a point that both Weber and Parsons have made (Weber [1908] 1975, Parsons [1940] 1954). To this can be added that interests are

not exclusively internal; they are at times also located outside of the individual.

What makes interest into such a flexible and evocative concept is actually that it often *spans* the individual and the group; the internal and the external; the biological and the social.

A final issue to be discussed is perhaps the most important of all; and it has to do with the way that the notion of interest can be used in concrete analyses. My own stance is that the concept of interest should primarily be seen as a conceptual tool and as part of middle-range sociology. It should definitely *not* be elevated into some kind of general theory. The idea of creating a “sociological interest analysis” makes no more sense than having a conflict sociology. The concept of interest should be one of the key concepts in sociology - nothing more, nothing less.

### **3. Issue # 3: The Role of Objectivity and Reflexivity in Economic Sociology**

At the beginning of sociology, especially around the turn of the 20<sup>th</sup> century, the issue of objectivity was the subject of much heated debate. Today, however, this discussion has largely been replaced by one about reflexivity, which deals with more subtle biases than those that were earlier at issue. That the teacher, for example, must not advocate her own political ideals in the classroom, has been replaced by a concern that the teacher should become aware of the social forces that have shaped her thinking (see e.g. Weber [1904] 1949 versus Bourdieu and Wacquant 1992:36-46).

Neither objectivity nor reflexivity, however, has played much of a role in modern economic sociology. Still, there are good reasons for bringing them up in this context, especially if one believes in the importance of interests. It is, for example, quite obvious that the stance of objectivity is harder to maintain if powerful interests are involved, including economic interests. There exists, in other words, a direct link between objectivity and interests. It is also likely that the stronger the economic interests are, the more they will shape objective reality. There is consequently also a direct link between reflexivity and interests.

As to reflexivity, it is clear that economic sociologists need to take a close look at their own analyses and try to figure out in which way these reproduce existing values in an unreflective manner. Is there, for example, anything to the charge that network theory is an integral part of the neo-liberal ideology (Boltanski and Chiapello 1999)? Economic sociology was reborn in the 1980s, at about the same time as neo-liberalism was gaining in strength; again, is there any relationship between these events? Another issue that needs to be discussed has to do with the way that economic sociology is currently being influenced by the ethos of the business schools. As the situation stands today, a sizeable contingent of American economic sociologists work in business schools. Does this make them look at things from the perspective of the managers and the owners, and disregard the perspective of the employees? Industrial sociology has been accused of only looking at the workers, while ignoring the rest of the firm; do sociologists at business schools only look at the top, and ignore the people at the bottom?

It seems clear that economic sociologists need to engage in some reflexive work. I would also argue that this reflexive work should not only be concerned with the way that economic sociology is shaped by the way that its practitioners perceive the world. It would also be useful, I argue, if this effort was extended to include the way that economic knowledge is generated and how this knowledge is perceived in society. By the term “economic knowledge” I primarily mean economic theory, economic ideologies and economic news of the type that is spread via television, the radio, the newspapers and so on.

While we know something about economic theory and how it is produced, we have very little knowledge of economic ideologies and economic news. A few attempts have been made to study keynesianism and neo-liberalism, but much still remains to be done (e.g. Hall 1989, Campbell and Pedersen 2001). What is the most surprising, however, is the nearly total absence of knowledge about the role of economics in the news media. The way that economic news are produced, the rise of economic journalism, the economic sociology of the media – all of these topics would seem ideal for economic sociologists.

While it may well be true that we know something about the production of economic theory, there also exist big gaps in this knowledge, especially from the viewpoint of economic sociology. What needs to be done, as with other structural holes, is first of all to get a better sense for what is known about this phenomenon in the other social sciences, and then draw up an agenda for research. As to the former task, it is clear that economists and historians of economic theory have

produced a large literature on economic theory, which needs to be much better known in economic sociology.

As a small and biased sample of what is out there, the following works deserve to be mentioned. *The Political Element in the Development of Economic Thought* by Gunnar Myrdal explores in an exemplary manner the way that values have influenced the key concepts of economic thought, from its beginnings and onwards (Myrdal [1930] 1953). A.W. Coats, a historian of economic thought, has tried to develop a sociology of knowledge approach to economics by looking at the formation of national economic associations, the role of economists in international organizations, and the like (e.g. Coats 1981, 1984, 1993).

An interesting attempt also exists to look at the various rhetorical devices that economists use to persuade one another (e.g. McCloskey 1985; for the use of metaphors in economics, see e.g. Mirowski 1994). The history of economic thought has also advanced very quickly during the last few decades, and economic sociologists may want to regularly consult a journal such as *History of Political Economy (HOPE)* as well as take a look at works on the history of game theory, the early analysis of law in economics, and much, much more (e.g. Weintraub 1992, Pearson 1997).

In discussing how to develop a reflexive approach to economic thought it should be noted that some economic theories may be quite helpful. One of these is the idea that economic actors search for knowledge and that this search has a price (e.g. Stigler 1961). Another is the theory of signaling and, connected to this, the concept of asymmetric information (e.g. Spence 1974, Akerlof 1970). Both of



these theories, as I see it, can with some minor modification also be used by sociologists to explore the social dimension of economic theory as well as the production of economic knowledge more generally. How, for example, do economists search for topics to explore in their research? How do politicians search for economists to put on their staff? How do economists signal to politicians that they are of the “right” kind? And how do economists signal to each other what should be included/excluded in the “right” kind of analysis?

But there also exist some contributions to the sociology of economics which have been made by economic sociologists. These include a somewhat heterogenous collection of work, such as a comparative study of the rise of economics in Germany, Great Britain, France and the United States, a study of the role of the state in current economic discourse in the United States, and an analysis of the field of economics in France (Block 1996, Lebaron 2000, Fourcade-Gourinchas 2001). Two general themes can also be discerned, both of which seem promising. The first has to do with the way in which economic theory tends to transform reality into its own image – only to find, when it is used to analyze this new reality, that it perfectly fits! There exists, for example, a sociological analysis of the way that a traditional market for strawberries in a small French town was transformed into a modern market by a former student of economics, so that it would be more like the kind of market that you can find in an economic textbook (Garcia 1986; cf. Callon 1998). The second theme can be described as an attempt to use recent ideas in the sociology of science, which are associated with the work of Bruno Latour and his colleagues, to analyze economic topics (e.g. Knorr-Cetina and Brügger forthcoming). Mathematical models, for example, have a distinct reality to economic

theorists, which shapes the way that they relate to these models (e.g. Breslau and Yonay 1999).

#### **4. *Issue # 4: Should Economic Sociology Be A Policy Science?***

When one takes the step from analysis in social science to an advocacy of how this knowledge can be used in society, one crosses a magic line according to Weber and the traditional doctrine of objectivity. While the social scientist can be held accountable for her analyses, in the sense that she has to follow certain rules of reason, her politics is an entirely different matter. One's political behavior belongs to a realm where everybody has the right to take whatever position she sees fit, according to her values. Just as social science and politics constitute two different realms, they also imply different types of behavior. Weber himself, it can be noted, was active in politics, even if he was considerably more skillful in analyzing political events than as a practical politician. He always made clear, however, if something was intended as social science or as an expression of his political values.

The extent to which today's economic sociologists are active in politics is not known. My general impression is that very few devote much time to politics, especially in the United States, and that there is a general feeling that economic sociology should not be used for political purposes. One reason for this political indifference may be the earlier misuse of Marxism; another is perhaps the sense that it would be premature to turn economic sociology into a policy science. Economic sociology, after all, is a fairly new approach. From this last perspective,

it is more important to strengthen economic sociology as a distinct type of analysis, than to launch it into politics.

A quick perusal of the main body of writings in economic sociology since the 1980s shows that they do not address the issue if economic sociology has a normative side, and if it can be used as a policy science. A few exceptions, however, exist, and since these have been ignored in the debate about economic sociology they deserve to be presented in some detail. One of them can be found in *Markets, Politics, and Globalization* by Neil Fligstein. After having presented his theory of markets, which is centered around the idea that corporations do not want competition but stability and no surprises, Fligstein addresses the issue of “normative implications of a sociology of markets” (Fligstein 1997:38-41; cf. Fligstein 1996). Firms, according to this argument, can only operate efficiently if they are supported by society in a number of ways. Employees need to be educated, and there also has to exist an adequate infrastructure as well as a functioning legal system. All of these are paid for by taxes; and “this means that people and governments have the right to make claims back on firms” (Fligstein 1997:40).

Fligstein states that his argument goes well beyond the idea of stakeholder rights or that not only the owners, but also many other actors who are part of a firm, have similar rights (such as, workers, communities, customers and suppliers). The key is that society at large has a claim on the corporations. What society has the right to demand, Fligstein suggests, includes the following:

There should be an orderly shutdown of obsolete facilities. Governments and firms should work actively to retrain workers for real jobs. Incentives should be given to firms to keep production local and to promote high value added service and manufacturing jobs. There should be a cutback of subsidies for firms that shift production offshore and any remaining protection given by tariffs or other non-tariff barriers should be removed. Taxes and tariffs on offshore profits and goods are legitimate. Invader firms should not be allowed to operate under different rules. Stakeholders such as workers and politicians should sit on boards of directors to insure that investment decisions are economically driven. (Fligstein 1997:41).

Also Bourdieu discusses normative issues as part of his sociology, and since these are often related to economic topics they belong in a discussion of economic sociology as a possible policy science. Bourdieu's viewpoint on this topic can be illustrated by *Acts of Resistance: Against the Tyranny of the Market*, a small book which mainly consists of lectures and speeches given at various public occasions, including strike meetings (Bourdieu 1998a; see also Bourdieu 2001). The major theme in this work is that the welfare state is under heavy attack from neo-liberalism, and that this has to be fought since the welfare state protects people from the ravages of the market. Neo-liberalism advocates individualism and fights every kind of collectivism, especially trade unions. In the developing world the IMF and the World Bank are busy imposing neo-liberal reforms, with the most dismal results. In the West people's sense of security is being undermined by dismissals in the private sector as well as in the public sector. Thanks to the success of neo-liberal politics since the 1980s, this is just as true for the middle

classes as for the workers. “The American middle classes, exposed to the threat of suddenly losing their jobs, are feeling a terrible insecurity (which shows that what is important in a job is not only the activity and the income it provides, but also the sense of security it gives)” (Bourdieu 1998a:36-7).

**/CARTOON FROM NEW YORKER: “YOU KNOW WHAT I THINK, FOLKS? IMPROVING TECHNOLOGY ISN’T IMPORTANT. INCREASED PROFITS AREN’T IMPORTANT. WHAT’S IMPORTANT IS TO BE WARM, DECENT HUMAN BEINGS” – ID**

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A true economic science, according to Bourdieu, would look at *all* the costs of the economy – not only at the costs that corporations are concerned with, but also at the crimes, suicides and so on which are the result of misguided economic policies. What such an “economics of happiness” would look like is described as follows:

Against this narrow, short-term economics [which is dominant today], we need to put forward an *economics of happiness*, which would take note of all the profits, individual and collective, material and symbolic, associated with activity (such as security), and also all the material and symbolic costs associated with inactivity or precarious employment (for example, consumption of medicines: France holds the world record for use of tranquilizers). You cannot cheat with *the law of the conservation of violence*: all violence has to be paid for, and, for example, the structural violence exerted by the financial markets, in the form of layoffs, loss of

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<sup>3</sup> For this cartoon, see the very end of this chapter.

security, etc., is matched sooner or later in the form of suicides, crime and delinquency, drug addiction, alcoholism, a whole host of minor and major everyday acts of violence. (Bourdieu 1998a:40).

Bourdieu's attack on neo-liberalism is not very different from what one can find elsewhere among social scientists who define themselves as progressive and anti-liberal. One part of Bourdieu's criticism, however, is quite unique to my mind and of special interest to economic sociology. It is the part which has to do with his attempt to introduce a new set of concepts to criticize neo-liberalism and capitalism more generally and which serve both as political concepts and as sociological ones. These are centered around the idea of theodicy and include concepts such as "sociodicy", "social suffering", and "economic violence" (e.g. Bourdieu 1977, [1977] 1979, 1991, 1998a). This strand of Bourdieu's thought goes back to his early studies of Algeria but has also come to more recent expression in his work, especially in his huge study of social suffering in *The Weight of the World* (Bourdieu et al 1999).

Theodicy – and this is what I find very valuable in Bourdieu's argument - tries to answer questions such as the following: *Why is there suffering in the world, and why do some people suffer more than others?* Bourdieu's position is that the organization of society has much to do with both the creation of suffering, and he therefore speaks of "sociodicy" or "social suffering" (e.g. Bourdieu 1998a:35, 43; see also Morgan and Wilkinson 2001). Neo-liberalism, for example, is characterized by Bourdieu as a "conservative sociodicy" since it justifies suffering on the ground that it is necessary for economic progress

(Bourdieu 1998a:35). Unemployment, from this perspective, represents a form of “economic violence” (e.g. Bourdieu 1977:191-92).

Bourdieu refers several times to Weber’s argument that people who are successful invariably feel that they deserve their good fortune, while in reality their success is primarily due to good luck (“*theodicy of good fortune*” in Weber’s terminology; cf. Weber [1915] 1946b:271). In modern capitalist society the educational system operates as a theodicy of good fortune, according to Bourdieu, since it justifies the existence of inequality on the ground that those who are successful are more competent and educated than the rest (Bourdieu 1990:133). A corollary of the theodicy of good fortune is the belief that the poor deserve to be poor because they are ignorant, lack education and so on (“*theodicy of misfortune*” – Weber [1915] 1946b:276).

It should finally also be mentioned that it may be possible to approach the issue of economic sociology as a policy science not only from the perspective of theodicy but also from an interest perspective. Or, more precisely, it may be possible to address the issue of how to use economic sociology as a policy science from an interest perspective - what values or ideals should be realized can obviously *not* be decided with the help of economic sociology or any other science. As I see it, Weber outlines an interest model for how to radically change people and society, including the economy, in *The Protestant Ethic*. Changes of this type, he says, can only be made by appealing to people’s innermost interests. If people feel that their most important interests are involved, they will change their behavior - otherwise not.

Elsewhere in his sociology of religion Weber elaborates on this insight and notes, for example, that very few religions have succeeded in energizing their members as successfully as the ascetic Protestant sects did. Religions which emphasize that the believer should perform good deeds, follow certain rituals or enter into a mystical reunion with God, all have one thing in common: they do *not* succeed in energizing their followers into changing the world. They lead to traditionalism, not to change.

Translated into the issue of economic sociology as a policy science, Weber's message is clear. It is not only people's opinions that matter - say, their ideals of how the economy should be organized. You primarily have to connect to the interests of people if you want them to change themselves and the world they live in. But there is also a caveat: Weber warns us that things may not turn out the way we want, when we set about to change the world. The ascetic Protestants, after all, did not create heaven on earth but helped to usher in modern capitalism.



**CARTOON FROM NEW YORKER: “CAT THINKS OF A  
COMPLEX EQUATION TO GET A BALL OFF OF A TABLE” (ID  
46752, PUBLISHED 11/26/2001)**

**CARTOON FROM NEW YORKER: “YOU KNOW WHAT I THINK,  
FOLKS? IMPROVING TECHNOLOGY ISN’T IMPORTANT.  
INCREASED PROFITS AREN’T IMPORTANT. WHAT’S  
IMPORTANT IS TO BE WARM, DECENT HUMAN BEINGS” – ID**

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<sup>i</sup> **ENDNOTE:** I have been unable to find definitions of interest in the works of Hume, Tocqueville and Weber. Some of the more suggestive and important definitions in the literature include the following:

*Arthur Bentley:* “An interest, as we shall use the term in this work [*The Process of Government*], is the equivalent of a group” (Bentley [1908] 1967:211).

*John Dewey:* “Interest is impulse functioning with reference to self-realization” (cited in Small 1905:433).

*Jürgen Habermas:* “I term *interests* the basic orientations rooted in specific fundamental conditions of the possible reproduction and selfconstitution of the human species, namely *work and interaction*” (Habermas [1968] 1971:196).

*John Locke:* “Civil interests I call life, liberty, health, and indolency of body; and the possession of outward things, such as money, lands, houses, furniture, and the like” (Locke [1689] 1955:17).

*Roscoe Pound:* “An interest may be defined as a demand or desire or exception which human beings, either individually or in groups or associations or relations, seek to satisfy, of which, therefore, the adjustment of human relations and ordering of human behavior through the force of a politically organized society must take account” (Pound 1959:16).

*Albion Small* (following *Gustav Ratzenhofer*): “An interest is an unsatisfied capacity, corresponding to an unrealized condition, and it is predisposition to such rearrangement as would tend to realize the indicated condition” (Small 1905:433; emphasis removed).

*Vilfredo Pareto:* “Individuals and communities are spurred by instinct and reason to acquire possession of material goods that are useful – or merely pleasurable – for

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purposes of living, as well as to seek consideration and honours. Such impulses, which may be called 'interests', play in the mass a very important part in determining the social equilibrium" (Pareto [1916] 1935:1406).