



# **THE NEW SOCIOLOGY OF ECONOMIC BEHAVIOUR**

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*Ralph Fevre*

## The New Sociology of Economic Behaviour

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# The New Sociology of Economic Behaviour

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Ralph Fevre



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## preface

It seems a very long time since I struggled through my undergraduate degree in economics and sociology. No doubt a large part of the struggling was due to my lack of sympathy with calculus but I also felt that the two halves of my degree were contradictory rather than complementary. It seemed to me that the basic assumptions of economics undermined the whole idea of sociology and vice versa. That early experience gave me an itch that I have been wanting to scratch ever since. When I finally gave in to the urge to scratch I wrote this book. It explains to me, and hopefully to you, exactly why I found the basic assumptions of my joint honours disciplines so inimical, but it does several other things as well.

Since I got my degree – it was not a brilliant performance but I *did* get it – a whole academic industry has taken root, particularly in the US, which is dedicated to bridging the gap that I found so challenging. I actually read some of its product – the early work of the ‘radical economists’ – while I was a student but the industry did not really start to grow until later. By this time there were other developments in economics and, of course, the rise of economic sociology had begun. Although its inspiration lies further back, this book has to put these more recent developments at the heart of the story it tells. It also has to take account of the way sociology as a whole has developed since I was an undergraduate. Frankly I have been quite dispirited by much, if not most, of it. It has very often made me wonder what sociology is for and whether it has any point. Less frequently, I have even been given cause to wonder whether sociology is really the sort of thing that sensible populations and governments should spend their money on. For a long time I could not find answers to my questions about what sociology should really be doing if it were not producing the stuff I read in books and journals and sometimes even had to teach (through gritted teeth). I think I have found the answer to most of my questions in this book.

It also has to make room for discussion of a number of fields in which I have undertaken research. These include the early factory system, labour migration, industries that rely on cheap labour, outsourcing in manufacturing, the privatization of state owned enterprises, the effect of deindustrialization on localities and education and training systems. I have also relied on my own theoretical interests in the sociology of labour markets, the development of classical sociological theory, social identity, demoralization and social capital. Of course I have also relied on the research and thinking of hundreds of other scholars and there are two particular groups that deserve a mention. First, there are my colleagues in the Cardiff School of Social Sciences whose publications provide some of the key examples of sociological work which I think is developing in the right way. Second, I must mention all those involved with *Work Employment and Society*, the journal on whose editorial board I served for a number of years. I am particularly grateful to the editors during my time on the board – first Paul Edwards and then Theo Nichols – and to the contributors whose work I refereed. Many of their papers also figure here as examples of the right way to develop sociology.

Quite a few people have read this book, in whole or in part, in its several versions and I am extremely grateful to all of them: Robert Moore, Chris Rojek, Keith Grint, Barry Smart, Bill Jordan and Andrew Sayer, and, from the Cardiff School of Social Sciences, Theo Nichols, Finn Bowring, Phil Brown, Ken Prandy, Tom Hall and Huw Beynon. Some of these people, in particular Finn Bowring and Theo Nichols, have been extraordinarily generous with their time and written me pages of useful comments. At an early stage of my thinking about Chapter 5 I also had a very useful conversation with Gordon Marshall. All these people have given me courage to continue with what, at times, seemed an outlandish project. All the mistakes that I have made along the way are no responsibility of theirs.

Kay Bridger at Sage has been a great help and very patient. My family has been very patient too, particularly my wife who missed an idyllic day trip somewhere in the South China Sea just so I could finish the damn thing. No doubt you will find this fact curiously at odds with the message I am trying to put across in the book. I am sure my wife does – sorry Mo.





# **one**

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## the classical renaissance in the sociology of economic behaviour

Something very interesting is going on among sociologists who write about economic behaviour. This book is intended to disseminate knowledge of these important recent developments and to interpret this knowledge in a way that helps people to make better sense of the work they are engaged in. Given what has happened to the sociology of economic behaviour over the past seventy years it is no surprise that interpretation should be required. The sub-discipline has long since lost its sense of purpose and those sociologists who are producing the most important new knowledge often have little idea of the significance of their work.

Ten years ago this book could not have been written. In its place you might have found a slim epitaph to the unfulfilled promise of a bankrupt branch of sociology. This would have been particularly regrettable because the study of economic behaviour had been a preoccupation of all the founders of the discipline, but there would have been no disguising the fact that the sociology of economic behaviour had totally run out of ideas. The orthodoxy appeared to have become a mindless empiricism in pursuit of one academic fad or another in debates that always proved inconclusive (Jones, 2000). Sociologists made a more-or-less arbitrary commitment to these debates because this was necessary if they were legitimately to pursue research funding and publication opportunities. When debates finally ended, this was not because a conclusion was reached but because the boredom thresholds of the least thoughtful sociologists were finally exceeded.

When sociologists of economic behaviour felt the need for a sense of purpose, they turned to popular writers on management and organizations who had their own ideas about how the world was changing and how it ought to change. Given the bankruptcy of ideas within sociology, it was not really surprising that people who seemed to have plenty of ideas were warmly embraced (Casey, 1995: 10). Moreover, many of these writers had authentic social science backgrounds (some

in sociology) and seemed to use familiar sorts of evidence and even research. They also offered something of the grand sweep and vision that had been such a feature of the classical period when Marx, Durkheim, Weber, Simmel and others founded the sociology of economic behaviour, however, these new writers did not share the goals of classical sociology. For the most part, they were managerialists who were interested in making organizations more efficient and effective. Sometimes it was also claimed that increased effectiveness or efficiency could be combined with making the people who were managed more fulfilled, and their organizations more egalitarian, or more socially aware, but these could never be ends in themselves which could be pursued at the cost of efficiency and effectiveness.

This is a good point at which to define 'economic behaviour' because a definition will help us to see why there might be something dangerous about letting others define the purpose of the sub-discipline in this way. Your behaviour can be described as economic when you help to produce a good or a service (no matter whether you get paid for it or not) or consume one. It is also economic behaviour when you prepare yourself for your role in production by undergoing training and arranging day-care for your children, and when you compete with others in the labour market to get the best jobs. The sum of people's economic behaviour contributes to the shape of their organizations (especially their corporations) and the level of economic development that pertains in their society.

Thus far, economic behaviour has been defined without reference to the motives people have for engaging in it or the meanings that they give to it. It is *possible* that a great deal of this behaviour is understood by the people who do it to have economic motivation, for example they wish to maximize benefits and minimize costs, accumulate resources and buy the good things in life as cheaply as they can. Similarly, the economic behaviour of managers and others who are given the power to order economic behaviour (like those in government) *might* always be motivated by the desire to move resources from less to more productive uses. This is all theoretically possible but it requires empirical evidence for us to decide whether it is true in fact. We should not jump to the conclusion that just because behaviour takes place in the economic realm, it is economically motivated and only has an economic meaning.

It is dangerous for the sociology of economic behaviour to give up control over its agenda to people who are fundamentally committed to economic motivations and meanings because they are very likely to conclude that economic behaviour should only be understood in such terms. For example, if you think that the whole point of research and scholarship is to help humanity pursue economic motivations, you are

quite likely to either ignore alternative aims or, if you do notice them, to try to undermine and marginalize them. But such alternative aims and meanings were very far from marginal to the classical sociology that initiated the study of economic behaviour. Indeed, not only was classical sociology interested in the non-economic meanings of economic behaviour, but it also used those non-economic meanings and values to critique economic behaviour. By this I do not mean simply that it criticized particular kinds of behaviour, showed their shortcomings and investigated their unfortunate, and perhaps unintended, consequences. Classical sociology tried to change the perspective from which people looked at economic behaviour so that they could do more than understand it within its own terms. Classical critiques used non-economic meanings and values to uncover the hidden dimensions to economic behaviour which made it possible to appraise this behaviour properly (Anthony, 1977: 315).

What were the other-worldly values and meanings that classical sociology relied upon to underpin this critique? Durkheim (1893/1964, 1897/1952) was able to give the most straightforward answer to this question. He said they were *moral* meanings, by which term he did not mean some very narrow set of prescriptions about behaviour derived from Christianity or, indeed, any religion. He certainly thought morality had a lot to do with belief, but applied the term much more widely to refer to all the precepts about behaviour, and ways of judging behaviour, that stemmed from beliefs about what was right, and what was wrong, for humans to do. These beliefs could be trivial in the extreme (how long should a lunch-break be?) or more weighty (was there ever an occasion when homicide was justified?) but they had in common the quality of moral compulsion that only derives from things that must simply be believed in and cannot be measured or demonstrated (Fevre, 2000b). Thus, when morality determines how people vote on capital punishment, it is not the calculations of re-offending rates and unsafe convictions that settle their opinions.

Moral beliefs were other-worldly in this sense, as in others, because economic meanings derived so clearly from what could be measured and calculated. There was no need to believe in the economic because it was all so obviously tangible. Thus it was the intangible – beliefs about what constituted good character, good actions, a good society – that classical sociology used to critique that which could be easily demonstrated and understood. For Durkheim there was one very obvious place for sociology to begin this critique. While he had no doubt that economic behaviour was suffused with economic meanings and motivations, Durkheim used the vantage point of other-worldly critique to show how these meanings and motivations were displacing the more moral meanings and motivations which he thought necessary to

make people and society good. Durkheim used the term *anomie* to describe the way this displacement was experienced by individuals and society, and he discussed the way that the primacy of economic activity was responsible for the *demoralization* of society:

A form of activity which has assumed such [an anomic] place in social life evidently cannot remain in this unruly state without resulting in the most profound disasters. It is a notable source of demoralization. For, precisely because the economic functions today concern the greatest number of citizens ... it follows that as that world is only feebly ruled by morality, the greatest part of their existence takes place outside the moral sphere ... If in the task that occupies almost all our time we follow no other rules than that of our well-understood interest, how can we learn to depend upon disinterestedness, on self-forgetfulness, on sacrifice? In this way, the absence of all economic discipline cannot fail to extend its effects beyond the economic world, and consequently weaken public morality. (Durkheim, 1893/1964: 3–4)

As every student of sociology knows, Durkheim pointed out that morality, in the shape of the social bonds that preceded contractual ones, was required in order to get industrial capitalism started, but that industrial capitalism would kill off this morality.

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According to Durkheim, some new morality would have to be put in place to create solidarity and prevent society breaking down. Whatever might serve this purpose would automatically qualify as morality. The idea that whatever causes solidarity (and moderates our egoism) is moral is familiar to sociologists (Wolfe, 1989) but this is the beginning of the first of many examples of a conceptual wrong-turning that we will encounter in this book. According to Durkheim, the increased division of labour, and particularly the occupational specialization, that occurred with industrial capitalism would provide the new morality because it would create a new ('organic') sense of solidarity. With twenty-first-century hindsight we can pass judgement on Durkheim's prediction that the division of labour would found a new morality. At the end of the nineteenth century Durkheim was quite right to think insufficient time had elapsed for society to adjust to the demoralizing effects of industrial capitalism but it no longer seems sensible to argue that the cause of *anomie* will also supply its cure (Anthony, 1977). For one thing, we do not seem to suffer from less *anomie*; but we need to look at Durkheim's ideas in more detail to begin to see where the wrong turning was taken (*ibid.*).

Durkheim thought the increased division of labour would be the cause of solidarity because it would show each of us how much we depended upon each other. It was not necessary that this mutual dependence be rammed down our throats. Instead we could learn the

new morality indirectly by immersing ourselves in our specialized occupations. Our occupational specialization would make us moral, in other words. In order to complete the job of creating a new morality for the new society we needed rules which ensured that ‘each individual will have the place he merits, will be rewarded as he deserves, where everybody, accordingly, will spontaneously work for the good of all and of each’ (Durkheim, 1893/1964: 408). In the chapters which follow I will show that the assumptions embedded in this statement are highly problematic, but for the moment we need to know that Durkheim thought that, although it would be a difficult task to make this kind of society, we would find

that what characterizes the morality of organized societies ... is that there is something more human, therefore more rational, about them. It does not direct our activities to ends which do not immediately concern us; it does not make us servants of ideal powers of a nature other than our own, which follow their direction without occupying themselves with the interests of men. It only asks that we be thoughtful of our fellows and that we be just, that we fulfil our duty, that we work at the function we can best execute, and receive the just reward for our services.’ (ibid.: 407)

Rationality dealt only in things which were tangible, which could be subject to the measurement and calculation required to show whether a given end had been achieved. What might work for religious observance was totally inappropriate in the marketplace, indeed, perhaps it did not even work for religious observance. It is not a very far step from here to Weber (see below) or to the opinions of the great majority of sociologists who studied economic behaviour in the second half of the twentieth century. In this way sociology came to think of itself as a rational discipline which should deal in the spread of rational understandings and motivations (and the undermining of irrationality).<sup>1</sup>

Economic rationality is the sub-category of rationality which says life is all about economics and economics is all about a particular way of calculating means and ends. Economic rationality is in many ways the ideal type of rationality for social science to deal in (as is witnessed by the popularity of rational action approaches throughout social science). Sociologists espouse economic rationality, yet if Durkheim was wrong about the way increased occupational specialization would produce a new morality, this could be extremely dangerous. As the economic realm expanded, it would spread economic rationality into the rest of social life and yet economic rationality made no space for morality and morality had little purchase on economic behaviour. To the extent that the sociology of economic behaviour was converted to the pursuit of economic ends, it would become part of the process of demoralization

which Durkheim feared, marginalizing and undermining alternative (moral) aims and meanings.

If we are to construct a new critique of economic behaviour, we will have to find some way of reintroducing moral considerations (Mestrovic, 1991). Although it has rarely been done systematically, or even consciously, this is exactly what has begun to happen in the sociology of economic behaviour. It is this process of laying the foundations for a new critique that makes the field so exciting and makes it necessary for me to write this book. The reintroduction of morality – both as a possible ingredient in any explanation of human behaviour and a necessary ingredient in any judgement of the effect of social and economic change – was what was required to bring an end to the mindless empiricism and dedication to managerialism that bedevilled the discipline. The first step was to consider the possibility that economic behaviour might have some non-economic meaning or motivation. After this initial step it becomes possible to look at the effect of economic rationality on morality and to use morality in a critique of economic behaviour. This is an enormous task. If, like Durkheim, we wish to make all of the ‘present-day utilitarian, rational arrangements’ (Mestrovic, 1991: 183) a target for critique, we will find our task much greater than Durkheim’s because the spread of these arrangements is much greater and economic rationality has become much more entrenched.

6

Stimulated by the extension of economic sphere, and the increasing hegemony of economic rationality, the demoralization that Durkheim feared has proceeded apace. Indeed, the idea of demoralization is now slipping into wider use (Fevre, 2000b) as a kind of shorthand used to describe the end product of several tendencies first identified by classical theory: the decay of bourgeois values, anomie and the death of the collective conscience, the disenchantment wrought by rationalization, and the use of money as the source of all value (Anthony, 1977). The term demoralization also allows us to allude to an associated phenomenon: the way affluence appears to diminish human happiness.

The way that social science looked at morality had already begun to change in Durkheim’s day, of course. Durkheim was trying to understand the industrial capitalism that he saw taking over France at the end of the nineteenth century, but industrial capitalism had been around for some time by this point. Before Durkheim identified the dangers of anomie and demoralization, people had tended to think that morality could not be affected by anything human kind could do or make, including industrial capitalism. Adam Smith (1976b) saw morality as natural, perhaps God-given, and not susceptible to fundamental change by any cause. For Smith morality was like an environment (the

rocks, the trees and the stars) which he took completely for granted. He could explore the intricacies of the new economic rationality sure in the knowledge that nothing could happen to alter this environment (Smith, 1976a). By Durkheim's time it was evident that all of this confidence in the unchanging, given nature of morality was misplaced.

Durkheim showed that morality could be changed, indeed undermined and marginalized, by things that men and women did and thought. It was neither natural nor God-given and what could be made by people could be changed and diminished by them. In effect, industrial capitalism remodelled the moral environment in its own image: blasting rocks, flattening trees and pulling the stars down out of the sky. But this fundamental change in the way morality was understood carried on in ways that Durkheim could not have anticipated. Adam Smith put morality in the category of a natural law, Durkheim saw it as a social fact or construction that could be enfeebled or demolished, but now we frequently find morality appearing as a means to ends defined by economic rationality. This is where the effects of a classical renaissance in the sociology of economic behaviour are most exciting: it would not be possible to recognize any of the more recent changes in the way we look at morality without this revival. Indeed, until this revival began, sociology was accustomed to blithely co-operating with efforts to make morality an instrument of economic rationality with, apparently, no real understanding of what it might be involved in (Kunda, 1992: 227).

7

A revitalized classical sociology of economic behaviour is beginning to show that morality is increasingly likely to turn up in the category of an instrument which is used to achieve economic ends precisely because demoralization has proceeded so far. The best new sociology in fact suggests that this represents as important a change as the one that Durkheim identified. Within sociology there is widespread agreement that industrial capitalism has changed beyond recognition but there is, as yet, no consensus about what it has changed into. Insights from a revitalized sociology of economic behaviour can help us to clarify what the new form of society is.

To begin this process of clarification we might return to the analogy in which the first commentators on industrial capitalism thought morality as safe and sure as the natural environment. It subsequently became clear how fragile this moral environment really was to all sorts of people as well as Durkheim, including those most involved in spreading economic rationality. After remaking the environment according to this rationality, people gradually discovered that the rocks and trees had, after all, served a purpose and that it was necessary to make substitutes for them: plastic rocks and synthetic stars. This manufacturing of our moral life is a key feature of the way we



live now, and it is this process that distinguishes our societies from the ones characterized by industrial capitalism. *If industrial capitalism was all about demoralization, contemporary society is much more about the production of synthetic or instrumental morality.*

How do these manufactured substitutes for morality compare to those solutions Durkheim (1893/1964, 1991) once touted for societies that were affected by anomie? When Durkheim suggested that effort be put into fostering the moral role of professional and occupational associations, he saw these as artificial and, to a degree, instrumental, but the goal he had in mind was to put a stop to the process of demoralization and ameliorate its worst effects. A century later, substitutes for morality are apparently made in the cause of the sales, profits and efficiency which make up the goals and lexicon of economic rationality. The capitalism we have now is radically different from industrial capitalism: it is making not only goods and services for its own ends but morality itself.<sup>2</sup> On the other hand, is this really so different from what Durkheim saw as the moral significance of immersing ourselves in occupational specialization? As Anthony (1977: 150) suggested, Durkheim pointed towards Elton Mayo and the conviction that, with the help of managers, we will find moral meaning in our lives only through our work. We can add that there is also a curious parallel between Durkheim's faith in the division of labour and all the late twentieth-century companies which told their employees that their specialist contribution to the company's mission was what made their lives meaningful (see Chapter 3).

8

In the remainder of this chapter I am going to support the argument I have just outlined by, first of all, showing how classical concerns – for example, as present in the work of Marx and Simmel as well as Durkheim – were developing into a thorough-going and radical critique of economic behaviour. I will then show how, largely under the influence of Weber – and, particularly in the USA, Weber as interpreted by Parsons (1949, 1951; Parsons and Smelser, 1956) – the sociology of economic behaviour took another fatal wrong turning. The long and slow decline that followed finally brought us to a period in which the classical critique had been watered down to the extent that it was barely visible. The cause of this dilution and marginalization was the wholesale conversion of the sociology of economic behaviour into a sub-discipline devoted to understanding things in the terms of the economic rationality it had been founded to criticize. To signal this change I will use the term 'economic sociology' to describe the sub-discipline. Economic sociology did not just put an end to hopes of critique, it actually helped to spread economic rationality by making it the source of all judgement (and of course placing it beyond judgement itself). Given the central role of the sub-discipline in the

history and purpose of sociology, this degradation and colonization necessarily weakened the discipline as a whole. I will show, finally, that this process is now at an end and that a revitalized sociology of economic behaviour is beginning to mount a new critique which can both put economic rationality in perspective and simultaneously lay bare the role of 'economic sociology' – particularly in the version associated with managerialism – in propagating it (Anthony, 1977; Beder, 2000; Kunda, 1992; Shenhav, 1999). As an elaboration of this argument I will suggest that economic sociology has been complicit in the creation of morality substitutes required to replace the real morality which grows scarce with demoralization. When all this has been accomplished I will briefly describe the organization and content of the book's remaining chapters.

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#### CLASSICAL THEORY'S CRITIQUE OF ECONOMIC BEHAVIOUR

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When sociology came into being, it did so in order to make sense of economic behaviour because the economic behaviour which distinguished industrial capitalism was so novel and disturbing and had such potentially wide-ranging effects. This new way of organizing human life was so different to its predecessors that a whole new discipline had to be created in order to understand it. To put it crudely, sociologists wanted to find out how widely (and deeply) this new system had been adopted and, crucially, what its implications were going to be for the rest of human life. The key thing about capitalism as a way of organizing behaviour appeared to be that it made that part of life that was understandable in economic terms more important than ever before. It became so important, in fact, that people were gradually accepting the possibility that everything might be reducible to economic terms, and eventually they would come to wonder whether all behaviour might be economic at bottom. The classical sociologists were worried that all moral concerns might somehow be forced out of business by the primacy of economic motivation.

The classical critiques were intended to keep economic rationality in check by shedding new light on it from an other-worldly viewpoint. One common objective of such a critique was to level the playing field so that there could be proper competition between economic rationality and morality. In other words, a classical critique would argue that it was not ridiculous to measure economic behaviour against morality because economic rationality was not a qualitatively different kind of thought system (to morality). Moreover, this critique was intended to show that it is the ideological function of economic rationality to make us believe that this is not so and that economic rationality lies above and beyond out-dated concepts of morality. Thus we are meant to

understand that it is the mission of economic rationality to make us believe that it certainly is ridiculous to suggest it can be measured against morality. We can get a short cut to the heart of the critique that was being devised – within classical sociology – to counter this, by making use, once more of the comparison with Adam Smith. In this instance, however, the comparison is between Smith's political economy and the sociology of Karl Marx.<sup>3</sup>

The political economists explained, to the great benefit of Marx and the other early sociologists, how the new system worked (markets were more efficient than alternative methods of distribution, the inefficiency of rent taking, and so on). They may have pointed out that there were one or two disadvantages to the new system but this amounts to criticism, not critique. As I have made clear in the introduction to this chapter, a critique of economic behaviour seeks to problematize it in some fundamental way by opening it up to external judgement (Anthony, 1977). There was nothing of this in Smith (1976a, 1976b), for example. He was, arguably, more interested in understanding how morality worked than anyone (even Durkheim) but he did not see the connection between morality and economy as a way of opening up the critique of economic behaviour.

10

As Griswold (1999) explains, Smith was an Enlightenment thinker dedicated to directing the light of reason everywhere, including in the face of morality. But like other Enlightenment thinkers who did not realize the full, or personal, implications of their quest, Smith did not understand that morality was in danger. *The Theory of Moral Sentiments* (Smith, 1976b) was not an exploration of the well-springs of morality but a mapping of its structure and functions in a Parsonian manner. Smith did not think the wells of morality would dry up simply because, as noted above, he took it all for granted, as natural and not requiring explanation (Griswold, 1999). Smith therefore had no need to waste a second worrying about the fate of morality in capitalism: it would be as pointless as worrying about whether capitalism might affect the weather. So when Smith wrote in his other great work (Smith 1976a) that it is the self-interest of the baker that makes sure we have bread on our table, there was no intended implication for morality (any more than there was for the weather). Once you see this you understand that Smith was actually being ironic (Griswold, 1999).<sup>4</sup> He was not saying that we should do without morality (how could we?) but that, ironically, the self-interested amorality of the baker turned out to be good for all of us. And that is all: economy and morality can continue on, side by side, never touching and never having implications for each other. No matter how good economic behaviour might become at generating invisible hands which serve the common good, morality would continue to be

as safe and sure as the rain. Marx did not agree.

Marx was certainly sure that morality was neither natural nor immortal and he expected capitalism to undermine its very foundations:

In the conditions of the proletariat, those of old society at large are already virtually swamped. The proletarian is without property; his relation to his wife and children has no longer anything in common with the bourgeois family relations; modern industrial labour, modern subjection to capital, the same in England as in France, in America as in Germany, has stripped him of every trace of national character. Law, morality, religion, are to him so many bourgeois prejudices, behind which may lurk in ambush just as many bourgeois interests. (Marx and Engels, 1848/2002: 231–2)

We should not be confused by the fact that Marx also thought this undermining of morality a good idea, a necessary step on the way to a better society. The most important point for our present purposes is that Marx did not take bourgeois morality for granted as natural and unshakeable but rather thought it was going to disappear altogether! In his critique of economic behaviour, Marx also began to suggest that the way capitalism succeeded in changing so much so quickly involved an enormous illusion or deception (indeed, it entailed some self-deception by the illusionist). Marx said capitalism was not what it seemed, even to the capitalist and, like Smith, he used irony to show us what he meant. The essence of this irony was that the capitalist fools himself and us *about the morality of what he does and, especially, the morality of where his money comes from.*<sup>5</sup> Economic rationality told us his money came from adding value to commodities and exchanging them where Marx would have us see that, in reality, the process by which capital accumulates is horribly immoral.

11

Even when it was in its infancy, Marx could see that capitalism could not produce an exponential growth of value by moving resources (including labour) from less-productive to more productive uses. Marx used irony to dispute this, and to present the logic of capitalism as made up entirely of ghostly appearances which had no relationship to fact. In the process, he laid the foundations of the sociology of economic behaviour, but there is more to Marx's critique than this. When Marx said, again and again, that objects, mere things, *stood* outside and against people, and when he said that everything really human was transformed into impersonal material forces, he was not telling us to be content with the way humanity was demoted to a passive role with its creations in charge. Money, for example, became value itself rather than an expression of value.

If the logic which accompanied capitalism (as expressed in the political economy which Marx critiqued, in the first instance), was an illusion, then we were left with capital accumulation in the hands of a few and widening inequality. Shorn of deception, this became explicable as the moral goal of one section of society and the playing field between morality and economic rationality was effectively levelled. Once we understood those few were fooling themselves about the amoral quality of their new beliefs and behaviour, we could see that, in fact, their new beliefs had the same qualities as the old moralities and functioned as substitute moralities themselves.

12

A similarly important contribution to the sociology of economic behaviour was made by Georg Simmel in *The Philosophy of Money* (1900/1990) and his lecture on 'The Metropolis and Mental Life' (Simmel, 1902–3/1971: 324–39). According to Simmel, money obliterated all the differences between people that once defined traditional societies, not just ascribed differences but also personal and subjective qualities of every kind. Money made exchange more impersonal and as money became more important, that impersonality became characteristic of society. Bad character and ascribed character mattered less: they were no longer handicaps to social esteem for example. With money (and the complex division of labour it makes possible) we became more and more dependent on other people but who those people were, what they were really like, mattered less and less. Money intruded deeper and deeper into parts of our life which, a little earlier, no one could have conceived might have anything to do with economic calculation. Even where money was not pre-eminent, we were beginning to look at all aspects of our lives as some form of exchange (cf. Blau, 1964). This fundamentally changed how we felt about others.

Simmel described the way in which irrationality gave way to reason because of the spread of money as the medium of exchange: it flattened cultural differences between peoples as everyone related within and between their societies in this impersonal way. This obviously recalls contemporary anxieties about the cultural homogenization associated with globalization. Simmel would have not been in the least surprised by the way money now allows us to over-ride cultural difference and feel at home everywhere. He understood that this familiarity did not sit well with mystery and magic and that the transparent and rationalized orientation to money contributed to disenchantment. Money was the talisman of modern life in which the whole world and everything in it could be measured against everything else so, in a way, that made us think we knew about the whole world. On the other hand, intriguing new possibilities were created when money became the universal objective standard of personal worth, the yardstick which everyone used to measure themselves against everyone else.

Living in a society where money ruled, rather than religion or kinship for example, gave individuals more freedom because money was neutral. Rather than make you live your life according to a morality, you could use the signs of money to manipulate how people treated you. Money gave individuals control over the way they could appear in the eyes of others in a way that had been impossible in traditional societies (where ascription could not be escaped, for example). But this could seem a very empty victory because men and women were in some danger of becoming simply the impressions they sought to give to others, with no core of things that they believed in, nothing that mattered to them, and no relations with others that were authentic. Simmel was influenced by Schopenhauer who believed that virtues like compassion are much more irrational than rational. Schopenhauer had argued that it was our reason that set us thirsting after novelty and difference. This constant search for stimulation was what served in place of the things we used to believe in. It was what we had to do now we thought we knew everyone had their price.

When money became a generalized mode of exchange we lost our individuality but got the chance to buy it back by, for example, following fashion. According to Simmel, fashion 'renders possible a social obedience, which at the same time is a form of individual differentiation' (1904/1971: 305). Fashion was a necessary prop because, just as we could no longer see more value in one person than another, so we were no longer capable of discrimination between one object and another:

This mood is the faithful subjective reflection of the completely internalised money economy. By being the equivalent to all the manifold things in one and the same way, money becomes the most frightful leveller. For money expresses all qualitative differences of things in terms of 'how much?' Money, with all its colourlessness and indifference, becomes the common denominator of all values: irreparably it hollows out the core of things, their individuality, their specific value and their incomparability. All things float with equal specific gravity in the constantly moving stream of money. (Simmel, 1902–3/1950: 414)

Simmel thought this could not help but spawn a *blasé* attitude which prefigures the attitudes of David Riesman's 'inside dopesters' (Riesman, 1950). There was nothing unknown, no longer anything that could not be tamed with money; indeed, there was nobody who was above money and we all had our price. These are some of the necessary conditions for demoralization.

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CLASSICAL THEORY TAKES A WRONG TURNING

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There has been general acceptance of the view that when sociologists leave the study of economic life to economists they are forgetting the

lessons of Max Weber who taught that economic behaviour should only be seen 'as a special, if important, category of social action' (Granovetter, 1985: 597). Moreover, it was Weber who drew our attention to the process of rationalization – including the spread of bureaucratic and economic rationality – in industrial, capitalist societies and to the unwelcome effects of this process, including disenchantment. It must therefore seem far-fetched to argue that it was in Weber's work that classical theory took a wrong turning yet this is the only way to understand how the promise of classical theory was effectively thrown away.

14

Many people will have encountered the idea of an intellectual wrong turning in the work of the philosopher, Alasdair MacIntyre, who argued that Western philosophy made this sort of mistake when it turned away from the path of Aristotle (see, for example, MacIntyre, 1985). According to MacIntyre, philosophy, and even Western society as a whole, suffered from the ill-effects of this error in all the centuries that followed. At one level I simply wish to borrow this idea and show that the sociology of economic behaviour made a similar mistake<sup>6</sup> but this is not all that my argument owes to MacIntyre. MacIntyre did not hold Weber responsible for the wrong turn in Western philosophy but he was critical of Weber's approach to bureaucracy and rationalization. To simplify a subtle and complex argument, we could say that MacIntyre argued that Weber identified a key trend of Western society but then (wrongly) convinced himself that this trend was irresistible (MacIntyre, 1985). It is almost as if Weber gave way to an excess of intellectual pessimism. There is much more to MacIntyre's criticism than this – and the role of mistaken notions of the capabilities of rationality, including social science, will be discussed below – but he showed that it was not Weber's original insight that constituted a wrong turning for the classical sociology of economic behaviour, but his pessimism about how far rationalization must go. It was the fact that Weber concluded that there was no alternative to economic rationality that constituted the wrong turning.

Daniel Bell refers to economically rational behaviour as 'economizing'. He describes Weber's rationalization as equivalent to the spread of an 'economizing attitude' (1976: 67) where 'economizing societies ... are organized around a principle of "more for less" and to choose the more "rational" course of action (ibid.: 75–6). Weber, in particular, established the practice of treating morality solely as a means and never as an end. For example, morality could help or hinder economic development but in either argument it was subordinate to (economic) rationality. Where Durkheim saw the importance of pre-contractual solidarity, he did not thereby demote morality to an instrumental role in all other respects. Indeed, the deleterious effects

of economy on morality were his initial preoccupation. Similarly, Marx could see the way that capitalism destroyed bourgeois morality *and* the way capitalist sense-making functioned as a kind of smoke-screen and substitute morality rolled into one. This is not to suggest that the Marxist and Durkheimian sociologists who studied economic behaviour in the twentieth century were able to avoid taking the Weberian wrong turning. For the most part they never questioned Weber's pessimism and, indeed, the self-evident supremacy of rationality – and the demotion of morality to a supporting role – were simply taken for granted (Anthony, 1977; Shenhav, 1999). The fact that there had ever been another path, another way of developing the sociology of economic behaviour, had been forgotten. The consequence of this was that the sociology of economic behaviour was in a very sorry state by the 1990s. It had become repetitive and devoid of inspiration with nothing to offer to the rest of the discipline.

Marxist sociologists did more than most to keep the sociology of economic behaviour in touch with moral ideas but this did not mean they were any more successful at integrating morality into their sociology than the most Weberian of their colleagues. Careful empirical work might, for example, catalogue the way workers were subject to pressures to intensify their labour but the idea that this intensification was wrong, and should be resisted, was not part of the sociology but was imported from outside. Inside the sociology it had to be admitted, indeed it was a core assumption of the methodology, that the intensification of labour was highly rational economic behaviour on the part of capitalists. So far as the sociology of economic behaviour went, there was not a word to say against it. For this reason many of the Marxist writers did not even mention in their work that they judged speed-up or deskilling to be immoral. Instead they tried to convey this impression by the use of literary technique. In a few cases the results were magnificent pieces of literature (see for example, Beynon, 1974) but fell short of the standards of classical critique (Anthony, 1977).<sup>7</sup>

In these respects the Marxist studies of the workplace were really no different from Weberian studies of social stratification which faithfully documented the stability of patterns of relative social mobility but could only judge this to be wrong if they imported an idea like 'social justice' (Marshall et al., 1997). The heyday of the Marxist sociology of economic behaviour in the 1970s – always a more European than American affair – had passed into memory when the intellectual death of Marxism was announced in 1989.<sup>8</sup> Nothing was more indicative of the bankruptcy of a Marxist sociology of economic behaviour which took Weber's pessimism about the virtues of 'economizing' as an article of faith than the interminable and completely fruitless 'labour process "debate"' which occurred – it would be stretching



credulity to say that it ‘raged’ – throughout the late 1970s and 1980s (see pp. 111–112). When the journals and publishers of academic books had finally had enough of this (and turned their attention to the equally pointless ‘flexibility debate’ instead), those sociologists who had managed to retain an interest in this area of research did at least have a clearly defined research agenda. It seemed that, once you decided that your job was to study what bosses did to get ahead, or simply to keep up with their competitors, it was but a small step to doing research in order to decide which of these innovations worked best. From here it was another tiny step to the point at which sociologists started volunteering to employers their knowledge of how best to accomplish what they once used to call ‘exploitation’.<sup>9</sup> In fact, this *volte face* became inevitable when the sociology of economic behaviour took its wrong turning. There was apparently nothing in the disposition of Marxist sociologists that could protect them from the same fate that befell all who took the supremacy of economic rationality for granted (Anthony, 1977; Shenhav, 1999).

16 A sociology of economic behaviour which is so happy to take economic rationality on trust will eventually be confounded by the results of its own empirical research. Thus sociologists who deplored the effects of the rational behaviour of employers and managers spent a great deal of time looking for evidence of ‘worker resistance’ to this behaviour. Where it was competently conducted, empirical research tended to show that workers’ behaviour varied along a continuum between resistance and co-operation (Friedman, 1977; Nichols and Benyon, 1977). Moreover, when workers resisted, they were likely to do it for their own economically rational reasons and the mere fact of their resistance therefore did nothing to support a moral critique of capitalism (Calhoun, 1982).

It is worth citing one further example of the way that sociologists who tried to criticize capitalism without critically examining economic rationality eventually saw their theories being undermined by empirical evidence. In the sociology of economic development it had been axiomatic – in under-development theory, for example – that, at best, capitalism might be good for poorer people in rich countries but could never be good for anyone but a tiny elite in poor countries. In the 1980s the empirical evidence began to suggest otherwise and those who had done most to popularize the theory of under-development soon found themselves recanting every word (Frank, 1998). It is undoubtedly the case in this instance, and all the others like it, that many sociologists of economic behaviour thought they were involved in an intellectual crusade against capitalism, or even ‘monopoly capitalism’ (Baran and Sweezy, 1966). These sociologists had mistaken the *occasion* for inventing the sociology of economic behaviour (and indeed the discipline as a

whole) for its sole function. It might have been stimulated by the development of industrial capitalism but its function was to critique all economic behaviour, not just a particular form of it (Anthony, 1977; Gorz, 1989).

It can readily be understood why sociologists who were committed to the narrow function of the sociology of economic behaviour were confounded by the apparent success of capitalism as evidenced by their empirical studies of workplace behaviour and patterns of industrial development. Sociologists gave up the right to critique any economic behaviour because they accepted the apparent victory of capitalism as complete. In this way the sociology of economic behaviour voluntarily abandoned the critique of economic behaviour and accepted the straitjacket of economic rationality as its regulation dress. In the last quarter of the twentieth century a few sociologists were still being stirred by the thought of the dehumanizing and alienating effects of capitalism but what was generally missing was the sort of fundamental thinking Marx had begun to do. In particular, sociologists had ceased to compare what economic rationality claimed for itself with what it actually accomplished. They therefore denied themselves the chance of judging whether the 'rational' status of economic rationality stood up to scrutiny. Far from following Marx, many sociologists began evangelizing for economic rationality. It was becoming clear that the sociology of economic behaviour had followed the lead of economics and allowed all moral concerns to be subsumed to economic ones.

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#### ECONOMIC SOCIOLOGY AND SOCIAL ECONOMICS

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The sociology of economic behaviour was invented along with industrial capitalism because economic rationality became more important than it had ever been in this new kind of society (Gorz, 1989). The most important goal of the sub-discipline was to subvert this rationality by setting it against the notion of morality: how was the new relationship that was being established between the moral and the economic to be understood? A century later sociologists appeared to have answered this question: the relationship was an unequal one in which morality was either instrumental, or subservient, to economic aims. The sociology of economic behaviour was invented to critique economic rationality but eventually capitulated to it. By the last quarter of the last century it had been thoroughly contaminated with economic rationality (Shenhav, 1999).

We need to understand this colonization (which occurred as part of the processes of rationalization and demoralization of which classical sociology had warned), if we are to see the enormous significance of

the most recent developments in sociology which suggest that the sociology of economic behaviour is, at last, showing signs of turning into the diagnostic tool which classical theory promised it would become. In particular, we need to understand that by the 1980s the sociology of economic behaviour had itself become part of the social and political machinery dedicated to furthering the socio-economic changes that sociology had been invented critique. In this way sociology had itself become an instrument of demoralization (Anthony, 1977). To renew this branch of sociology as a form of classical critique from such a unpromising starting point would seem almost miraculous.

18

The involvement of sociology in the spread of economic rationality is most clearly visible in the *off-shoots* of sociology which helped to give rise to many of the courses taught in business schools. Under *noms de guerre* such as management theory and the study of organizational behaviour, these off-shoots provided some potent weapons for advancing the sorts of social and economic changes sociology was invented to problematize (Beder, 2000; Shenhav, 1999). These were largely ideological weapons: ways of presenting the changes, and the rationale for making and accepting them, as if they were good for everyone or there was simply no alternative to making them (Kunda, 1992). Through these off-shoots, sociology and the other social sciences created the knowledge that the foot-soldiers of economic rationality, the managers, had to learn before they were allowed to soldier (Anthony, 1977).

Rather less obviously, the colonization of sociology by economic rationality proceeded as an internal process within the sociology of economic behaviour (as it appeared in the most respected sociology journals, for example). Indeed, this branch earned itself a new name: the sociology of economic behaviour that rigorously prosecuted the agenda defined by economic rationality became known as 'economic sociology'. By the 1980s this term was in common use to describe sociology in a variety of substantive areas (Swedberg, 1986). Economic sociology was, for example, informing sociologies of migration, of work, or industrial organization, of education and training, of social mobility and of labour markets.

The term 'economic sociology' was used by both Durkheim and Weber but it was not until Parsons (Parsons, 1949, 1951; Parsons and Smelser, 1956) and Smelser – in various contributions throughout the 1960s – began to interpret Weber that the idea of a separate sub-discipline began to take shape (Smelser and Swedberg, 1994). By the early 1990s some of its practitioners were so proud of its achievements, and so sure of the progress made since Durkheim and Weber, that they preferred their work to be known as the '*new* economic sociology'

(Friedland and Robertson, 1990; Swedberg, 1993; Zukin and DiMaggio, 1990). In the most influential statement of the new economic sociology, Granovetter (1990) defined the scope of the sub-discipline much more widely than Parsons had. Ironically, Granovetter drew his inspiration from Polanyi (see pp. 22–23) but what Granovetter took from Polanyi was the key concept of embeddedness (Granovetter, 1985). In effect, economic rationality had to have a social context but there was more to economic behaviour than economic rationality. Granovetter used the idea of social networks to show how the economy was embedded and the focus on networks became a central focus – along with markets and corporations – of economic sociology (Smelser and Swedberg, 1994).

Economic sociology was not interested in the classical preoccupation with the effects of economic behaviour, and the rise of economic rationality, on the non-economic, more straightforwardly social, parts of our lives. Rather, its interest in economic behaviour was excited by the way in which economic life could also be seen to be social. Economic sociology concerned itself with the investigation of the social context of economic behaviour and considered the idea of a critique of this behaviour unnecessary and, indeed nonsensical (Callon, 1998). Yet sociologists do not always limit themselves to documenting human behaviour without comment just because this behaviour is common. This is not how they have approached the study of racist behaviour, for example. Instead of simply documenting racism, sociologists have mounted a critique of this behaviour showing, for instance, why the world-view on which racism is founded is mistaken and suggesting that race is not a meaningful category for explaining social behaviour. The alternative to economic sociology is a critique which questions the foundations of economic rationality and thus problematizes its goals, capabilities and functions.

The idea that economic behaviour had a social context – as expressed by the idea of embeddedness, for example – gave economic sociology its justification for trespassing on the territory of economics. The search for this justification was its holy grail. Since Parsons and Smelser (1956) it had been clear that economic sociology looked towards the neoclassical economics rather than classical social theory. Indeed, the whole sub-discipline could be understood as a polite plea from sociologists for recognition and validation from neoclassical economics. Such an attitude could not fail to compromise sociology, for example, from the very beginning it committed sociology to a partial view of the rise of economic rationality. Weber's observation that we cannot take economic rationality for granted was developed by Parsons into the proposition that economic rationality was a system of norms that appeared at specific stages of development in the West (Smelser

and Swedberg, 1994). In other words, Parsons wished economists to take notice that the things sociologists were interested in (norms) were important after all – since they served economic ends.

It is worth pointing out that the same position can just as easily be reached from the other side of the disciplinary divide, and with barely a reference to Weber (or any other classical social theory). Etzioni invented his own version of economic sociology without ever leaving the economists' side of the fence. A brief discussion of his 'social economics' will serve to highlight all the dangers economic sociology runs by orienting itself towards the concerns of economics. Etzioni argued that neoclassical theory dismissed the idea that morality might affect economic behaviour because to do otherwise undermined the 'article of faith' that collective intervention in the lives of individuals made bad economic sense as well being a blow for tyranny (1988: 10). Not only did morality affect economic behaviour, but morality served economic ends like lower transaction costs, less tax evasion, more savings, better industrial relations and productivity and even higher GNP. Of course there were examples where morality had an inefficient downside but morality was also an efficient way of providing for the commons.

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The tendencies of social economics are best summed up by Etzioni's idea that giving workers dignity would make them work harder, reduce turnover and absenteeism and that 'many people work best, and feel less exploited, in contextual relations, in which they work in part out of moral commitment and are treated as human beings, and not merely as commodities' (ibid.: 75). In his conclusions Etzioni argued that companies could save the money they might have put into financial incentives for their workers because 'there is considerable evidence that changing the corporate culture, including its informal moral codes, frequently can deliver a significant part of the desired results, at a much lower cost' (ibid.: 230). Etzioni went on to cite Deal and Kennedy in this passage and by the 1990s economic sociologists were increasingly influenced by writers like Peters, Drucker and Kanter who were explicitly, and unashamedly, concerned with finding ways of making corporations, and the managers of corporations, more successful. In effect, sociology was now turning for its ideas to the off-shoots of the discipline which had been established in the business schools. This was rather like mainlining economic rationality. The ideas being injected into sociology were so thoroughly managerialist that they made economic rationality a combination of a *political* aim and the foundation of a world-view.<sup>10</sup>

In this most recent incarnation of economic sociology we can begin to discern the unrealistic opinion that economic sociology has of its own capabilities. Whereas Granovetter (for example) took Oliver