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Article

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economic sociology_the european electronic newsletter

Provided in Cooperation with:
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Suggested Citation: Carruthers, Bruce G. (2006) : Why is the past also the present and future of economic sociology? On method, evidence, and topic, economic sociology_the european electronic newsletter, ISSN 1871-3351, Max Planck Institute for the Study of Societies (MPIfG), Cologne, Vol. 7, Iss. 2, pp. 3-6

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Why is the past also the present and future of economic sociology? On method, evidence, and topic

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Is historical sociology useful for economic sociology? The founders of sociology (e.g. Marx, Weber) would probably not have thought twice about this question, given how much their own economic and social analyses were steeped in historical knowledge. But perhaps we should not look to the disciplinary pantheon for guidance: maybe today’s “cutting edge” research will shed some more relevant light on this issue. The recently published second edition of the Handbook of Economic Sociology (Smelser and Swedberg 2005) offers a convenient way to address the topic, and seemingly it provides a clear answer. In summary chapters written on topics ranging from business groups (Marc Granovetter), markets (Richard Swedberg), consumption (Viviana Zelizer), work (Andrew Abbott), the state (Fred Block and Peter Evans), and education (Mary Brinton) to gender (Paula England and Nancy Folbre), transition economies (Lawrence King and Iván Szelényi), and money (Carruthers), history is ever-present. Essays range freely through the centuries, deploying data, results and examples from across time to make arguments of contemporary relevance. These historically thick discussions are motivated by much more than just an antiquarian impulse; they pointedly engage history despite strong incentives to focus on the present (relevance, timeliness, ease of study, etc.). In many different ways, they reflect and interrogate the “historicity” of the economy. Alternatively, a recent edited collection of essays by historical sociologists (Adams, Clemens and Orloff 2004) illustrates how much the economic realm remains a focus of historical sociology (see especially the essays on transitions to capitalism, social provision, the economy, professions, and bureaucratization of the state). It seems that economic sociology and historical sociology are frequent partners. In this essay, I would like to suggest several reasons why history and historical analysis have become so central to the enterprise of economic sociology.

Within U.S. sociology, the resurgence of historical sociology dates from the 1970s and 1980s, motivated in part by neo-Marxist studies of macro-political events like revolutions (e.g. Thea Skocpol, Jack Goldstone), class formation (Craig Calhoun), the rise of the nation-state (Charles Tilly, Perry Anderson), and the formation of the capitalist world-system (Immanuel Wallerstein). Thanks in part to the political turmoil of the 1960s, issues of power and conflict had returned to the sociological agenda. The resurgence of economic sociology occurred slightly later, during the 1980s and 1990s, and was linked to the development of formal network analysis (Granovetter 1985, White 1981). Transaction cost economics (Williamson 1975) was an important early target because it had attempted to bring institutions systematically within the framework of economics. While useful as a motivation to devise a sociological alternative, the sociological critique reflected a tendency that (unfortunately) has continued to this day: defining economic sociology as what economics is not.

The coincidence of these two developments created some interesting intellectual opportunities. Among other things, scholars drawing on both research traditions were able to analyze the dramatic changes unfolding in Eastern and Central Europe during the early 1990s with a keen appreciation of the interdependencies between political and economic transitions (e.g. Stark and Bruszt 1998). Other scholars examining the continued unfolding of an integrated global economy were also able to focus on the political foundations of globalization (e.g. Fligstein 2001). Yet others follow Karl Polanyi (1944) and address the role of the state and public policy in stabilizing market economies by protecting important political groups (like working class voters) from economic risks and market-based instabilities of income or consumption (e.g. Moss 2002, Hacker 2002). In all such instances, scholars have analyzed the economy in relation to politics and political change.

Such sensitivity to the connections between markets and politics was no accident, for these are the links that shape the basic institutions of a market economy. For an eco-
nomic sociology that seeks to examine the structure and role of institutions (e.g., the rules of the game), institutional variation is absolutely necessary. Sometimes historical events thrust such variation into the faces of researchers, but more frequently they must seek it out. This almost always moves the researcher toward comparative or historical studies. Comparison in the present can be very useful, but oftentimes it is historical variation that is most revealing. Furthermore, when path-dependent processes are at work (institutional lock-in, increasing returns, self-reproducing systems, etc.), it can be necessary to look to the past in order to make sense of present arrangements. Consider Kathleen Thelen’s (2004) discussion of skill formation in four countries. By comparing the institutional arrangements that govern the creation of skills among workers in Germany, Britain, Japan and the United States, Thelen is able to show how varied the process is (despite globalization/convergence etc), but more particularly how deeply rooted it is in the political and institutional particulars of each country’s history. In the case of Germany, these robust arrangements survived military defeat in two world wars, foreign occupation, the Great Depression, Fascism, and the Cold War.

Another fundamental economic institution with deep historical roots is property. It is virtually impossible to understand land law, intellectual property rights, or financial property (stocks, bonds, etc.) without a deep understanding of legal, political and economic history (Carruthers and Ariovich 2004). Property rights vary from one country to the next, and such differences can be as durable as they are consequential. Dramatic changes in property rights (such as the abolition of feudal property during the French Revolution, the nationalization of private property during the Russian Revolution, or the shift back towards private property in numerous transition economies circa 1990) demonstrate the institutional linkages between polity and economy. Also, the uneven diffusion of property rights systems around the world reflects the varied colonial experiences that exported British common law and French civil law (for example) to different parts of the world.

Historical analysis in pursuit of an economic sociology agenda can take advantage of that which bureaucratic organizations are especially adept at creating: written records. Since a high proportion of early writing was devoted to mundane activities like tracking property, recording economic transactions, collecting taxes, resolving commercial disputes, etc. (Goody 1977), the existing historical evidence is predisposed toward the study of economic and organizational activities. Furthermore, merchants were among the most literate and numerate of social classes and hence more likely to leave behind a substantial paper trail. McLean and Padgett’s analysis (1997) of Florentine social, political and economic networks rests heavily on a welcome Florentine propensity to keep and preserve good records. My own research (Carruthers 1996) on the early 18th-century London stock exchange would have been impossible but for the hard-working clerks of the Bank of England and East India Company. Scholars have made good use of court records (e.g., Muldrew 1998, Finn 2003) to understand the changing social meaning of debt.

Lest one think that reliance on this kind of historical evidence restricts an economic sociologist to the “brute facts” of material life, consider recent studies that address the cognitive and performative aspects of the economy. Drawing on science studies, MacKenzie (2003) analyses the Black-Scholes option pricing model as an artifact-cum-cognitive-device that traders in options markets used in pursuit of their financial interests. MacKenzie tracks how traders adopted this formula after its “invention” and diffusion in the early 1970s. The pricing model did not merely describe financial reality, it in many important respects constituted the new reality of options trading. Yakubovich, Granovetter and McGuire (2005) discuss how the growing U.S. electrical industry “decided” at the end of the 19th-century on a method to price its product, choosing in a very political fashion between two alternatives. The pricing mechanism for electricity was an institutionalized accomplishment rather than merely an abstract point where marginal cost and marginal revenue lines intersected. Lounsbery and Rao (2004) and Zhao (2005) discuss the cognitive categories that bring order to markets in intangible (mutual funds) and tangible (wine) goods, respectively. Lounsbery and Rao show how and when product categories evolved over time, while Zhao examines an instance where category systems became nationally embedded and so proved to be remarkably durable. American wine is classified primarily by grape variety, while in France wine is classified according to region, and both category systems have endured despite the fact that both countries produce for a world market.

As Zhao (p.181) points out, category systems matter because of how they confer identities, exert social control, enable sense-making, create boundaries, and signify social standing. No economic sociologist would be surprised to learn that these processes are ubiquitous in markets. Going even further back in time, one can interpret basic
business methods like double-entry bookkeeping in the early modern period as a technique for performing the cognitive and legitimation work that underpins rational action (Carruthers and Espeland 1991). These studies all make use of original sources to discern how economic actors perceived, interpreted and categorized their environments.

Another important issue in economic sociology that benefits from historical analysis has to do with the formation of the fundamental unit of modern economic life, namely the corporation. If the corporation is conceived of as a nexus of contracts or as the optimal response to transaction cost problems, then corporate history may seem pretty irrelevant (except as a “just so” story). But if one is willing to relax assumptions about rationality and efficiency, then corporate history becomes a much more contingent and fateful tale. The links between politics and economics were especially direct for early corporations as incorporation (the granting of a corporate charter) typically required a special act on the part of a legislature or sovereign government. Parliamentary favors were almost always political favors, and hence the foundation of a corporation was essentially a political deal out of which flowed economic consequences (witness the establishment of the Bank of England in 1694, for example). The western corporate form evolved, borrowing large organizational elements from the Catholic Church (Lancaster 2005) but also acquiring features that were quite novel (e.g. limited liability). The modern corporation possesses a triple identity, as a unitary economic actor (thanks to legal personality, perpetual succession, etc), as a divisible form of property (thanks to liquid corporate shares that can easily be traded on a stock market), and as the terrain for individual organizational careers (thanks to highly structured internal labor markets). The legal and political exigencies that shaped corporate history are anything but a “just so” story, as many economic sociologists have shown (Roy 1997, Dobbin 1994, Fligstein 1991).

There are other specific questions in economic sociology where use of historical evidence has been advantageous, but I do not intend to list them all here. And doubtless clever young economic sociologists will think of even more ways to pillage the past than I can envision at present. But I do anticipate that economic sociology will increasingly turn and return to history. In summary form, the three reasons why this is so encompass method, evidence and topic. So long as economic sociologists maintain an interest in basic economic institutions, they will need institutional variation in order to study these topics. And such variation is often found historically. Economic sociology can also exploit the fact that primary archival evidence frequently privileges the topics that interest it. With all due respect to Carlo Ginzburg (1980), it is generally much easier to study agricultural production in the 16th c. than it is to examine the world view and mental maps of 16th c. millers. Finally, economic sociology must embrace history because the phenomena of interest are inherently historical: their structure and dynamics were forged in the past and are inexplicable outside of historical context. We must embrace history because it matters.

Endnote

1 The “presentist” orientation is particularly acute for economic sociologists working in business school. MBA students want to know what GM or Microsoft are doing today. They have little interest in what the East India Company did in the 18th century, no matter how illuminating such an exercise might be from a theoretical standpoint.

References


