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Comment on Richard Swedberg/1

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Comment on Richard Swedberg/1

by Paul M. Hirsch

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Swedberg's call for sociology to restore elements of realism and materialism to our treatments of *homo sociologicus* and *homo oeconomicus* is well taken. As he so ably shows, modern economics has met with substantial success in its abandonment of home economics, and its focus on exchange rather than use values. In this comment, my concern is less with the rather long-standing battle within economics that led to this outcome [Scott 1995, ch. 1 provides a useful supplement to Swedberg's account of this]. Instead, I will reinforce Swedberg's concern over how far sociology in general, and economic sociology, in particular, should go in following this example. Two questions this scenario raises for economic sociology include: 1) Do we want to be as far removed from, and celebrate being as divorced from reality as this example provides? And, if one answers "Yes," then 2) If economics already does such a good job in banishing realism and materialism, then would being so not relegate sociologists to competing with and imitating economists, thereby becoming what could be easily called second rate economists?

It is especially ironic that much economic sociology joins modern economics in framing technological and other socially impactful changes as exogenous to the systems being modeled. By so falling into the error of abstracting external environments, and treating structural issues like stratification, income inequality, and the surrounding legal systems in which these occur as irrelevant, much that is central to sociology risks being left out of the discipline [Hirsch 1997]. To Swedberg's insight in tracing back the separation of use and exchange to some of the earliest considerations in their intellectual journeys, I would add more explicit attention to political economy and issues in power, such as the influence of vested interests in holding

back innovations and new policies – cf. Barley’s [2007] call for more studies in this area.

Swedberg’s focus on the interest of household and home economics in realism and materialism is supported in an interesting feminist critique of the assumptions that have pushed them aside and replaced them. In their “Feminist Critiques of the Separative Model of Self,” England and Kilbourne [1990] addressed critical assumptions of neoclassical economics that downplay realism and substitute assumptions which may be seen, they suggest, as simplifications which enable both simpler mathematical deductive modeling, and a more macho set of fantasies about human nature. The assumptions challenged here include:

1) *Individuals are selfish*. While not realistic (or scientifically supported), the presumptions of selfishness and self-interest above all remain basic to “rational choice” theory in Sociology, and to neoclassical economics. It is challenged in that “if individuals vary in their altruism, and if altruism is encouraged by some situations and not by others,” the assumptions of *ceteris paribus* and “determinant predictions of the type which economists derive mathematically are often impossible” [*ibidem*, 160].

2) *Utility comparisons are impossible*. Because utility functions are defined as radically subjective, neoclassical economics, and to a lesser extent, rational choice theory in sociology assert it is not possible to gauge whether a group with superior resources is more advantaged than another group with less. “A paradigm which denies the possibility of stating that those at the bottom of hierarchies average less ‘utility’ overall than others (...)” is, to Swedberg’s point, denying both materialism and realism [*ibidem*, 162].

3) *Tastes are exogenous and unchanging*. “Such a degree of emotional separation and atomism is highly unrealistic. If a model cannot help to elucidate how tastes change through social interaction, it may be putting too much of human experience outside its scope of explanation” [*ibidem*, 166].

England and Kilbourne conclude that to restore realism in these models, *a*) “selfishness/altruism must be considered a variable, not (...) assumed as a constant, despite the loss in formal deductive power of the models.” Additionally, they suggest *b*) a metric be found for interpersonal utility comparisons, that while difficult, it would “allow theories to acknowledge power disparities and to study their roots and consequences” [*ibidem*, 168]. Finally, to become more realistic, these theories must reconceive tastes as endogenous and changing. While Swedberg notes that in perspectives on household and home economics have disappeared in the economic discipline, this feminist critique shows much of its perspective remains current, and suggests positive actions to help move economic sociology and rational choice models to better address and incorporate more realistic and materialistic elements.

More Power and Political Economy

While it is true that, historically, issues in materialism and realism were importantly highlighted in home and household economics, there are additional economic and sociological frameworks, focusing on social conflicts, history and institutional change, in which and political power is addressed more explicitly and gender (per se) is less critical – see, for example, Perrow’s critiques of economic theory [Perrow 1987]. Relatedly, conceiving the market as a social construction is emphasized by both critical economists and sociologists in the mold of “old institutional” studies. Extending Swedberg’s main points to incorporate these additional aspects of realism and materialism strengthens his contribution.

The historical context Swedberg contributes, beginning with a reversal of Aristotle and Xenophon’s interpretations of use and exchange by Smith and Knight is an important reminder that “modern economics” has banished an important and tangible portion of the economic and social world to a combination of abstraction and exogeneity. While teaching at the University of Chicago (a headquarters of neo-classical economics), I enjoyed suggesting there is much in the “error term” of standard economic equations – that between the fixed arrangements of State 1 and State 2, the social changes of interest to sociologists are ignored as just the “noise” found while the adjustments are working themselves out. However, it is in examining the very conflicts, in which various interests compete to construct the markets and environments that will constitute the economist’s next equilibrium state, that sociology’s comparative advantage is to be found. It is at these points that the new technologies and often-endogenously generated alterations to the changing system unfold.

Neoclassical economic models achieve their power and elegance at the cost of denying realism and materialism. I have no quarrel with this decision by another discipline, but see no reason why its example should be emulated by sociology. As I noted earlier, there is no gain to trading in our strong advantages and distinctive competences to become second rate economists and imitate others’ models. What economic sociology can contribute includes empirical studies of how markets are constructed (often politically), technology unfolds (endogenously), and of variation among economic groups, regions and cultures. Economists to look to in this arena are Douglass North and others who find variance and exceptions interesting, rather than seek universal rules and focus on regression lines rather than the variance around them.

Some years ago, at another time when the boundary between these disciplines was also being discussed, Hirsch, Michaels, and Friedman addressed some of these issues in an article entitled: “‘Dirty Hands’ versus ‘Clean Models.’ Is Sociology Being

Seduced by Economics?” Like Swedberg, we noted for sociology, “the *realism* of the concepts and proposition used, their resemblance to the perceptions and meanings of the participants, is highly valued (...) Few fundamental assumptions, such as rational choice, cut across and deeply into the discipline. Indeed, sociology often takes these very assumptions as problematic” [Hirsch, Michaels, and Friedman 1987, 318, emphasis in the original]. Contemporary economics, we noted, “exemplifies a highly abstract, deductive approach to social science. Its style is characterized by the development of models based on deliberately, vigorously, and rigidly simplified assumptions (...) A series of heuristic assumptions about human nature, taking the existence and preeminence of markets as a given, and other related principles such as fixed preferences are assumed and generally unquestioned The claim that these are all exogenously determined factors lying outside the realm of economics has a certain disingenuous quality” [*ibidem*, 316].

Another way of framing “realism” as present in much sociological research and theorizing is to say the discipline is largely data-driven. That is, since it does not know the answers before a study begins, it remains open to allowing the data to drive the resulting theory about the topic, rather than the other way around. These points were summarized in a table showing “ideal type contrasts,” which is reproduced below, at the end of this commentary.

In sum, Richard Swedberg’s call for retaining Sociology’s attention to realism and materialism is welcome and comes at a time when economic sociology and institutional theory can benefit from the reminder. His provision of the historical context of the debate within economics is a highly interesting and useful reminder that other disciplines have also debated the comparative values of abstract theorizing and elegant models through simplifying their assumptions. Sociology has benefitted by remaining focused on gathering data to test its theories, and by not reducing the field to just one way of framing the issues and conclusions. Swedberg’s article about this is an excellent consideration of the topic. It is to be commended, as are his many other longstanding contributions over the course of his career.

TAB. 1. *Economics versus Sociology*

| | Economics | Sociology |
|--------------------------------|---|--|
| <i>Assumptions</i> | | |
| Assumptions about human nature | Rational Greedy (Maximizers) Self-interested Instrumental Fixed Preferences | Complex Variable Cultural Expressive Fluid preferences |

TAB. 1. *Economics versus Sociology*

| | Economics | Sociology |
|----------------------------|---|--|
| Main unit of analysis | Individual | Collectivities |
| Concept of society | Nominal Aggregates of individuals Hobbesian | Real Sui generis Rousseau |
| Philosophical stance | Behaviorist Materialist | Interpretive (Verstehen) Idealist |
| <i>Theory and research</i> | | |
| Mode of theorizing | Deductive Axiomatic | Inductive Data-driven |
| Method | Analytic theoretical modelling Quantitative mathematical Abstracted Secondary data | Inductive, grounded the- ory building Qualitative and quantitative Ask people (surveys) Primary data-collection |
| Model characteristics | Few variables Elegant | Many variables Messy |
| Criteria for validity | Predictive | Realistic Explanatory |
| <i>Policy implications</i> | | |
| Orientation to market | Pro Independent variable Market > Firm | Neutral Intervening or dependent variable Firm > Market |
| Policy stance | Normative Solution-oriented Treatment Status quo Free market | Value neutral Problem-defining Diagnosis Debunking Regulation |
| <i>In summary</i> | Clean models | Dirty hands |

Sources: Hirsch, Michaels, and Friedman 1990.

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Comment on Richard Swedberg/1

Abstract: Swedberg's call is timely and important. For economic sociology to retain the Sociology half, it needs to restore attention to elements of realism and materialism missing from much (neoclassical) economics. Toward this goal, Swedberg rightly calls for renewed attention to household economics. He correctly notes Sociology's contribution to economic sociology lies less in holding constant interesting variables ("externalities") to achieve more elegant models, but rather, in including more empirical study of the processes in which interests and actions unfold. Extending this contribution invites greater focus on variance (per North) and politics (per Perrow).

Keywords: endogenous, feminist, political economy, interests, realist.

Paul Hirsch is Professor of Strategy, Organization and Sociology at Northwestern University's Kellogg School of Management. His research spans economic sociology, institutional theory, culture and communication studies. Hirsch has studied the discourse of corporate takeovers, and addressed issues in institutional and organization theory. He is currently examining the impact of ideology on failure of housing and mortgage markets in the U.S., and the intellectual history of the concept of "diffusion."