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# Comment on Richard Swedberg/4. Overcoming Divide

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## Comment on Richard Swedberg/4

### Overcoming Divide

by Alex Preda

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Richard Swedberg's erudite article raises a host of significant issues concerning the ways in which economic life and activities are conceptualized by economic theory, as well as the consequences of the selections and typologies through which "the economy" has become an object of theoretical investigation. At a more general level, one could argue, this conceptualization has focused on the "ghost in the machine," or what Richard calls "the spiritualization of economics" – that is, on elaborating a set of assumptions about the behaviour of economic actors, assumptions which ground abstract models of market exchanges.

In this search for the ghost in the machine of economic life, a paradox emerges: on the one hand, we are confronted with the "purification" of the assumptions underlying economic models of any hints about the relevance of material, concrete economic life. *Homo oeconomicus* has become disembodied: he is spirit without matter, pure will who ranks preferences and maximizes the utility of his choices (and we should notice here that it is a gendered spirit). On the other hand, the machine of economic life has known unprecedented development, without which the abstraction of *homo oeconomicus* as disembodied will could not survive: for instance, all the empirical data needed to falsify the predictions of economic models are produced and processed by complex material assemblages, involving not only data processing technologies, but also economic and political institutions, not to mention hybrid networks of actors.

Richard's article opens the way for investigating at least two sets of interrelated issues: the first set concerns the link between practical and theoretical economic knowledge; the second set concerns the relationship between conceptual shifts and broader societal changes. I will start here with the first.

In illuminating fashion, Richard Swedberg traces in his paper the change in emphasis from practical knowledge and tacit skills as providing the grounds for economic actions, to theoretical knowledge as the basis, if not the very form of action. Not only that modern economics, in opposition to Nineteenth century political economy, operates with a deductive model grounded in a limited set of assumptions about “rational” human behaviour. These assumptions themselves define behaviour as determined by theoretical knowledge about preferences, about utility maximization, and about expectations. Practical knowledge about how to conduct an exchange, how to appraise the value of a commodity, and the like cannot find a place here. Of course, in real economic life participants are aware about how important it is to have this sort of knowledge, much of which cannot be even fully verbalized. Over the last thirty years or so, anthropological and sociological work has constantly drawn attention to the relevance of this knowledge, from the bazaars of Morocco [Geertz, Geertz and Rosen 1979] to the trading pits of the Chicago Board of Trade [Zaloom 2006]. In real life, economic actions make this sort of knowledge indispensable. Conversely, its investigation would require paying attention to the ways in which (trans)actions unfold within concrete, material settings as situational, and not only situated actions.

There is, however, another aspect related to the “purification” work undertaken by economic models and to the substitution of practical with theoretical, abstract knowledge as the basis for defining economic behaviour. Practical knowledge as the foundation of economic life presupposes that actors are oriented toward each other as concrete, specific human beings. This sort of knowledge has a relational component which is difficult to ignore, a component manifest in setting up and maintaining social relationships. A model of economic action grounded in practical knowledge is a model of action among actors who share a set of assumptions and expectations. From this perspective, it is not surprising that, as Richard Swedberg shows us, the household is taken as the model economic unit by a whole series of approaches stressing the role of practical knowledge. The household as a paradigmatic economic unit in this sense is the place where all actors know each other. It is not the only relevant instance. Much recent research in economic sociology stresses networks as the basic economic unit [e.g., White 2002]. Here, as Richard Swedberg rightly stresses, more attention is needed to the material aspects of social relationships within networks, in order to avoid reductionist fallacies.

Turning now to the models of economic behaviour which ground economics, and to the knowledge-specific assumptions associated with them, we should ask, what sort of society do they imply? Is it a society of households, of the kind discussed by Aristotle and Xenophon? Is it a society of networks, of the kind examined by contemporary economic sociologists? Is it a society of self-interested manufacturers

and small shop owners, or a society of capitalists and industrial workers? The answer is that, if we purify economic knowledge of all practical elements and reduce it to theoretical elements about expectations, preferences, means, and utility, we would have a society of perfect strangers.

Can we though conceive of such a society? Much of the criticism toward economics has been that it ignores social elements (seen either as ethical norms or as reciprocal obligations, or as both). What Richard Swedberg makes clear, though, is that this “purification” of knowledge undertaken by economic models necessarily leads to a purification of (economic) action from its social components. An extension of such models to spheres of social activity usually seen as non-economic necessarily aim at “purifying” society of itself. We encounter attempts at such extensions in neo-liberal “marketization” projects (i.e., the re-arrangement of domains of social activity on the model of “choice” and of market exchanges among strangers), as well as in re-theoretizations of law, culture, family relationships as instantiations of contractual relationships among strangers.

One way of countering this loss of the social from the ways in which we think about society (and from policy as well) would be to systematically analyze the role of practical knowledge in economic actions and, together with it, the role played by material arrangements intrinsic to the contexts where such actions unfold. It would be a way, then, of giving the social back to society. Richard suggests a couple of avenues for achieving this, all of them emphasizing the material character of economic life, and I think they should be taken very seriously in economic sociology.

First, there is the issue of the distinctions (or boundaries) between market and non-market activities, distinctions which should not be understood as purely theoretical, but as practical ones. Rather than trying to apply market models to non-economic activities, we should ask how the boundaries of markets are constituted, and how they gain legitimacy. Rather than asking what is economic in non-economic activities, we should ask about what is non-economic in economic activities. Second, we should examine closer the role of the material arrangements in the constitution of these boundaries. While Richard rightly asks in his paper for a closer examination of profit motives and of the concept of productivity, we should not forget, for instance, that such a concept is not pure “spirit,” but supported by an entire technological apparatus, consisting of data recording and processing, tools for comparisons, and classifications, among others.

The second issue raised by Richard Swedberg’s arguments is that of the link between conceptual shifts and broader changes in the organization of economic life. It does not escape the observer that the conceptual shift from the household to the enterprise and then to the market runs parallel with a series of economic changes (re-

lated to technology, among others), changes which could be easily represented as intrinsic to the rationalization processes discussed by Weber almost one hundred years ago. Moreover, the recent and somewhat persistent debates about the emergence of a “virtual” economy could give the impression that these developments actually confirm the “spiritualized” model of the economic man. Not too long ago, I saw an announcement for a sociology course entitled *The a-topical society*, which had at its core precisely the idea of a virtual economy dispensing with trifles such as space. Therefore, one might get the impression that the “spiritualization” of economics goes hand in hand with the disembodiment of a global economy for which space becomes irrelevant.

The situation has certain parallels with some of the debates going on in science and technology studies about the “great divide” between society and nature. While this is taken as a sure sign of modernity, some observers have pointed out that this divide occurs at the purely discursive level, and that in practice there is unprecedented hybridization [e.g., Carroll 2006]. Analogously, contemporary market forms are “virtual” only in discourse; in practice, the material apparatus supporting them has grown unprecedented over the last five decades or so. I have in mind here among others the material apparatus supporting the “virtual” and “information-based” economy, an apparatus consisting not only of technological devices and software programs, but including institutional and professional shifts as well (the number of physics PhDs working in financial markets nowadays is a small example here).

We should not then “naturalize” economic models, and we should not regard them as necessarily synchronized with changes in economic life. Rather, as European economic sociologists have argued, we should regard such models as material tools used (or not) in concrete economic actions, and examine their consequences. In this respect too, Richard Swedberg’s paper produces a welcome contribution by highlighting the fact that economic models do not come from nowhere, something which has been argued, among others, by Donald MacKenzie [2006] as well. These models come from academics active in university departments which have specific institutional dynamics. Economics departments as we know them today have not always been there. By reading the story of the Home Economics department at Cornell University, we can see that the “spiritualization” of *homo oeconomicus* is actually underlined by specific institutional changes, all too material in character. The broader story of these changes in post WWII Europe still waits to be told.

Richard Swedberg calls for the return to a substantive economic theory, one which should complement the dominant formalistic one. Such a theory would have to re-open and re-frame the dialogue with sociology, a dialogue which was very much alive a century ago. It would also have to take into account sociological domains

which, apparently, are not immediately relevant to economic theory, such as science and technology studies. In this sense, Richard Swedberg's paper is more than a welcome call for cross-disciplinary fertilization. By setting up a historical perspective on the relationship between knowledge and conceptualizations of economic life, he also points out to concrete ways in which this cross-fertilization can take place, and traces thus an agenda for economic sociology as well.

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## **Comment on Richard Swedberg/4**

### Overcoming Divide

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Abstract: The paper argues that the Richard Swedberg's distinction between the types of knowledge taken as the basis for various conceptualizations of economic life has important programmatic implications for economic sociology. This distinction highlights the different ways in which economic models of exchange conceptualize society, and draws attention to the fact that economic activities have an inherently material dimension. Based on this, the paper argues that a main avenue of research in economic sociology should be the investigation of the material arrangements on which exchange processes are grafted.

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**Alex Preda** teaches sociology at the University of Edinburgh. He has co-edited *The Sociology of Financial Markets* (Oxford, Oxford University Press, 2005) together with Karin Knorr Cetina and has published a number of articles on the relationship between knowledge, technology, and financial markets. His current research focuses on the interaction order of online anonymous markets and on the private equity industry.