

**THE OTHER CANON AND ECONOMIC SOCIOLOGY:
A COMMENT ON GEOFFREY HODGSON'S VENICE THESES" AND
„SINGING THE OTHER CANON"**

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Let me first say that I am very happy to have been invited to this conference, where so many fine economists and social scientists have agreed to participate in an effort to develop an alternative to mainstream economics. I have been asked to comment primarily on the starting points for 'the other canon' and on Geoffrey Hodgson's 'Venice Theses' and his talk today, 'Singing the Other Canon'. Much can obviously be said about these three documents – far more than the time that has been allotted to me today. I have therefore decided to concentrate all of my comments on one issue, namely the relationship of 'the other canon' to sociology. I will in particular try to make the following point: that sociology can make a major contribution to the project of 'the other canon', especially through its main insight that when you analyze an economic phenomenon **you always have to take the social structure into account**. By a social structure I mean (following Weber) a configuration of social interactions which have assumed a certain independence from the viewpoint of the individual. To take the social structure into account, it should also be noted, is something that mainstream economics does **not** do.

Besides myself – and I am a sociologist – there are several other sociologists present at this conference (and they include some excellent economic sociologists, such as Fred Block, Peter Evans and Lars Mjösset), so I think that you may get to hear the same argument several times: sociology can play a constructive role in the formulation of 'the other canon'; and it can do this primarily by consciously and consistently introducing social structure into the economic analysis.

Before I comment on Hodgson's two papers let me first mention something about where sociology, as I see, could be introduced into the document in which 'the standard canon' and 'the other canon' are outlined and contrasted. These two perspectives are, as we know, compared on more than twenty points, and it would no doubt tax everybody's patience if I went through all of them and noted what stance sociology would take vis-à-vis each of them. Nonetheless, some of them can

be improved upon with the help of sociology; and one of these is the item that deals with rationality (number 23). It here says that ‘the standard canon’ stands for ‘static optimum [and] perfect rationality’, and ‘the other canon’ for ‘dynamic optimization under uncertainty [and] bounded rationality’. To this sociologists would add that while mainstream economists view rationality as **an assumption**, sociologists see it rather as a **variable**. Sociologists would therefore argue that certain environments, by virtue of their social structure, are basically conducive to more rational behavior than others (e.g. Stinchcombe 1986).

Sociology could also contribute to the current program of ‘the other canon’ by adding a totally new item. This new item, I suggest, might be phrased in the following way:

While the starting point for the standard canon is the isolated individual, exclusively driven by her material interest in an unambiguous direction, the starting point for the other canon are individuals who are born into a preexisting social world and who in their pursuit of material interests are always oriented to one another. Economic actors are thus influenced by social structures but also reproduce these through their actions.

Let me now return to Hodgson’s two papers, and first say something about his ‘Venice Theses’. In a few of these theses - more precisely, in thesis number 2 and in thesis number 5 - reference is made to ‘the social system’ and ‘institutions’, two concepts which come from sociology or which have been mainly developed within sociology, but which have later diffused into the social sciences at large. The only point I would like to make here is that when a diffusion of this type happens, there is always a danger that the meaning of the concept changes. This is indeed the case in today’s economic discourse, where the term ‘institution’ has taken on a meaning that is profoundly alien to the way in which sociologists think of institutions. The point to be made here, in other words, is simply that if one today uses terms such as ‘the social system’ and ‘institutions’, one has to specify very clearly what is meant by these terms; it is no longer enough to just use them...

In two of his ‘Venice Theses’, Hodgson directly mentions sociology. There is first thesis number 3, where Hodgson notes that Parsons helped to divide off sociology from economics; that this is unsatisfactory; and that we today lack an effective dialogue between economists and sociologists. And then there is thesis number 6, where Hodgson argues that the new economics should have ‘a strong trans-disciplinary thrust’, and that ‘economic sociology’ (as well as some other types of alternative ways of analyzing the economy) should become part of the curriculum of economics at the university.

I agree with both of these theses, but would perhaps make the addition that Parsons did not so much ‘divide off’ sociology from economics, as the author argues, as add some additional legitima-

tion to an already existing situation. By the 1930s, when Parsons intervened in the debate between economists and sociologists, U.S. economists and sociologists had already settled on a distinct division of labor; the economists were to study what was ‘economic’, and the sociologists what was ‘social’. A paradigmatic example of good sociology, according to this view of things, was Weber’s **Protestant Ethic** (which Parsons translated into English in the 1930s). When something as social and non-economic as religion affected the economy, sociologists, as opposed to economists, were the ones who should do the analysis – and this was a point on which both economists and sociologists agreed.

As to Hodgson’s suggestion that economic sociology - as well as economic history, the history of economic thought, and so on - should become part of economics departments, I can only agree (even if I would also add economic anthropology which is not mentioned in Hodgson’s paper). Again, however, it seems that one has to be more precise and add a bit more, if one is not to go wrong. Just as some representatives of ‘the standard canon’ have invented their own version of ‘institutions’, there also exist some mainstream economists who write and teach ‘economic sociology’ – but who by this term mean something that is totally different from what, say, a Max Weber, a Mark Granovetter or a Fred Block would mean by ‘economic sociology’. To illustrate the point, it can be mentioned that the term ‘economic sociology’ was first used by Stanley Jevons (in 1879) and that Gary Becker sometimes uses this term to denote his own research program.

Let me now leave the ‘Venice Theses’ and proceed to today’s text by Hodgson, ‘Singing the Other Canon’. This paper begins with a brief outline of the history of economic thought, and I very much agree with Hodgson’s analysis, especially his view of Marshall. I would perhaps add something to his discussion of game theory; and that would be to clearly mark the difference between von Neumann-Morgenstern’s approach and that of Nash. The former were very positive to sociology; they emphasized cooperative behavior as well as coalitions; and they assigned an important role to so-called ‘standards of behavior’ in the outcome of certain games. Nash, in contrast, focused exclusively on the individual and made uncooperative behavior the foundation of game theory. He also suggested an equilibrium-like solution to non-cooperative games which was compatible with mainstream economics, and which made it easier for mainstream economics – which von Neumann and Morgenstern had severely criticized – to eventually assimilate game theory.

In the following section of his paper Hodgson discusses what he calls ‘the crisis of the social sciences’, and practically all of what he says on this theme is devoted to sociology. Again Parsons is singled out for having been instrumental to the separation of economics from sociology, and again I argue that Parsons rather added some legitimation to a situation that already existed. Sociology

‘subsequent [to Parsons]’, Hodgson continues, ‘was very much a development of the general and ahistorical themes that Parsons had set out in the 1930s’, and to exemplify this he mentions Merton, Blau, Bourdieu, Coleman and a few others. Today, we are also told, rational choice has started to ‘invade sociology’, and the boundaries between economics and sociology ‘are [as a consequence] difficult to discern’.

Now, this version of what has happened in sociology since the 1930s is in my opinion not correct. Parsons was always an outlier in U.S. sociology, which can much better be characterized as strongly empirical and middle-range in character. It is also not correct to accuse scholars like Merton, Bourdieu and so on of being ‘general and ahistorical’ in their analyses. Finally, rational choice sociology can best be characterized as a small and not very influential part of contemporary U.S. sociology; and U.S. sociology itself (like sociology in the rest of the world) remains deeply alien to the theoretical underpinnings of mainstream economics.

Hodgson then proceeds – in a section entitled ‘The Proliferation of Ineffective Dissent’ – to discuss ‘economic sociology’ (as well as other forms of alternative analyses). This is the place in Hodgson’s paper where one would have expected a few lines about networks, embeddedness, markets as social structures and other well known contributions by today’s economic sociologists such as Mark Granovetter, Harrison White, Ronald Burt and others (cf. Swedberg 1997). But there is none at all of this in Hodgson’s paper and, as I see it, it needs to be amended on this point.

Another needed addition would be a few lines on Max Weber’s role in the creation of economic sociology. As the paper now stands, we get to hear something about Schumpeter’s views on economic sociology – which were always marginal – but nothing on Weber’s views, which are absolutely central. The equivalent to leave out Weber from the history of economic sociology would be not to mention Adam Smith, Ricardo, John Stuart Mill and Alfred Marshall in a history of economic thought, because Weber roughly played the role of all of these in the creation of economic sociology. It was Weber, in brief, who singlehandedly laid what still remains the most solid and creative conceptual foundation for economic sociology; and he did this in his **opus magnum, Economy and Society** (cf. Swedberg 1998). Weber’s work in economic sociology is deeply innovative and beautiful; and since Weber worked as an economist as well as a sociologist during his career, his writings speak in a natural voice to both professions.

What Hodgson says in the section of his paper entitled ‘First Steps Toward Reconstruction’ – namely that there should be departments where economics as well as sociology is taught – sounds of course excellent to a sociologist. To Hodgson’s three grounds for optimism – that there has re-

cently been an increase in works on the methodology of economics, on the history of economics, and in complexity theory – I would like to add a fourth area, namely that there also has been an increase in works by economists on norms and institutions. Again, of course, the usual caveat is in place: all of this work is only interesting on condition that it is not recast according to ‘the standard canon’...

Hodgson ends his paper with a suggestive and interesting ‘agenda for research’, which is divided into two parts: one that pertains to pure research, and another that is less theoretical and also includes some policy related material. As to policy issues, it should be noted that contemporary economic sociology has had relatively little to say on this score, with the exception of French economic sociologists, such as Bourdieu and Boltanski, who have often intervened in the public debate and taken sides. A few American economic sociologists have also been involved in policy issues, for example Fred Block.

As to the many interesting issues mentioned by Hodgson, I think that economic sociology could probably make important contribution to several of these, if not to all. Some of the issues where in my opinion it would constitute a mistake **not** to take sociology into account, include the following:

- **The Nature of Economic Institutions** – here economic sociology has a long and interesting series of studies to draw on;
- **The Processes of Globalization and Integration in the World Economy** – this represents an area where several of today’s economic sociologists are active, and also where one can find some good ideas in the classics of economic sociology; and finally
- **Innovation in the Economy** – here economic sociology has developed its own stance on entrepreneurship over the years, emphasizing for example its non-individualistic and fundamentally social character (e.g. Swedberg 2000).

Let me conclude by stating that through his ‘Venice Theses’ and ‘Singing the Other Canon’, Geoffrey Hodgson has given us both a fine analysis and an excellent point of departure for discussion. Let me also draw your attention, once more, to what I consider to be sociology’s potentially most important contribution to ‘the other canon’, as well as to economic analysis in general, namely **to introduce social structure into the analysis.**

Thank you.

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