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# *The Incompatibility Between Formalized Approaches in Economics and Flexible Sociological Theories*

**Enzo Mingione**

The following paper is a reply to Vernon Ruttan's article "The Sociology of Development and Underdevelopment: Are There Lessons in Economics?", which is an attempt to point out the potential contributions of sociologists utilizing modernization theory, dependency theory and world systems theory to economics. The argument put forth in this paper is basically a partial agreement of Ruttan's comment that communication between economists and sociologists has become rare. However, the paper explains this barrier by emphasizing three points. First, that sociology has developed into a decreasingly systematic, flexible discipline. Second, it has adopted various and differing theoretical paths which co-exist as accepted epistemological modes. Third, sociology has forcefully rejected the Parsonian project to codify and systematize the discipline within a structural-functionalist approach. The conclusion made is that inevitably, any socio-cultural explanation of variations in economic change is bound to disrupt the very explanatory framework proposed by economics.

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I think that Vernon Ruttan's article "The Sociology of Development and Underdevelopment: Are There Lessons for Economics?" is quite courageous given the difficult and problematic relationships between economists and sociologists. I also agree with Professor Ruttan that the communication patterns between sociology and economics have become particularly rare. In my opinion, this situation is due to a number of factors. Among the latter I would point out the recent development of sociology. This development features three related elements. First, sociology has developed into a decreasingly systematic discipline. Second, it has adopted various and differing theoretical paths which co-exist as accepted epistemological modes. Third, sociology has forcefully rejected the Parsonian project to codify and systematize the discipline within a structural-functionalist approach.

To be sure, the communication difficulties between the two disciplines do not rest exclusively on the internal development of sociology. They are also due to two tendencies which have characterized the evolution of economics. First, economics has become increasingly characterized by specialized formalization. This situation is embedded in the adoption of econometric models which, in turn, are considered the most desirable strategy for scientific production. Second, economics has featured the development of a theory system which appears decreasingly linked to empirical research. The latter refers to the existence of general macro theoretical constructions which usually do not match empirical analyses at the micro level.

In essence, then, the present communication

problems are due to divergent itineraries of development of the two disciplines. Economics is characterized by an increasing formalization which, however, lessens its ability to adhere to the various and complex issues emerging in society. Sociology is relatively more able to face the present crisis of the social sciences through its critical flexibility. This relative advantage of sociology is achieved at the price of a discipline oriented toward an asystematic and flexible attention to issues, governed by a weak, pluralistic and open grouping of approaches and characterized by chronic difficulties in establishing a commonly accepted scientific body of knowledge and methodology.

In regard to the issue of development, Ruttan is correct in noticing that the structural-functionalist attempt of formalizing the sociological paradigm is very compatible with economics. I believe, however, that many sociologists would argue that this solution creates more problems than the ones it resolves just because it involves the selection of structural-functionalism. The rigidity, the hidden economicism, and the high level of ethnocentrism of the Parsonian intellectual project have made it unacceptable to the large majority of sociologists. In fact, it is this strong formalization which ultimately motivated the abandoning of Parson's sociological formulation on the part of many sociologists world wide.

Raymond Boudon, in a recent critical evaluation of sociological approaches to social change (1986), points out the diversity, plurality and strengths as well as limits of sociology. In this effort, Boudon presents a discourse which establishes a possible pattern of communication with economists. It consists of replacing structuralist approaches with a strict neo-Weberian construction based on the social meanings of individual action. Even in this attempt, however, the less formalized and more pluralistic results of the sociological exploration introduce great difficulties in the interaction with the strongly formalized paradigms employed by economists. A similar observation can be made in regard to the classic contribution of Max Weber as well. The issue can be synthesized in that the introduction of social variables in the analysis of

human economic behavior results in an emphasis on social diversities such as those in the spheres of culture, social traditions and locality which are incompatible with paradigms employed by economists. Indeed, sociological variables clash with economic formulations which are based both on the almost exclusive prevalence of rational orientated action and the assumption of atomistic competition regulated by the market. This remains the case even if sociology and economics are based on the same individualistic and/or universalist methodological approaches used generally by mainstream economics.

It is my contention that it has been quite difficult on the part of economists to accept the fact that economic behavior changes in different social contexts. Furthermore, it has been equally difficult to undertake systematic studies through the interdisciplinary means both for economists and sociologists. In fact, as soon as social variables are introduced in the analysis of economic behavior, assumptions which economists employed to describe the functioning of the market and human actions are challenged. A good example of this situation is the case of farm families. Farms families' behavior greatly vary in terms of both strategies to maximize profit in the operation of the firm and in the prioritization of other objectives. The selection of these behaviors varies accordingly to a number of factors including local traditions and cultures and it is often at odds with assumed rational behaviors.

Contrary to the case of sociology, a critique of the self-regulating capacity of the market is often absent in the work of economists. Undergoing a critique of the self-regulating capacity of the market signifies a strong attack to the division of labor among the different social sciences and, consequently, to the strongholds of the economic approaches. More specifically, a critique of the "market" implies a rejection of the scientific division of labor among the social sciences and a rejection of the assumption that actions can always be explained in terms of rational, economic oriented behavior. On these grounds, Professor Ruttan views the contributions of Dependency Theory as "bad economics." Indeed, Dependency Theorists are bad economists if a critique

of the market and of the scientific division of labor is not undertaken. Analyzed from a different point of view, it is possible to recognize that the very message that Dependency Theorists and other "bad economists" (in this case we should include in the list of bad economists Marx and also Weber) sent to sociology indicates that social behavior cannot be properly understood through a rigid and formalized separation of disciplinary approaches. More specifically, scientific specialization is either radically falsified by the comprehensive meaning of social relations (e.g. see Marx and Polanyi) or as in the case of Weber, it can be allowed through an artificial mapping of points of view, which is, however, too flexible and loose to accommodate the rigid modeling preferred by economists. Accordingly, if an economist is willing to adopt the approach of the Dependency Theorists, s/he will be forced to modify radically the basic interpretative assumptions dominant in economics. Consequently s/he could also become a "bad economist."

The work of the anthropologist and historian Karl Polanyi can be employed at this point to discuss some methodological and substantive issues concerning the advantages and limits of an approach based on the critique of the market. The reference to Polanyi, rather than Marx or Weber, derives from the fact that in the work of Polanyi the critique of the concept of self-regulating market is both more explicit and more radical. Consequently, his contribution becomes the basic methodological foundation for the understanding of socio-economic relations. For Polanyi competitiveness in the economic sphere is embedded in a complex mix of social factors deriving from two different "pure" forms of social relations: association and reciprocity. Association indicates the defense of immediate common interests. Reciprocity expresses the priority of small group collective interests. These interests are historically and culturally structured in various ways, but they are commonly characterized by the fact that individual disadvantages are compensated or at least there are reasonable expectations for compensation. The economic roles of family and kinship networks provide the best

examples of the importance of reciprocity. This is the case not only in specific instances where economic roles are particularly visible (such in the case of family farming), but also in more general instances such as those pertaining to the origins of entrepreneurship, investments in the children's education, the circuit of gifts and money lending, et cetera.

Dwelling on this assumption, contemporary social scientists, (i.e. sociologists, anthropologists, political scientists and "bad economists") have followed two complementary directions. The first refers to the attempt to clarify and understand the social impact of associative (mainly political and institutional) regulations of economic relations. The second direction alludes to the attempt to understand the various interconnections between competitive behavior and reciprocity networks. These exercises have generated a rather serious critique of traditional paradigms of development which view the latter as a more or less linear, always positive process of socio-economic growth. It is important to stress that the necessary dimension of economic growth is not only criticized by sociologists (i.e. criticized on social and political grounds) but also by some mainstream economists. This situation is exemplified by the case of World Bank experts defending the strategies of self-building and/or of expanding the informal sector in Third World cities.

The above mentioned concept of association has become rather popular in the last two decades through studies of corporative issues, interest and pressure groups, and institutional regulations of economic activities. However, despite this popularity in this age of triumph of neo-liberalism and privatization, it is relevant to note that the degree of institutional regulation of economic activities has not decreased significantly. This is the case for both the USA and the UK which are countries where strategies for the return to liberalism and increased privatization have been pursued with great perseverance. The self-regulated market is much more mythical now than it had been during Polanyi's time, despite the appeal that it has recently had on the population of former socialist countries. Their transitional experiences have proven

that a poorly regulated privatization can turn into an economic disaster rather than into the expected miracle. As clearly illustrated by Hirschman (1982a, 1982b, 1984), interests of various social groups are politically translated into actions and codified into regulations which determine the status of social relations and power among these groups. Accordingly, productivity, efficiency and economic success are pursued in the context of political conditions and rules which reflect the balance of power among these groups and which are largely independent from individual competitive resources.

Reciprocity is equally important yet less obvious and less evident than association. It has been employed in recent analyses of the Japanese industrial miracle (Dore, 1986, 1987), the system of small and medium industries in Italy (Bagnasco, 1977; Piore and Sabel, 1984) and more in general on studies of ethnic entrepreneurship and informal activities. In these works, reciprocity emerges as a motif in patterns for economic success. Furthermore, it has also been employed in some studies on family farming (e.g. Friedmann, 1980). In the latter, however, the relevance of reciprocity has been somewhat downplayed since it was interpreted as a sign of special and exceptional conditions. In the first group of studies mentioned above, it is argued that economic success has been achieved through actions which are oriented toward medium term qualitative returns and toward the defense of reciprocal social organizations. In fact, these actions avoid strategies aimed at immediate quantitative economic gains such as the maximization of income, profit, productivity, sales, et cetera. Furthermore, the vast majority of these studies stress the possibility that forms of economic organizations highly influenced by reciprocal arrangements can be viable options for economic growth, the enhancement of competitiveness and modernization.

Reciprocity can also be discussed in terms of its relevancy in cases in which economic success in the global market is not an achievable goal and in which the principal objective is to generate minimum living conditions for the local population. This situation could represent a perspective for the study of the urban

informal sector in Third World countries. The development of the informal sector is neither a strategy for promoting conventional economic growth nor a strategy for solving economic problems. Indeed, the existence of the informal sector has been a strategic option which has generated poverty. If we maintain the objective of achieving minimum living standards through the use of local solidarity based resources and the protection of specific cultures, the issue at hand is radically different. Furthermore, the task of economists is radically different. More importantly, it is very difficult for people condemned to precarious existences in developed and developing countries to enter the spheres of existence assumed by traditional economists. Though poor people may be exposed to the ideology of conspicuous consumption and at times flirt with the possibility of partaking in it, their everyday reality is that of a constant identification and implementation of survival strategies. It is in the cases of urban and agricultural subsistence economies that different historical modalities of social and cultural structuration contribute overwhelmingly to the explanation of economic behavior. Simultaneously, the same socio-cultural factors radically alter any explicative model based on variables selected within the framework imposed by traditional economics.

Vernon Ruttan was propelled to his sociological exploration by the desire to find a sociological package to attach to his economic model in order to explain socio-cultural variations. This package may very well exist, perhaps there are several of them available. Nevertheless, I am willing to conclude that none of them would fit Ruttan's economic model. Any socio-cultural explanation of variations in economic change is bound to disrupt, to some extent, the very explanatory framework proposed by economics. These are unfortunately the conditions of multidisciplinary work in the social sciences presently. They are harder to accept for economists equipped with their strong well-defined and formalized paradigms. They are somewhat easier to accept for sociologists or anthropologists who can count on weaker and less rigid paradigms. But these are the rules of the game. Paradoxically, in multidisciplinary work, sociology, which is the less

formalized discipline, is advantaged, while economics, which is by far the more formalized discipline, is penalized.

#### Notes:

1. A lengthy discussion of this point constitutes a significant portion of the first chapter of my recently published book *Fragmented Societies* (Mingione, 1991).

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## RESUMEN

### *La Incompatibilidad entre la Aproximación Formalizada en Economía y la Flexible Teoría Sociológica.*

El siguiente comentario es una respuesta al artículo de Vernon Ruttan "La sociología del desarrollo y del subdesarrollo: ¿Lecciones para la economía?", el cual es un intento para puntualizar la potencial contribución de los sociólogos, que utilizan la teoría de la modernización, la teoría de la dependencia y la teoría del sistema mundial, a los economistas. El argumento central de mi ponencia es básicamente un parcial acuerdo con el comentario de Ruttan de que la comunicación entre economistas y sociólogos se ha hecho a medias. No obstante, la ponencia explica estas barreras enfatizando tres puntos. Primero, que la sociología se ha desarrollado como una disciplina flexible y con una decreciente sistematización. Segundo, ésta ha adoptado variados y diferentes propuestas teóricas que coexisten como formas epistemológicas aceptadas. Tercero, la sociología ha tenido un enérgico rechazo del proyecto Parsoniano de codificar y sistematizar la disciplina bajo la aproximación funcional-estructuralista. La conclusión a que llegamos es que inevitablemente la explicación de la variación sociocultural del cambio económico está limitada por la ruptura con la muy explicativa armazón teórica propuestas por los economistas.

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