

## **Doctoral Seminar: Economy and Society I**

Prof. Dr. Jens Beckert

2 hours Tuesday, 14:00–15:30

Max-Planck-Institut für Gesellschaftsforschung

Paulstraße 3

Start date: October 13, 2009

The seminar deals with the main topics and basic questions of economic sociology and political economy. It ranges from the origins of the two disciplines – when they were not yet separated – to theories on the connection between capitalism and democracy after World War II. The topics of seminar meetings will be the major political-economic controversies of modernity: the origin and peculiarities of the capitalist economic system; the role of politics in a liberal economic order; the necessity and possibility of reform and revolution; the limits of state regulation and social control of the capitalist economy; and the relationship between the capitalist market economy and culture. The seminar lays the foundations for a further seminar (Economy and Society II) on more recent theories and research approaches.

**The seminar will be conducted in English.** Texts will be made available in English and German.

### **Remarks on Participation and Grading**

Reading and discussion of the texts make up the core of the seminar. All those taking the course are expected to read all the assigned texts and to participate regularly and actively. To get a credit, students must:

- participate regularly and complete the readings;
- give an introductory presentation at a seminar meeting; and
- write four essays.

All of the texts for the reading assignments are available online and accessible by password. Access data will be made available at the first seminar meeting or may be obtained in advance by e-mail from Christine Claus ([cc@mpifg.de](mailto:cc@mpifg.de)).

#### Presentations:

Meetings will begin with a student presentation on the texts to be discussed in the seminar. Presentations should last no longer than 20 minutes; it will be assumed that all participants have read the texts. The following questions should be addressed:

- What are the text's principal themes? How is the argument developed and what methods does the author use to obtain their insights?
- What can be learnt from the text in light of the seminar discussion? What topics and controversies does the text address?

#### Short essays:

Getting a credit is also conditional on four short essays of around four pages (1,500 words) on the obligatory reading of selected seminar meetings. Short essays must be sent to Alexander Schüller ([sr@mpifg.de](mailto:sr@mpifg.de)) by e-mail before the relevant seminar meeting or a printout submitted at the beginning of the meeting. Work which is handed in late will not be graded. The questions to be addressed are the same as those for text presentations (see above). About half of the essay – but no more – should be devoted to presenting the main points and development of the argument. The other half should be used for the interpretation or application of the themes developed in the text. One possibility, for example, is a discussion of the text based on current events. If it makes sense, reference may be made to other texts already discussed in the seminar. References to additional literature or the student's own research in sources they have identified themselves will be particularly highly appreciated.

Needless to say, these must be properly documented. The use of material by other authors which is not signaled by the usual citation methods will, in serious cases, be considered to be plagiarism and may lead to expulsion from the seminar.

Essay preparation shall also serve as a writing exercise. The text must be carefully revised so that it is error-free. The formal presentation of essays will be taken into account in grading.

### **Introductory Reading**

Berger, Peter L., 1986: *The Capitalist Revolution*, Chapter 1, "Capitalism as a Phenomenon," New York: Basic Books, pp. 15–31.

## **SEMINAR PLAN**

### **1. Introduction to the Topic. Work Schedule**

*October 13, 2009*

### **2. Liberalism and "Industrial Society": Smith and Spencer**

*October 20 and 27, 2009*

Rationalist economic and sociological theories of the transition to modern capitalism construed capitalism as the liberation of human nature from the fetters of feudalism. For liberalism, modern capitalism was a voluntary association of people aimed at the optimum realization of their individual capabilities and interests. With the advent of the "industrial society" and the replacement of feudal "military society," an individual's position in society was supposed to be determined solely by peaceful labor and its success in the free market. Adam Smith and Herbert Spencer laid the foundations of modern economic theory and rationalist sociology with their methodological individualism and their explanation of social relations as an equilibrium between utility-maximizing actors.

October 20

Smith, Adam, 1993 [1776]: *An Inquiry into the Nature and Causes of the Wealth of Nations, A Selected Edition*, Book I, Chapter 1, "Of the Division of Labour," pp. 11–20; Chapter 2, "Of the Principle which gives occasion to the Division of Labour," pp. 21–25, Oxford: Oxford University Press. German translation: Horst Claus Recktenwald (ed.), 1999: *Der Wohlstand der Nationen. Eine Untersuchung seiner Natur und seiner Ursachen*, München: Deutscher Taschenbuch Verlag, pp. 9–19.

October 27

Spencer, Herbert, 2003 [1882]: *The Principles of Sociology*, in three volumes, ed. Jonathan H. Turner, Volume II, Chapter XVII, §§ 574–548 (pp. 568–69), §§ 551–557 (pp. 571–78); Chapter XVIII, §§ 562–572 (pp. 603–615), § 575 (pp. 637–640), New Brunswick and London: Transaction Publishers.

### **3. Theories of the Transition to Modern Capitalism: Marx, Durkheim, Weber**

*November 3, 10, and 17, 2009*

The classic sociologists were critical of voluntaristic and efficiency-theoretical explanations of the transition to modern economic society, albeit for different reasons. For Marx, capitalism was not a free association of people to increase their wealth, but rather the compulsory de-

struction of the subsistence economy of the Middle Ages and the imposition of new class divisions. For Durkheim, modern society based on division of labor did not serve to increase human utility or happiness, but was rather a necessary means of maintaining social cohesion in the face of increasing competition for resources. Weber, finally, explained the transition to modernity as a consequence of a new rational “economic ethos,” which had developed in the late Middle Ages on the basis of the cultural continuity of the (European) Western world as a new response to age-old existential questions. The discussions between Marx, Durkheim, Weber, and the liberal tradition developed a set of topics and conceptual instruments which continue to shape economic sociological research and theory even today.

November 3

Marx, Karl, 1990: *Capital*, trans. Ben Fowkes, Volume 1, Part VIII, “So-called Primitive Accumulation,” especially Chapters 26, 27, 32, and 33, New York: Penguin Classics.

Marx, Karl, 1966 [1867]: *Das Kapital*, Vol. 1, Chapter 24, “Die sogenannte ursprüngliche Akkumulation,” Berlin: Dietz Verlag, in particular, pp. 741–761, 777–791.

November 10

Durkheim, Emile, 1984: *The Division of Labour in Society*, trans. W.D. Halls, with an introduction by Lewis Coser, Book II, Chapter I: “The Progress of the Division of Labor and of Happiness,” Chapter 2, “The Causes,” London: Macmillan.

Durkheim, Emile, 1977 [1893]: *Über soziale Arbeitsteilung*, Book 2, Chapter 1, “Die Fortschritte der Arbeitsteilung und die Fortschritte des Glücks,” pp. 289–313; Chapter 2, “Die Ursachen,” pp. 314–343, Frankfurt am Main: Suhrkamp.

November 17

Weber, Max, 2001 [1904]: “Author’s Introduction,” to *Gesammelte Aufsätze zur Religionssoziologie*; “The Spirit of Capitalism”; and “The Vocational Ethic of Ascetic Protestantism,” in *The Protestant Ethic and the Spirit of Capitalism*, trans. Stephen Kalberg, Los Angeles: Roxbury Publishing Company.

Weber, Max, 1988 [1904]: *Gesammelte Aufsätze zur Religionssoziologie*, “Vorbemerkung,” pp. 1–17; “Der ‘Geist’ des Kapitalismus,” pp. 30–62; “Die Berufsethik des asketischen Protestantismus,” pp. 84–121, Tübingen: J. C. B. Mohr (UTB Bd. 1488).

Giddens, Anthony, 1975: *Capitalism and Modern Social Theory. An Analysis of the Writings of Marx, Durkheim and Max Weber*, Cambridge: Cambridge University Press, pp. 185–204.

#### **4. Revolution and Reform: Marx, Durkheim**

*November 24, 2009*

*Double Session (2:00 – 5:30 pm)*

Above all, the capitalist economic society of their time appeared temporary and disordered to Marx and Durkheim. Reform and revolution were on the political agenda of modern capitalism from the outset. For the authors of the *Communist Manifesto*, the logic of historical development in continuation of the bourgeois revolution called for the socialization of production and human life in a socialist society in which private property has been abolished. Later, in a central chapter of his principal work, Marx examined and affirmed the possibility of reforms obtained by political struggle and implemented by the state within the framework of an economic order dominated by capitalist interests. Durkheim considered it both possible and necessary to ensure “just” contracts and, thereby, social solidarity and stability by means of institutional measures within the framework of a liberal order and without attacking private property; only by means of far-reaching reforms could modern society, in his opinion, be protected from self-destructive conflicts and its full potential realized.

November 24

Durkheim, Emile, 1984: *The Division of Labour in Society*, trans. W.D. Halls, with an introduction by Lewis Coser, Preface to the Second Edition; Book III, Chapter 2: "The Forced Division of Labour," London: Macmillan.

Durkheim, Emile, 1988 [1893]: *Über soziale Arbeitsteilung*, Foreword to the Second Edition, pp. 41–75; Book 3, Chapter 2, "Die erzwungene Arbeitsteilung," pp. 434–458, Frankfurt am Main: Suhrkamp.

Marx, Karl, and Friedrich Engels, 2002 [1848]: *The Communist Manifesto*, trans Samuel Moore (1888), Part I, "Bourgeois and Proletarians," London: Penguin Books.

Marx, Karl, und Friedrich Engels, 1848 [1959]: *Manifest der Kommunistischen Partei*, published in February 1848, in Karl Marx and Friedrich Engels, *Werke*, Vol. 4, Part I, "Bourgeois und Proletarier," pp. 462–474, Berlin: Dietz Verlag.

Marx, Karl, 1990: *Capital*, trans. Ben Fowkes, Volume 1, Part VIII, "So-called Primitive Accumulation," Chapter 10, "The Working Day," New York: Penguin Classics.

Marx, Karl, 1966 [1867]: *Das Kapital*, Vol. 1, Chapter 8, "Der Arbeitstag," in particular, pp. 279–293, 315–320, Berlin: Dietz Verlag.

## 5. Control or Economic Law: Böhm-Bawerk

December 8, 2009

The decades between the emergence of the Socialist movement and World War I were a period of intense debate concerning the limitations and possibility of improving the living standards of the broad masses within the capitalist economic order, as it was unfolding. Both the theoreticians of Socialism and the increasing number of bourgeois reformers tried to establish how far state intervention – in particular, as political democracy continued to progress – could annul or at least modify the practical economic constraints which classical economists had described as iron laws. Would capturing political power in a democratized state really improve the lives of the "proletariat"? In the German workers' movement, it was primarily Eduard Bernstein who attempted – in view of developments in what was then the most advanced industrialized country, England – following Marx's chapter on the working day, to work out the conditions under which the "iron law of wages" would cease to apply, even under capitalism. He was vehemently criticized for this as a "revisionist" – someone attempting to "revise" the Marxist theory of economic crisis – by the Social Democratic orthodoxy under the leadership of Karl Kautsky and Rosa Luxemburg. Even newly developing economic theories, including in particular marginal utility theory, which emerged in the 1870s, took up the subject. In his classic essay "Control or Economic Law," Eugen Böhm-Bawerk attempted to answer the question of what politics was capable of as against the (market) economy, in such a way that insights from both sides – the representatives of the possibility of state intervention and the theoreticians of economic functioning constrained by the law – could be taken into account.

December 8

Böhm-Bawerk, Eugen von, 1968: *Macht oder ökonomisches Gesetz? (1914)*. In: Weiss, Franz X. (Hg.), *Gesammelte Schriften von Eugen von Böhm-Bawerk*. Frankfurt am Main: Verlag Sauer & Auvermann, 230–300. English translation: John Richard Mez, PhD, University of Oregon (first published in English in 1931), "Control or Economic Law?" Available at: <http://mises.org/story/2674>

## 6. The Political Governability of Modern Capitalism and Its Limits: Keynes, Hayek, Kalecki

December 15 and 22, 2009

Although, during World War I, the capitalist economy was organized down to the last detail, in the 1920s, the debate between state interventionists and economic liberals continued, not least in connection with the momentous issue of the possibility of a centrally planned economy, of the kind under construction in the Soviet Union in the wake of the Russian Revolution. The intensifying economic crises towards the end of the decade diverted the discussion to the subject of full employment and whether it could be ensured by the state. John Maynard Keynes devised a new technique of state control of the economy for the purpose of securing sustainable full employment by monetary and fiscal means. After World War II, “Keynesianism” became established as the economic policy orthodoxy of “democratic capitalism” – the historic attempt to bind democracy and capitalism to one another.

Needless to say, Keynesian theory and practice did not go unopposed. Socialists such as Michal Kalecki questioned the willingness of the capitalist ruling classes to renounce unemployment as a means of exerting pressure on the workers. At the same time, liberalism contested the very possibility of exercising political control over complex modern societies, including their economies, and insisted that free markets were indispensable, including free labor markets. Keynes’s old adversary from the 1920s, Friedrich von Hayek, found himself almost a forgotten man, at the margins of economic debate, during the two decades which constituted the post-War “golden age.” In the 1980s, however, he was rediscovered in old age and, as the chief theoretician of neoliberalism and the Thatcherite Revolution against the “euphoria of state control” of the post-War years, celebrated a belated victory over Keynes and Keynesianism.

December 15

Keynes, John M., 1997 [1936]: “Concluding Notes on the Social Philosophy towards which the General Theory Might Lead,” in J.M. Keynes, *The General Theory of Employment, Interest and Money*, New York: Prometheus Books, pp. 372–384.

Kalecki, Michal, 1943: “Political Aspects of Full Employment,” in *Political Quarterly*, Vol. 14, No. 4, pp. 322–351. German translation: “Politische Aspekte der Vollbeschäftigung,” in Michal Kalecki, 1987: *Krise und Prosperität im Kapitalismus. Ausgewählte Essays 1933–1971*, Marburg: Metropolis, pp. 235–241.

December 22

Hayek, F.A., 1950: “Full Employment, Planning and Inflation,” in F.A. Hayek, 1967: *Studies in Philosophy, Politics, and Economics*, Chapter 19, Chicago: The University of Chicago Press, pp. 270–279.

## 7. The “Double Movement”: Polanyi

January 12, 2010

Towards the end of World War II, in the USA, Austro-Hungarian emigrant Karl Polanyi cast his eye upon the turbulent history of modern liberalism and capitalism. His scholarly aim was to develop the outlines of a post-War order which would be immune to economic crises, fascist nationalism, and international conflicts. The most important discovery of Polanyi’s historical-political studies of the “Great Transformation” was that liberalism – the expansion of free markets – was always accompanied by societal “counter-movements,” the purpose of which was to protect against the “whims of the market” and to limit the commercialization of man and nature. Polanyi’s conceptual model of an always precarious “double movement” of mar-

ket expansion and social regulation of the market today seems more relevant than ever in the age of so-called “globalization.”

January 12

Polanyi, Karl, 2002 [1944]: *The Great Transformation: The Political and Economic Origins of Our Time*, 2nd edition, with a preface by Joseph E. Stiglitz, Boston: Beacon Press. Especially chapters 5, 6, 11, 12, and 21.

German translation: 1978 [1944]: *The Great Transformation. Politische und ökonomische Ursprünge von Gesellschaften und Wirtschaftssystemen*, in particular, Chapters 5 and 6, pp. 87–112; Chapters 11 and 12, pp. 182–208; Chapter 21, pp. 329–344, Frankfurt am Main: Suhrkamp Taschenbuch Wissenschaft.

## 8. Capitalism and Democracy: T.H. Marshall, Lipset

January 19 and 26, 2010

Against the background of – to begin with – successful Keynesian economic management in the immediate post-War years, the conflict between capitalism and democracy appeared solvable for the first time. High economic growth enabled the construction of welfare state social security systems which kept within bounds the tensions between legal equality and actual inequality. T.H. Marshall’s theory of the development of substantive citizenship rights under capitalism became one of the key texts in the development of political sociology, which deemed the democratic political order and its institutions capable of changing capitalism as an economic system by positive intervention, thereby legitimizing it. In the work of American sociologist and political scientist Seymour Martin Lipset, the empirical investigation of the relationship between economic development and the stability of representative democratic institutions succeeded fundamental discussions of the compatibility of capitalism and democracy. Lipset and the comparative research into democracy which followed him are no longer concerned with the critical potential of democracy as such, but rather with its actual functioning as a social institution. In parallel with this, in the USA, as the leading economic power, theories of institutional and political economy emerged which predicted a de-ideologization of politics under the influence of the development not of capitalism, but of modern industrial society, as well as a convergence between the capitalist West and the communist East on some sort of middle way.

January 19

Marshall, T. H., 1965 [1949]: “Citizenship and Social Class,” in T.H. Marshall, *Class, Citizenship, and Social Development. Essays by T.H. Marshall*, Garden City, N.Y.: Anchor Books, pp. 71–134 (especially: “The Early Impact of Citizenship,” pp. 91–105). German translation: “Staatsbürgerrechte und soziale Klassen,” in Elmar Rieger (ed.), 1992, *Bürgerrechte und soziale Klassen. Zur Soziologie des Wohlfahrtsstaates*, Frankfurt am Main: Campus, pp. 33–94 (especially: “Der frühe Einfluß der Staatsbürgerschaftsrechte auf die sozialen Klassen,” pp. 52–65).

January 26

Lipset, Seymour Martin, 1963 [1960]: *Political Man: The Social Bases of Politics*, Garden City, N.Y.: Anchor Books, Chapter 2, “Economic Development and Democracy,” pp. 27–63.

## 9. Capitalism and Ethics: Hirschman, Friedman

February 2, 2010

The relationship between capitalism and ethics has been at the center of the economic and social debate on the capitalist economic order since Adam Smith, ostensibly or otherwise. Recurrent questions include whether economic activity under capitalism undermines, pre-

supposes, or promotes moral behavior, or possibly presupposes and undermines it at the same time. In a widely read essay, Albert Hirschman summarized and systematically reviewed the various strands of the debate. Does the market economy contribute to civilizing social interaction or does it institutionalize the instrumentalization of human beings by their fellows – in other words, barbarism? Modern neoliberalism, represented by authors such as Milton Friedman, have tried to solve the problem, following Adam Smith, as it were dialectically, arguing that, in a market economy, the egoism of the individual automatically becomes a social virtue. Current discussions on “economic ethics” under the constraint of profit-maximization due to economic competition are interwoven, in complex ways, with political and societal conflicts about social interests, their definition and justification.

February 2

Friedman, Milton, 1983 [1973]: “The Social Responsibility of Business Is to Increase Its Profits,” in Milton H. Snoeyenbos et al. (eds), *Business Ethics: Corporate Values and Society*, New York: Prometheus Books.

Hirschman, Albert O., 1982: “Rival Views of Market Society,” *Journal of Economic Literature*, No. 20, pp. 1463–1484. Also in Albert O. Hirschman (ed.), 1986: *Rival Views of Market Society and Other Recent Essays*, New York: Viking, pp. 105–141. German translation: “Der Streit um die Bewertung der Marktgesellschaft,” in Wolf Lepenies (ed.), 1989: *Albert O. Hirschman. Entwicklung, Macht und Moral. Abweichende Betrachtungen*, München: Hanser, pp. 192–225.