

## Sociology and Capitalism Research

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Working Paper 2017-03

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## Working Paper 2017-03

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# Sociology and capitalism research

Klaus Kraemer

## 1. Sociology and the post-capitalism thesis

How has capitalism been discussed in recent decades? First, for decades now there has been a lack of theoretical approaches at the heart of sociology to move the concept of capitalism to the center of attention. Over the past four decades, social diagnoses of contemporary society have nevertheless repeatedly raised the question of whether modern societies can still be described as capitalist. The answer to this question, however, has been fairly unanimous: modern “Western” societies today must be described as post-capitalist social orders (PCSO). Various lines of reasoning have been put forward to support the PCSO thesis. In France, Alain Touraine (1971) interpreted the social change of the 1960s as an epochal transition from a “capitalist industrial society” to a “post-industrial society.” Daniel Bell (1973) adopted this interpretation and popularized the term “information society”; he claimed that the institution of private property at the heart of capitalist “industrial societies” had lost considerable influence in US society. Privileges and social influence depend much more on “theoretical knowledge” than on private property rights. In Germany in the 1980s and 1990s, Ulrich Beck’s *Risk Society* (1992) dominated the “market” for sociological diagnoses. Beck, too, subscribed to the basic idea that social change could no longer be grasped in terms of an analysis of capitalism. Incidentally, the reasons given for this turn away from the analysis of capitalism were not just the untenable assumptions made by Marxist social theory. It should be noted that little theoretical attention had been paid to non-Marxist approaches to the analysis of modern capitalism, too, such as the ones developed in the context of comparative political economy in political science (Hall and Soskice 2001).

The departure from the analysis of capitalism in sociology has certainly been motivated by the questionable nature of key assumptions of Marxian theory. Among them are the labor theory of value and exploitation, the speculative philosophy of history underlying the idea of stages of social development, as well as the base–superstructure heuristic and narrow economic analysis. Its economic reductionism specifically has been rejected particularly vehemently in the social sciences and cultural studies. Marxian theory seemed unsuitable if for no other reason than that it provided no way of investigating the characteristics of symbolic orders and

subjective patterns of meaning, especially without having to make reference to economic relations.

As opposed to Marxian prophesy, modern capitalism has not evoked ever-sharper class conflict. We observe quite the contrary in the wake of institutional arrangements to regulate class conflict, such as the rule of law and the welfare state. Capitalism has by no means automatically led to the proletarianization of the middle classes. The history of the twentieth century demonstrates that capitalism, mass affluence, and democracy need not be mutually exclusive, either theoretically or practically. One also encounters a wide variety of different constellations. What is more, capitalism is in principle open to various kinds of social and cultural change.

The *new economic sociology* has done little to change the lack of attention paid to capitalism. This is hardly surprising as *new economic sociology* from the outset was not concerned with examining the impact of modern capitalism on culture and politics or on social stratification. By inverting the classic direction of sociological inquiry, *new economic sociology* directs its attention primarily to the social prerequisites of economic action in markets and enterprises. The social problems of coordinating economic action have been closely examined from the perspectives of network theory, neo-institutionalism, and cultural theory (Smelser and Swedberg 2005; Beckert and Zafirovski 2006). Recent economic sociology has above all concentrated on the micro- and meso-sociological grounding of economic action and, in adopting Granovetter's (1985) theorem of embeddedness, has compiled important insights into the social constitution of markets. The focus on the problem of coordinating economic action has nevertheless led to the neglect of a number of issues that must be considered essential for reformulating a contemporary analysis of capitalism from the perspective of economic sociology. Among them are the past debates in industrial sociology and more recent debates in the sociology of work on company rule and control over labor and creativity and, in close connection with that, research on the capitalist enterprise as the locus of the social organization of labor. It fits the picture that little attention has been paid in recent debates in economic sociology to deeper questions regarding social inequality with regard to the appropriation of added value and the products of labor. Economic sociology is often perceived as a subfield of sociology that is preoccupied with the sociology of markets. More fundamental issues, such as the relations between the economic, political, and cultural orders are often ignored or merely addressed in passing. Ambitious theorizing informed by a theory

of society has become rare in the now established field of economic sociology (Deutschmann 2011).

Although economic sociology has taken note of the debates on the institutional varieties of contemporary capitalism inspired by Hall and Soskice (2001), in the field of comparative political economy (Streeck 2011), as well as those of French regulation theory (Boyer and Saillard 2002), these approaches have rarely been seized as an opportunity to investigate the altered relationship between the economic, political, and social orders under the conditions of global capitalism.

## **2. Is there a sociological theory of modern capitalism?**

In the late 1990s, the concept of capitalism re-emerged as a label to characterize contemporary society; for instance, in Richard Sennett's work (1998), in which he described the consequences for the cultural order of the institutional changes of the world of work under "new capitalism". At about the same time, Luc Boltanski and Ève Chiapello (2005) sketched the emergence of a "new spirit of capitalism." In these and other works, the concept of capitalism tends to be used more as a label attached to the transitions witnessed by contemporary societies and not necessarily as a major theoretical category. What is even more striking is the lack of attempts to problematize capitalism's relations with the cultural order (Hirschman 1982) and with the political order, both of which have always been controversial in the social sciences. Not to belittle the works of Sennett and of Boltanski and Chiapello, but I would nevertheless like to remark that they make no reference to the theoretical debates in sociology on the characteristic features of "modern societies" and use the concept of capitalism in a manner more or less devoid of theory. One gets the impression that the concept of capitalism seems to require no further explication despite its checkered history in the social sciences. I will express doubts about this usage in more detail below. At this point, we need to note two things: the currently observable but hardly explicated renaissance of the concept of capitalism (Fulcher 2004; Ingham 2008) will help to advance sociology only if it does more than provide a rough sketch of the complex realities of contemporary capitalist orders. Contrary to recent attempts to reinvigorate a "critical theory of (capitalist) society" (Dörre, Lessenich, and Rosa 2015) along the lines of categories such as "land-grabbing," "acceleration," and "activation," the following considerations are not geared toward a *sociological critique of capitalism* but are intended to identify a few theoretical problems of a

contemporary *sociology of capitalism*. The advantage of a *sociology of capitalism* that sets itself apart from a *sociological critique of capitalism* is that it makes phenomena or processes in contemporary (capitalist) social orders visible that are contradictory or have paradoxical effects and which are much too easily ignored once normative preconceptions of a “better” society begin to dominate the sociological analysis.

Specifically, I will discuss five sets of problems of a sociology of capitalism: What are the key problems of analyzing capitalism from the perspective of a theory of society (3)? What significance does Max Weber still have for the study of contemporary capitalism (4)? What non-reductionist heuristic lends itself to the investigation of social change in modern capitalist orders (5)? How can we determine the relationship of capitalism and the cultural order (6) and of capitalism and the political order (7)? I expect the outline of this set of problems to yield instructive insights into what would constitute a viable sociological theory of modern capitalism.

### **3. Theory of society and the analysis of capitalism**

What problems do we encounter when attempting to formulate a sociological theory of capitalism? The first problem is whether the concept of capitalism is intended merely to describe a specific economic order or whether it is meant to refer to a comprehensive model of social order at the same time. The assumption that capitalism is more than an economic order of production – that it rather represents a specific form of sociation – stands and falls with the question of whether it is only the economic order that displays characteristic features of capitalism or whether the political-institutional and the cultural order also do so. Any sociologically informed theory of capitalism faces the problem that we can speak of capitalism only as representing a comprehensive social order that extends beyond the sphere of economic production and distribution if the non-economic spheres of action, specifically, can be conceived of as somehow being shaped by capitalism. The key theoretical problem is therefore how to determine the relationship between the economic, cultural, and political orders.

Criticism of economic reductionism is a matter of course in sociology. For this reason, we must refrain from making simple equations by inferring from a capitalist economy to a capitalist society. Nonetheless, the extent to which capitalism as the dominant principle of economic order also shapes the social relations that constitute the political and cultural order is controversial. The differentiation of economy and politics, commercial enterprise and

household, or science and religion are fundamental theoretical insights that are at the heart of a sociological analysis of “Western” societies. In view of the question pursued here concerning the relationship of capitalism and society, we must not allow the fundamental insights from differentiation theory into the nature of modern society (Luhmann 2012) to mislead us into overlooking a dual problem: on one hand, this pertains to the question of the relative dominance of the economy over all other differentiated subsystems and, on the other, to the also unresolved question concerning the relative autonomy of, for instance, the state or culture vis-à-vis the economic order. In any case, a theory of capitalism as a *theory of society* would have to give a plausible account of the dominance of the economic order over other subsystems. The same applies to the opposite assumption of relative autonomy. It is indeed conceivable that (relative) dominance and (relative) autonomy might constitute a relationship of mutual enablement and enhancement.

We should be cautious not to discard the (relative) dominance thesis prematurely. A number of things in its favor can be put forward. *First*, from a historical-sociological perspective, there can be no doubt about the “revolutionary impact” of capitalism on the dynamics and change of modern societies (Berger 1986). On the basis of free enterprise and markets, a historically unique, ever-expanding system of technological-industrial production capacities has been erected, which has profoundly transformed our natural living conditions. Here mention needs to be made of the transformation of agriculture into agroindustry; the rationalization of manual labor through work done by machines; the substitution of organic by synthetic materials; the commercial utilization of information and communication systems; and, more recently, genetic engineering and nanotechnology. Such a historically unparalleled pace of innovation could hardly be explained sociologically were one to consider only the capitalist organization and control of labor and ignore the “process of creative destruction” that is so typical of capitalist entrepreneurship (Schumpeter 2008: 81ff).

*Second*, it has not only been the material structure that has constantly been revolutionized. The transformations of modern capitalism have most notably also involved the system of social stratification. Alongside the economic order of capitalism has emerged a system of social stratification that differs profoundly from the hierarchical status systems of premodern social orders. The process of liberating the individual – in societies of the Western type – from the traditional estate system and its communities not only opened up novel opportunities to choose and decide. Above all, access to coveted material goods, economic power, and social prestige is no longer determined by birthright, the privileges of dominion, or belonging to specific groups

but primarily by individual economic success in markets. Class positions that are mediated by the opportunities and risks in markets have come to be very significant criteria in determining social status.

*Third*, the individual's position in the system of social stratification directly depends on class position, as determined by market opportunities, or indirectly on welfare state transfers. In both cases, social life chances are in very fundamental ways tied to the ability to pay. Private households provide the economic framework for each individual. Under conditions of an advanced division of labor, these households lack any notable capacity to produce their own means of subsistence. Almost all conceivable goods must be purchased in markets. If we leave the remaining niches of non-monetary exchange (for example, local exchange trading systems) aside, there is no alternative to the use of money. The funds necessary to acquire goods and services of any kind can usually be appropriated only if one is successful in "selling" one's own labor power in labor markets. Only a small minority consisting of the well-to-do and rentiers enjoy the privilege of being able to maintain their own ability to pay without having to engage in gainful employment. All others are granted this privilege only for more or less limited periods as they do not command sufficiently high income from speculative transactions, that is, from capital or real estate.

*Fourth*, this fundamental dependence on having money at one's disposal extends not only to the individual or household level. It applies to the organizational or systems level of a society as well. The first entity that needs to be mentioned here is the state: The modern tax state relies on the investment activities of the owners of capital. As we have witnessed over the course of the recent "sovereign debt crisis," the state's ability to pay also stands and falls with domestic and foreign investors' willingness to provide credit. In this context, we must also not forget to mention economic citizens' tax morale (Streeck 2014). Their attitude toward taxes at the same time indicates the extent to which economic citizens are willing to accept the political order of the tax state as a legitimate one. The ability and willingness to pay have an immediate impact on the scope for shaping the system of government. Irrespective of how the relationship between market and state coordination is balanced out in each individual case (Hall and Soskice 2001), all governments in OECD countries provide a variety of governance (labor market, education, infrastructure policy) and redistributive functions (social policy) that extend far beyond the traditional tasks of the "night-watchman state," which are to maintain the rule of law and the liberal market economy. The services provided in this context are costly. Of course, the regulatory capacity of the state depends on political-institutional and



political-cultural factors that can vary considerably among countries. This explains why nation states pursue different “paths” of coping with problems, even though their economic performance may be comparable. The extent of institutional variance notwithstanding, the scope for coping with problems is almost always linked to whether the funding for compensation payments can be secured. At any rate, distributive conflicts can hardly be mitigated without monetary payments by appealing to a “belief in common nationality” (Weber 1978: 395) instead. Calls for consumers to behave in ways that conserve resources also go unheard when they fail to be backed by costly innovations in environmental technology.

The dependence of other parts of a social order on the capitalist economic order becomes especially apparent whenever the ability to pay becomes problematic. Particularly in the areas of social life that are distant from the economy, it is far from irrelevant whether financial resources are available or not. Often these payments are not unconditional but tied to specific terms. In the event of the inability to pay, services specific to a particular field or system can no longer be provided. What is more, a mere anticipation that the ability to pay might be threatened can easily open the gateway for outsiders to be able to influence decisions in a specific field. Particularly when maintaining the ability to pay is closely tied to the provision of monetary resources by external organizations, there may be no clear-cut dividing line between indirect influence and direct control. Thus we can distinguish organizations in accordance with various degrees of economization along the dimensions of loss avoidance and profit realization. The degrees of economization give us an idea of the extent to which monetary management instruments and economic management practices can affect the internal operations of organizations in areas that are distant from the economy.

#### **4. What remains of Weber’s analysis of capitalism?**

At the beginning of this paper, I pointed out that the concept of capitalism has resurfaced in social scientific debate since the early 2000s after a period in which it was a non-issue. However, it frequently remains unclear what is to be expressed. At times, one gets the impression – especially in the context of general cultural diagnoses – that “capitalism” could be equated with “market” in the sense of buying and selling. Against such a theoretically inadequate use of the term, a first objection is in order: It makes a difference whether individual actors are out for their own small benefit in everyday market exchange and seek to

make a living by buying and selling or whether a for-profit enterprise produces goods for the purpose of making profits in markets. Equating individual logics of action with “systemic” pressures to generate profits would render the distinction between market, market economy, and capitalism meaningless, which Fernand Braudel (1991: 100) once called for.

To get to the bottom of and understand more precisely what distinguishes a market order from a capitalist one, we must first of all clarify how to go about defining a sociologically rich concept of capitalism. To begin with, we need to call to mind Weber’s dictum that capitalism is the “most fateful force” (2003a: 17a) of modern society, although we must acknowledge that Weber’s elaborations in economic sociology and history – similar to those of Marx – do not allow us to distill an explicit analysis of modern capitalism as a model of social order. However, reference to Weber as such already underscores that equating the analysis of capitalism with “Marxist” analysis is neither compelling nor a matter of course. Weber’s work in economic sociology in *Economy and Society* (1978) and his lectures on “universal social and economic history” (2003b; cf. Collins 1980) have provided a basic conceptual framework for a sociological analysis of capitalism, the potential of which is far from exhausted and which can certainly be expanded on (Swedberg 2000).

Weber’s occidental rationalism thesis, which runs through his entire work, certainly overdrew the calculability of economic action. The uncertainty of economic action, a constitutive problem of modern capitalism (Beckert 2013), was not a major issue for Weber. One aspect that this pertains to is the question of the extent to which uncertainty represents a coordination problem for economic actors, which *new economic sociology* since Granovetter (1985) has not ceased to emphasize. But there is another respect in which the problem of uncertainty has been ignored. It is not only in the understanding of new economic sociology that uncertainty is a problem for economic actors and one that needs to be addressed by transforming uncertainty into predictability. At the same time uncertainty opens up opportunities for capitalist entrepreneurship in the sense of Schumpeter and the Austrian school of economics. Uncertainty not only poses a basic problem for economic actors; it is also an essential prerequisite of innovation and “capitalist dynamics” (Deutschmann 2008). Both aspects – uncertainty as a coordination problem and as an opportunity for innovation – played no significant role in Weber’s understanding of modern capitalism. In today’s view, this seems surprising if one takes into consideration that Weber himself had doubts about the extent to which economic decisions could actually be based on rational calculation. In his discussion of basic sociological terms, Weber stressed, accordingly, that “the rational achievement of ends”

is “a limiting case” (1978, 26). In Weber’s view, rational calculation was also not possible without the *belief* in the calculability of things and thus not without a culturally formed expectation. The problem of uncertainty, as perceived by more recent economic sociology, can certainly be fruitfully combined with the notion that the belief in rationality in the Weberian sense has great significance for economic actors in that it provides legitimacy and reduces the burden of decision-making.

If we leave the problem of uncertainty aside for a moment, we can hold that the socio-economic, socio-historical, political-institutional, and cultural prerequisites or conditions that constitute the framework of modern capitalism that Weber described (cf. Collins 1980) remain an important anchor point. In determining key socio-economic features, Weber departed from Marx’s terminology. But in essence, except for the theory of exploitation that was central to Marx, Weber’s insights were not fundamentally different from Marx’s: According to Weber, modern capitalism is inconceivable in the absence of private property rights and entrepreneurial control over the “potential means of production” (1978, 92). Weber expressly mentioned the “expropriation of workers from the means of production” but also the “appropriation of the enterprises by security owners” (1978, 166), which made the separation of ownership and control possible that became so typical of large listed companies during the twentieth century. Equally constitutive features, according to Weber, were the differentiation, legally and in terms of accounting, of the for-profit enterprise (business capital) and the household (private assets), as well as the institution of formally free labor. Weber’s equivalent of the Marxian formula  $M-C-M'$  is the “formal rationality” (1978, 85f.) of capital accounting on the part of for-profit enterprises. Contrary to the private household, the for-profit enterprise does not generate monetary income for the purpose of providing for and satisfying needs. Neither is the money that is generated used for consumption or to build up assets for the purpose of spending them in accordance with the communal norms of justice shared in a partnership or family (“substantive rationality”), which is typical of private households. Rather, the commercial enterprise utilizes monetary income for the purpose of generating profits. Utilizing labor and producing goods are merely the means to the end of creating profits that serve to continuously increase profits. Weber also harbored no illusions in another respect: Owners – and the staff acting on their behalf – decide on how the enterprise utilizes labor. The very right of the owner, or the staff acting on their behalf (management), to issue orders renders the for-profit enterprise a “system of domination” based on “shop discipline” (1978, 108). Like Marx, Weber describes modern capitalism in terms of a constellation that is restricted in two ways: both owners and employees can “choose” only between adaptation or failure. The market

opportunities that this involves are nevertheless highly unequally distributed. Employees are sooner or later forced to utilize their market opportunities in labor markets as they have no other steady sources of income at their disposal. Owners, by contrast, usually have the option of continuing their business operations or shutting them down and investing their capital in other, more profitable ventures. In using the term “formal rationality,” Weber – similar to Marx – alluded not to individual choice under market conditions, which in the extreme case can intensify to the point of “greed,” but rather to the emergent effects of an economic order that “in the impersonal form of [...] inevitability” (1978, 731) leaves all economic actors only “with the choice between the alternatives: ‘teleological’ adjustment to the ‘market,’ or economic ruin” (2012, 90).

Weber’s basic economic-sociological terms give us an impression of the importance he attached to the socio-economic analysis of modern capitalism. At the same time, Weber’s sociology stands for a non-economistic research paradigm. According to him, the capitalist economic order, first established in the West, relies on the presence of other political-institutional factors. Among them are a predictable legal and administrative order based on formal legal rules that are intended to create legal security and guarantee property rights and civil liberties, as well as freedom of contract and free enterprise. There must also exist a political – or, in today’s view, in the case of the European Union, a supranational – monetary system because, in Weber’s view, the formal capital accounting of “entrepreneurial capitalism” would be impossible otherwise.

In addition to a political-institutional order that enables a “rational” economic orientation toward profit in enterprises and markets in the first place – or at least does not destroy it – Weber perceived a specific cultural order to be indispensable as well (if only in the phase of the emergence of the modern capitalist “attitude toward economic activity”) to provide the motivational grounds on the basis of which market and profit opportunities are identified and their pursuit seems desirable to begin with. Weber could not imagine that modern capitalism could have emerged in the absence of moral validity claims that would lend legitimacy to specific kinds of economic action. From today’s perspective, the important thing is not so much whether Weber’s reconstruction of the cultural sources of a rationally tempered economic mentality in the West on the basis of his sociology of religion is plausible or would have to be reconsidered in light of the contradictory empirical evidence on the significance of Protestant asceticism for the “spirit of capitalism.” More important is the issue pursued here: Weber’s assumption that modern capitalism had, over the course of its establishment, emancipated itself from value-rational justifications of any kind is not really convincing. More than a hundred

years have passed since Weber's Protestantism study was published. If we look back in history, it is difficult to miss that capitalism has not only been marked by innumerable conflicts of interest but also by value conflicts revolving around the legitimacy of capitalism as an economic principle, which could hardly have been foreseen around 1900. Weber's famous dictum (2003a) that modern capitalism could do without ethical-cultural legitimation of any kind once relentless competition for market opportunities had come to prevail is not easily reconciled with his basic methodological position that the economic cannot be fully explained only in economic terms. With reference to Weber specifically, an argument could be made that it would hardly be sufficient if capitalism were to function because it functions. The regulatory framework of a capitalist economy further requires more than a political-institutional pillar of support. Ideological justifications by elites are also not enough. What is needed above all are motivational underpinnings of economic action. Even if the motives for economic actors to participate in market competition did not extend beyond the pursuit of market opportunities, the public must at least be willing to accept profit-seeking as a tolerable form of behavior. Capitalist business practices are protected politically and intellectually. They would eventually dwindle otherwise. It is at least as important that they are culturally justified, from "below" as it were; in other words, from the perspective of ordinary people. In short, the problem of legitimizing capitalist social orders does not disappear even if one accepts Weber's scenario of the erosion of the practical ethics of Protestantism.

## **5. Capitalism and social change – a heuristic**

In Weber's works, we can see the contours of a heuristic that provides a non-reductionist way of analyzing social change in modern capitalist social systems. Non-reductionism means that processes of change are explained in ways that refrain from culturalist or economicist simplification. Weber did not develop such a heuristic systematically. However, we can extract some basic assumptions from his works.

(1) First of all, we can analytically distinguish two levels of investigation. The first level addresses the *interests* that individual or collective actors pursue in their actions. The second level focuses on the value systems and world views or *ideas* that individual and collective actors refer to. At first glance, *interests* and *ideas* (Weber 1946: 280) might seem to represent a rather simplistic conceptual basis for the analysis of social change.

(2) Weber was fully aware of the significance of conflicts. Conflicts are waged for the assertion of interests or over the validity of ideas.

(3) The inescapable consequence of this premise of conflict is that interests and ideas are not static. They emerge and become established. They can also be transformed or replaced by new interests and ideas. Weber's Protestantism study shows the social impact that (religious) ideas can have; it shows that, in everyday economic reality, ideas can become a "routine" part of a new economic mentality, which can subsequently erode and ultimately have unintended effects.

(4) Interests and ideas do not have isolated effects but mutually affect one another. Research on Max Weber has given controversial answers to the question of the direction of such influence. One side has argued that Weber explained social change by referring to the impact of collectively shared ideas. Such an idealistic interpretation of Weber has been objected to by emphasizing the dominance of interests over ideas. Contrary to these lines of reasoning, Lepsius (1990) proposed not opting for one or the other when answering the question regarding the relation of interests and ideas. According to him, making generally valid claims about the direction of such influence or stating that one of these explanatory factors always takes priority over the other as a matter of principle is simply not possible. Lepsius (1990: 31) argued that interests and ideas "interact." The benefit of such a position is that it allows us to conceive of the distinction between interests and ideas as being only an analytical one. And we should also not interpret Lepsius's thesis of "meshing" as if ideas and interests must always have equal weight. One can easily imagine social constellations that weaken the impact of ideas and that these ideas are revived only when conditions change or they are replaced by new ideas.

(5) Ideas and interests do not emerge or unfold their effects at random. They invariably develop their social impact in concrete, historical-sociological constellations that constitute the framework guiding action and within which they can thrive, dwindle, or fail. The degree of mutual influence and permeation depends on this framework. For this reason, Lepsius (1990: 7) suggested complementing the concepts of interests and ideas with a third one: "institutions." "Interests refer to ideas; they need to make reference to values to formulate their goals and justify the means by which to pursue these goals. Ideas refer to interests; they take shape around interests, and these interests lend them their power of interpretation. Institutions shape interests and offer procedures for asserting them; institutions lend validity to ideas in certain contexts of action. Struggle over interests, controversy over ideas, and

conflict between institutions give rise to ever-new constellations, which keep the process of historical development open. Out of interests, ideas, and institutions emerge social orders, which determine people's living conditions, personalities, and value orientations." To institutions therefore can be attributed the "function" of justifying, legitimizing, and safeguarding in the long term specific constellations of interests and ideas.

The concept of institution directs our attention to the fact that neither all ideas that circulate nor all interests that are articulated actually become socially efficacious. Some interests can hardly make themselves heard or are ignored; others prevail and gain dominance until they are ultimately forced to come to terms with new interests. Some ideas are collectively shared and may prevail as legitimate worldviews to the point of becoming sedimented in everyday cultural conventions. Other ideas remain marginalized, never cross the threshold of public attention, or fade quickly and are forgotten. All this is not the product of random processes, yet cannot be predicted. It might be that ideas have a particularly forceful impact in times of rapid social change and technological innovation. In such periods, inherited expectations begin to erode. A novelty takes hold when it is not only useful and "efficient" but above all when it can also be justified as morally appropriate. Ideas satisfy the need to legitimize the new, as Lepsius also suspected (1990: 38). The advantage of expanding Weber's heuristic along the lines of institutional theory ultimately lie in its ability to explain more precisely why some interests and ideas are more successful than others. That is to say, institutions expand or narrow actors' chances of effectively pursuing ideas and interests. It is therefore not only ideas that act "like switchmen" in determining "the tracks along which [...] the dynamic of interests" develops (Weber 1946: 280). In the same way, institutions act as "switchmen" when it comes to articulating ideas and asserting interests.

(6) Such a heuristic, drawing on Weber and going beyond, would not live up to present-day demands of a theoretically informed sociological analysis of social change if it failed to take at least two aspects into consideration: emergence and contingency. As indicated above, an analysis of the interrelation between interests and ideas based on institutional theory does not remain focused on the action or actor level but expressly includes the formation of social order. Even though Weber did not work out an explicit theory of institutions, he did impressively demonstrate that the unfolding and establishment of modern capitalism cannot be traced to intentional action, no matter whether these intentions were driven by interests or ideas. Weber also refuted mechanistic explanations that see some sort of structural economic forces at work. Rather he described modern capitalism as the unintended product of

intentional action, which can be explained only by considering numerous factors of a socio-economic, socio-structural, and cultural kind, as well as factors related to economic history. Seen from the perspective of the history of sociology, Weber provided an early example of a description of the formation of an emergent social order.

(7) Weber's criticism of both intentionalist and mechanistic explanations has not only sharpened our view of the emergence of social order but has also directed attention to the contingency of social change. From the insight into the immense significance of unintended effects in the formation of social order it follows that it is hardly possible to make any reliable predictions regarding the direction of social change. This of course also applies to the sociological analysis of modern capitalism and its recurrent but not really predictable crises and waves of innovation.

So far, the potential of a heuristic drawing on Weber for the analysis of capitalist systems from the perspective of economic sociology has not yet been exhausted. There is a need to explore more deeply the extent to which the neo-institutionalist, cultural-studies, and network-theoretical approaches in *new economic sociology*, a field marked by Anglo-Saxon scholarship, or *économie des conventions* in France can be put to productive use for the further development of such a heuristic. Finally, I would like to discuss the aforementioned issue of the contingency of social change in light of the relation between the formation of the economic, cultural, and political orders.

## **6. Capitalism and the cultural order**

In his study of Protestantism, Weber proposed the thesis that a methodically rational conduct of life, which enabled the rise of the modern capitalist economic mentality in the first place, required value-rational underpinnings for its legitimization (Protestant ethic). However, once capitalism became the dominant economic order, such a value-rational justification, according to Weber's well-known reasoning, no longer mattered. Weber did not explore other moral justifications that could have lent legitimacy to the exploitation of market and profit opportunities. From today's perspective, Weber's famous diagnosis culminating in the dual thesis of a "loss of meaning" and "loss of liberty" seems problematic. One must merely recall the justifications circulating in politics, the public sphere, and academia to lend moral legitimacy to capitalism. First and foremost, mention needs to be made of liberal conceptions of justice (Hirschman 1982). Capitalism's moral superiority is seen in its "efficient" use of



scarce resources. Liberal theories argue that such “efficiency” enables not only the best-possible use of resources demand for which is high but also ensures the greatest possible level of justice and prosperity. In the liberal view, the social system of capitalism is perceived as just also because it enables “free” and “equal” access to scarce resources that does not depend on inherited or socially attributed privileges. Unequal distributional outcomes are considered no cause for moral concern as long as they reflect nothing other than differences in individual “achievement” or “market success.” Other, non-market modes of allocating scarce resources would merely result in “disincentives.” They are rejected as an “inefficient” waste of scarce natural resources and human potential and hence as morally questionable.

The liberal promise of justice and prosperity already exposed the entire set of problems associated with Karl Polanyi’s (1944) classic thesis that capitalist markets are morally disembedded (cf. Krippner 2001). In modern capitalism, social conflicts have been conflicts of interest from the outset. At the same time, they are invariably also value conflicts that are conducted not over *whether* but over *how* markets are to be morally embedded. Over the course of the nineteenth century, a highly influential standard of justice emerged in rivalry with the liberal conception of market justice. This alternative standard of justice has not lost much of its social appeal even today. According to this norm, capitalist economic activities are not legitimized through a morality of achievement or efficiency but are tied to expectations of social inclusion and a “socially just” distribution of market outcomes. In addition to these two classic, rival conceptions of a legitimate normative “embedding” of capitalist markets, others have emerged over recent decades, demonstrating an astonishing openness – hardly conceivable during Weber’s time – of capitalist economic systems toward cultural and normative change. Enterprises have opened up – although initially with some hesitation – to the normative idea of gender equality and the principle of not discriminating against homosexual orientations and advocating cultural diversity. “Green” first movers are developing new markets for renewable energy resources. Even the speculative transactions in financial markets are occasionally framed as morally legitimate. Here the spectrum ranges from rather pragmatically motivated expectations that such activities drive technological innovations to prophetic sounding promises of salvation that hold out the prospect of coming to terms with problems that society might face in the future (Kraemer 2013).

If we look at eastern and southeastern Asia, there can be no doubt that there exist normative models other than the Protestant work ethics that lend cultural legitimacy to the transition from a traditional to a modern economic mentality. As Shmuel N. Eisenstadt (2000) has shown,

employing the concept of “multiple modernities” – that modernity allows for a variety of combinations of religious and secular orientations – the capitalist organization of economy activity is obviously also compatible with different (even disparate) normative orientations. And there is even less reason to expect that there are simple answers to the question of what a cultural order designed to stimulate capitalist growth would have to look like. In contemporary societies with capitalist economies, we encounter cultural orders that are primarily egalitarian or based on new, neo-feudal status systems, offer equal opportunities or tie these to social background. The cultural order can also promote or hinder social advancement. It can be marked by ethnic boundaries or can be open toward immigrants, reproduce gender inequality or be characterized by norms promoting equality. Of course, the cultural order can encourage an ascetic conduct of life in the Weberian sense or stimulate hedonistic mass consumption instead (Bell 1979). It is quite obvious that very different conceptions can coexist in capitalism. In any case, it is not clear why one or the other notion of justice should represent a source of legitimacy that is incompatible with the principles of a capitalist economy. In his introduction to *The Economic Ethics of World Religions*, Weber (1946: 267f) concedes that “externally similar forms of economic organization may agree with very different economic ethics.” A specific economic ethic – or, in more general terms, a specific cultural order – is “not a simple ‘function’ of a form of economic organization; and just as little does the reverse hold, namely, that economic ethics unambiguously stamp the form of the economic organization.”

Even criticism of capitalism can revitalize the economic order and trigger productive renewal. Boltanski and Chiapello (2005) have demonstrated this with reference to the “social critique” by the socialist labor movement and social Catholicism (“exploitation”), as well as the “artistic critique” (“alienation”) rooted in the bohemian lifestyle. These brief remarks should suffice to illustrate the argument that there can be no specific cultural order that *by necessity* must have a conducive or obstructive impact on the capitalist economic order. What we should expect instead is that one and the same cultural order can reinforce and undermine an existing capitalist economic order at the same time. The wide range of different normative lines of reasoning merely indicates that capitalist economic orders can obviously not do without moral-cultural justifications. Early on, Hirschman (1982) directed attention to some of the paradoxical effects and proposed judging the relative significance of cultural norms that shed positive or negative light on the capitalist economic mentality differently, depending on the specific historical context of a society. That is to say that the respective cultural order should not be explained in functionalist terms by the economic order nor should one take the

opposite approach and explain the economic order in terms of culture. In modern capitalism, a wide spectrum of different combinations of economic and cultural orders is conceivable instead. From a normative perspective, the cultural “flexibility” or openness of capitalist economic orders may be confusing. This openness, however, points to the contingency of historical processes – and, in so doing, to the limits of sociological theory-building.

## **7. Capitalism and the political order**

As shown above, we can discern no general patterns of cultural justification that would render it appropriate to speak of *the* cultural order of modern capitalism. What we are looking at is rather an economic model that is culturally open. This openness also extends to the political order. An older version of modernization theory that goes back to Seymour Martin Lipset (1960) still has quite a bit of merit: In many cases, a prosperous economy provides conditions that are beneficial to a stable representative democracy. Of course, we would be mistaken to assume a simple automatism between economic and political development. However, the great significance of a vital economy for the stability of democratic systems becomes apparent in the opposite case of economic depression. The destruction of the Weimar Republic is a particularly tragic example that illustrates the tremendous impact an economic crisis can have on the political order.

This historical experience demonstrates that modern capitalism does not require the existence of a democratic order. What is more, capitalist economies can even prosper in the absence of a political order that resembles a representative democracy according to Western standards. Cases in point are the oil-exporting Arab societies – for instance, the autocratic-monarchic system of Saudi Arabia or the patriarchic presidential system of the United Arab Emirates. Another example is Chinese capitalism. But not only a look at Asia should caution us against making too simplistic causal assumptions. How much variety there is between political orders can be observed among the post-Soviet transition economies of eastern Europe, whose political systems can be classified as clientelistic or neopatrimonial. Especially Myant and Drahekoupil’s (2011) research on “oligarchic capitalism” has shown that contemporary post-socialist economic orders do not fit the category of “Western capitalism” (for eastern and southeastern Europe, see Bohle and Greskovits 2012; for Latin America, Schneider 2009). Even the frequently diagnosed close symbiosis between capitalism and democracy in Western postwar

societies is no longer seen as a matter of course by some social scientists (Crouch 2005; Streeck 2014).

The long-standing normative certainty – rooted in modernization theory – that the combination of a capitalist economic order, legitimate democratic political rule, and a culturally open social order is evolutionarily “superior” has given way to a much more sober view. Kocka (2016, 65ff.) remarked – and indirectly called to mind Marx’s thesis on “original accumulation” – that the expansion of early modern capitalism in South America, as well as the nineteenth-century North American plantation economy was associated with forced (slavery) and other forms of unfree labor. We can also identify periods in history that suggest the primacy of politics, for instance, during the time of mobilizing the economy and society for the war effort in WWI or the period of National Socialist rule in Germany after 1937. The second half of the twentieth century witnessed the emergence of the welfare state in “Western” societies.

It would certainly be too simplistic a conclusion were we to assume a much too schematic pendular movement between phases marked by the dominance of the economy and phases characterized by the dominance of the political order. There is ample evidence suggesting that the specific relationship between the economy and politics can be explained only from a historical-sociological perspective. At any rate, welfare state institutions were rolled back as a matter of course in the 1980s in the same way that welfare capitalism had been established as a matter of course from the 1950s on. Economic deregulation must nevertheless not be equated with enforcing *laissez faire*. Such a principle of order can well be limited only to the upper echelons of a society. Among the lower ranks, especially in regard to the marginalized underclasses, it can take on forms of statist repression, as Waquant (2009) demonstrated referring to the example of the transformation of the US welfare state of the postwar era into a restrictive social welfare system (*workfare*) and a punitive state (*prisonfare*) in the 1990s. In the European Union, we have not witnessed such a development even though Germany’s Hartz reforms might be interpreted as a variant of a new welfare-state paternalism. Apparently, capitalist economic systems are compatible with widely disparate social conceptions of order. The political order can be based on “mass democracy,” as was typical of Western Europe’s postwar societies. But it can also take on “post-democratic” forms.

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