

**Università per Stranieri “Dante Alighieri”  
Reggio Calabria**

**Master di I livello in Politiche di pace e cooperazione allo sviluppo  
nell’area del Mediterraneo**

**Economic Sociology**

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Master di I livello in **Politiche di pace e cooperazione allo sviluppo nell’area del Mediterraneo**

## **Main topics**

**Non-economic factors in economic performance**

**Modernization theory**

**Comparative political economy**

**Italian economic sociology**

**Changes in economics**

**Globalization and its challenges**

## Premise

The Economic Sociology is a subfield of sociology, which applies sociological approaches to the explanation of different economic phenomena. According to K. Polanyi, the term “economic” (substantive meaning) is covered mostly by a subject matter of the economic sociology.

## Premise

About 20 years ago the New Economic Sociology appeared with large integrative functions trying to unify a number of previously separated sociological disciplines (sociology of organizations, industrial sociology, economic anthropology, etc.).

## Premise

The concern of economic sociology is to explain with social concepts the economic action and avoid the individualistic neo classical conception. This is to better understand when, where and why there are institutions that legitimize and encourage, but also restrict and govern, the utilitarian motivations.

## Premise

Almost at the same time the New Institutional Economy took place, which contributed to the intensification of the *dialogue between sociologists and economists*. During the last years an increasing number of economists started to acknowledge the importance of social factors like institutions, networks, culture etc. on the economic behavior. Thus the scientific development made topical for students in economics and business to study the economic sociology.

While economics looks for an answer to the question, “How do people act economically and what are the consequences of these actions?”, economic sociology seeks to answer the question: “Why do people act like that?” (Schumpeter).

When studying real life problems both economists and sociologists should take into mind the two types of variables (economic and non-economic).

The non-economic variables are the society-specific institutions, which influence the economic behavior. These institutions are the subject matter of economic sociology, but it looks also for the reverse impact of economic structures on social and political institutions.

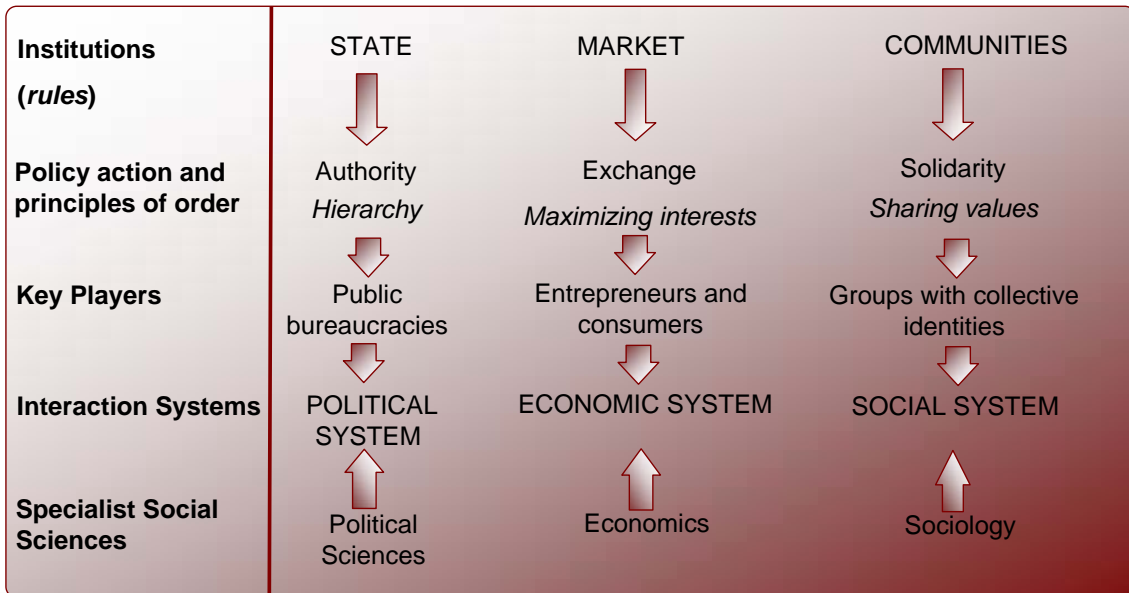
## Neo-classical economics and economic sociology

	<b>Neo-classic economics</b>	<b>Economic Sociology</b>
<b>Conception of economics</b>	Allocation of scarce resources used for alternative purposes (save resources)	Activity in search of livelihood
<b>Economic Action</b>	Atomism and utilitarianism: the rational pursuit of individual interest by independent individuals.	Economic action as social action: non-utilitarian and utilitarian motivations influenced by institutions

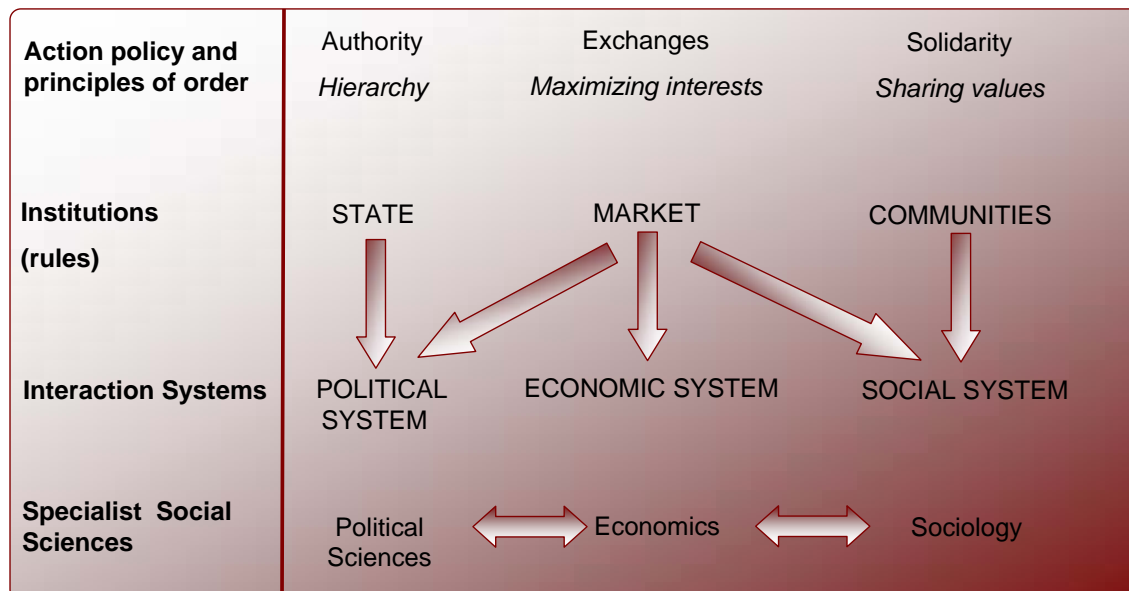
## Neo-classical economics and economic sociology

	<b>Neo-classical Economics</b>	<b>Economic Sociology</b>
<b>Rules</b>	Competitive Market	Market Social institutions (eg. Reciprocity) Political institutions (eg. Redistribution)
<b>Method of investigation</b>	Analytic-deductive method High generalization Theories	Inductive method Historical, empirical and comparative surveys Generalizations limited in space and time

**Different actors in social sciences**



**The relationship between economics and society in classics of social science**



Classics of Social Sciences gave a traditional reading of the relationship between economy, society and politics, focused on the effects that an economic organization, increasingly dominated by market forces, produces on social system and political spheres.

The development trend of the comparative political economy contrasts the vision of separation between the three spheres of action. This line of study, first, focuses on the role of social and political institutions in the functioning (or dysfunction) of the economic system and not vice versa as in the classics.

Andrew Shonfield (1965) first argues that in European countries, the state had assumed a considerable importance in the economy.

### **Modernization theory**

Its starting point is the idea that Western modernity is a challenge that inevitably leads less developed societies along the road of social change. There are, inside, different approaches:

1. *50s and 60s*: modernization theory in the strict sense, emphasizes the importance of sociocultural and political factors within LDCs in influencing social change. Optimistic idea that the outcome of change can only bring poor countries at the same level of developed countries.

## **La teoria della modernizzazione**

2. dependency theory, with the experience of Latin America. Attention placed on the economic influences exerted by developed countries on changing those less developed. However, the concept of dependency later did not justified the evident increasing diversity in the processes of modernization of Third World countries. In this perspective, *comparative political economy* takes shape (*Peter Evans e John Stephens, 1988*).

The approach of *comparative political economy* focuses on the role of institutions through a comparison between Asian countries and those in Latin America.

It follows an approach that emphasizes - in contrast with previous studies - plurality of paths of modernization, their greater openness in which inevitable ends up as the path followed by the West.

The expansion of the welfare state and Keynesian policies, and growth of public sector and forms of mixed economy, seemed like long-term phenomena and were seen favorably by economists and social scientists.

An increasing importance of the State role in the distribution of economic resources was evident in the sixties and seventies.

Indeed, Western European economies, unlike those of North America were governed by very different institutions from the market . The state and great interest organizations played a central role in allocating resources, a role to compensate for market failures or its socially undesirable outcomes, such as excessive income inequalities.

The first analysis of political economy realised by Peter Hall, David Soskice, 2001 (relating to Keynesian development models, welfare-state and experiences of consultation) tended to directly analyze the influence of institutions on economic policies and national economy performances, neglecting the role of strategic actors, albeit conditioned by different constraints and opportunities.

The role of actors was subsequently highlighted by sociologists as Wolfgang Streek (1992), Charles Sabel (1995), David Soskice (1999)

*Comparative political economy:*

**Variables**

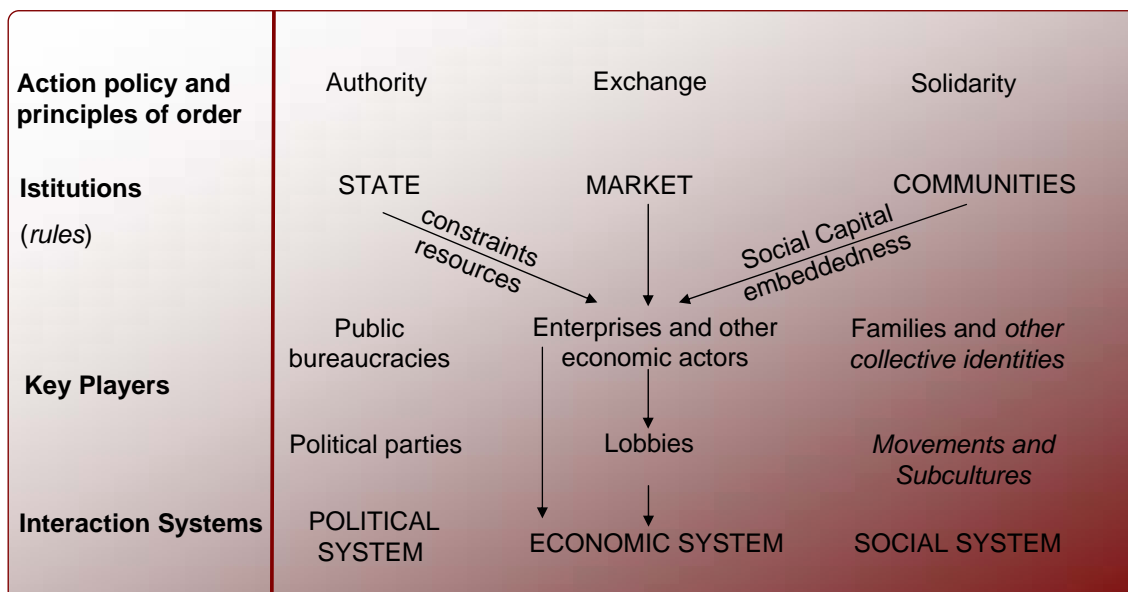
*Independent:* typical of political institutions and social ones

*Intervening:* opportunities and constraints for economic actors

*Dependent:* economic policy; economic system performances.

Political and social institutions, differ from country to country, constituting a framework for regulating economic activities by placing constraints or providing opportunities for economic actors, end up influencing the choices and thus determine the economic outcomes.

**Institutions and actors in the economic system**



The crisis of the Seventies renewed sense of the importance of the study of social factors for understanding the economic changes (Trigilia, 1998).

The change in the external environment encourages competition and the crossovers between disciplines. The neo-classical economists (first Ulrich Beck) increasingly apply their models to spheres of social action, previously the prerogative of sociologists. At the same time they rediscover the economic vision of Marx and Weber.

In the '80s, the Marxist revival ends.

Another reason for the crisis of the traditional division of labor in the social sciences is the need for more research, the need for different explanations for the phenomena studied.

Neo-institutionalist analysis of organizations identifies a specific sociology of organizations conceptualized in a historical and social context consisting not only of material constraints but also of legal and cultural specifications.

It means to overcome an economic (resources) and psychological (human relations) approach.

### **Italian economic sociology : traditional key points**

The study of labor markets and the causes and consequences of unemployment.

The organization and restructuring of work patterns in large factories.

Industrial districts, informal economy and local economic systems.  
The study of industrial relations and employment.

### **Italian economic sociology : latest developments**

The research developed in two directions.

First: economic behavior is the result of complex personal strategies determined by social and cultural context (see Aris Accornero 1986, Luciano Gallino 1985).

The second one, the first studies realised by the sociologist Massimo Paci regarding the debate on Italian job: from the inelasticity of supply of labor to the family structure that explains the behavior of individuals in the labor market. Finally, analysis of the interaction between family and welfare state.

### **Italian economic sociology : latest developments**

The debates on the *flexibility of working* on post-Fordism, *new production concepts* and *the Japanese model* (between late 80s and 90s) have stimulated new studies on the reorganization of work.

In the study of small business areas, social scientists have contributed to the construction of new categories for the analysis of local development processes, highlighting the role of fiduciary relationships and local institutions and the emergence of local control.

One aspect to be considered for understanding the evolution of economic sociology in the second post-war regards developments on domestic economy and sociology that redefine its borders

The Keynesian analysis, is at the basis of state intervention as a regulator of the demand. It justifies a policy experienced by governments before the Great Depression of '29, and represents a guide for future actions.

Some aspects of new economic policies :

1. deficit spending, public spending deficit: public debt to stimulate demand in a situation where it is lower than the existing capacity;
2. redistributive state intervention: for example, tax policy;

The Keynesian revolution, new forms of market studies, dissemination of econometrics influenced the redefinition of the relationship between economics and economic sociology after World War II .

The first model – that will be seen as opposed to the third model - is called *residual*. Public protection is to cover a limited range of population in poverty and need special conditions for risks not covered by the market, family or forms of voluntary action. The programs are selective and commitment of expenditure remains modest.

Example the case of the U.S. where welfare expands in a context which remains heavily influenced by liberal ideology, less strength of the labor movement and absence of parties of socialist orientation

The second model is defined *profitable*, or *meritocratic-corporate* (as Massimo Paci, 1982) and *conservative-corporate* (as Gosta Esping-Andersen, 1990). The risk insurance is based on membership in a profession, in which case insurance is mandatory national and State-guaranteed.

The third model is defined *Institutional-redistributive*, covers the major risks for the entire national population on the basis of social rights as essential components of citizenship. It involves a major expansion of public programs that provide benefits for all citizens.

### Three models of welfare

	<b>Residual</b>	<b>Profitable</b>	<b>Institutional-redistributive</b>
<b>Coverage</b>	Marginal	Employment	Universal – For all
<b>Main target</b>	Poor	Workers	Citizens
<b>Institutional fragmentation</b>	High (localism)	High (employment)	Low/absent

### Three models of welfare

	Residual	profitable	Istituzional-redistributive
<b>Performances:</b> - range	limited	Average	extended
- requirements	Means testing	Insurance participation	Citizenship / residence
<b>Financing</b>	Fiscale	Contributivo	Fiscale
<b>Apenditure:</b> - level	Low	Medium	High
- component	Programs	-	-
- predominant	<i>Means-tested</i> <small>accertamento delle fonti di reddito</small>	Transfers	Public consumption

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70s, inflation, slow growth and unemployment (stagflation phenomena) appear perverse effects of the Keynesian welfare state. To interpret the *behavior of governments, businesses trade unions manage in industrial relations*, it comes to *new political economy*.

It highlights the independent impact on economic phenomena interpreted in the light of a theory of action more complex than that based on individual utility maximization. Public choice theory. Socially oriented action.

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In the new economic sociology diverse approaches come together, including stands that focuses on social networks and those defined as neoinstituzionalismo sociological. For authors attributed that relate to the structural approach, the action is always socially oriented and can not be explained on the basis of individual motivations.

It is assumed that action is fundamentally influenced by the placement of individuals in networks of social relations in which they are involved.

Social capital can be considered as the totality of social relations in an individual subject (eg- a farmer or a worker) or a collective entity (private or public) has at a given time (Carlo Trigilia, 1998).

### **Innovation capacity of enterprises :**

1. managerial-oriented long-term,
2. skills and product innovation process,
3. potential for cooperation between management and workers,
4. ability to cooperate with customers and sub suppliers,
5. wage moderation.

### **Institutional conditions of competitiveness :**

1. finance and ownership,
2. Training,
3. industrial relations at enterprise level,
4. informal and formal social networks.

The current crisis in financial markets and industry

With other people's money .... Capitalism by proxy against the economy

The liberty of a democracy is not strong if the economic system does not provide employment and produce and distribute goods so as to sustain an acceptable level. (FD Roosevelt to the U.S. Congress, April 29, 1938)

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