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# ECONOMY AND SOCIETY

A Study in the Integration of  
Economic and Social Theory

by  
TALCOTT PARSONS  
and  
NEIL J. SMELSER



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To the Memory of  
ALFRED MARSHALL  
and  
MAX WEBER  
Two great pioneers  
in the  
integration of economic  
and sociological theory

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## PREFACE

This volume is designed as a contribution to the synthesis of theory in economics and sociology. We believe that the degree of separation between these two disciplines—separation emphasized by intellectual traditions and present institutional arrangements—arbitrarily conceals a degree of intrinsic intimacy between them which must be brought to the attention of the respective professional groups.

We dedicate the book to the memory of two great figures in the recent history of social science, one identified with each of the two disciplines. The work of Marshall and Weber, considered together, constituted a level of rapprochement between economics and sociology which has not been matched since. From a somewhat different point of view Pareto also made a notable attempt at synthesis which has greatly influenced our thinking. It seemed as though the theory of economic equilibrium he took over from Walras and developed was about to merge into a general theory of social systems. But the initiative of these men failed to gain momentum. Indeed, we feel that there has been, if anything, a retrogression rather than an advance in the intervening half century.

Why has such a promising start failed to lead to further developments? On the side of economics, we might suggest three barriers. First, economists have become increasingly preoccupied with the great potentialities of the technical apparatus of economic theory (to which Marshall himself made such a major contribution). Second, the pressing problems of public policy have required immediate contributions from economists; under such pressure, exploration of theoretical side-roads to neighbouring disciplines seemed inappropriate. Finally, the elementary level of sociological theory

itself—including the fact that most of the best sociological theory has remained until recently in languages other than English—for a long time provided little to which economists could turn.

For the sociological tradition, a major isolating factor has been a revolt, perhaps, against the subtle ways in which the “ideology” of economic thinking has permeated the wider intellectual atmosphere. Furthermore, neither substantive concepts nor methods of analysis derived from economics have seemed appropriate for the more immediate purposes of sociological theory. Sociology had to find a footing on its own, as it were, before it could profit from its sister discipline.

In the American case, disillusion with the abortive institutionalist movement undoubtedly exaggerated the distance between the two disciplines. The combination of (to us) not very good sociology and a negative attitude toward economic and almost any other theory made this movement a poor entering wedge for exploring interdisciplinary relations on a theoretical level. In Great Britain a comparable role has been played by the negative attitude toward any sociology except that of primitive peoples in whom the economist has not interested himself traditionally. Perhaps also the atmosphere of general scepticism toward highly generalized theory, prevalent in both countries, has played a part.

Whatever the determining factors of their separation, we feel it is necessary for the future of both disciplines to re-establish interest in the borderline relations; we offer this volume as a contribution. We hope that there will be much substantive criticism of our exposition. We also hope, however, that serious criticisms can be separated from those which derive from the unfortunate fact that few persons competent in sociological theory have any working knowledge of economics, and conversely, that few economists have much knowledge of sociology. In the nature of the case, we have had to introduce both technical sociology and technical economics. Except for the rare individual who is competent in both, there will be difficult passages. We can only plead, therefore, that with tolerance and care in working through unfamiliar materials, both the economist and the sociologist may be rewarded with insights which are not accessible within the confines of either discipline taken alone.

This volume originated when, for the fall of 1953, the senior author was invited to deliver the Marshall Lectures at the University of Cambridge on the “Integration of Economic and Sociological Theory.” Years before he had dealt with problems in this field—as documented in *The Structure of Social Action* and in various papers—but in the meantime had turned to other areas. This invitation provided a welcome occasion to return to an old interest, to acquaint himself with many important developments in economics in the interim, and to relate them to changes in his own field. The time limit for this task was grossly insufficient, however, and the lectures as delivered (in November 1953) represented an incomplete and in other ways inadequate treatment of the problem. It was clear that publication in the original form was inadvisable.

At the time of the Marshall Lectures the junior author was in the last year of a Rhodes Scholarship in Philosophy, Politics, and Economics at Oxford, with emphasis on economics; he had previously been a student of sociology at Harvard. We established contact immediately and carried on a series of discussions in Europe during the academic year 1953–54. When both of us returned to Harvard for the year 1954–55, these discussions ripened into the collaboration of which this book is the product.

The first three chapters follow, in a broad way, the outline of the subject-matter of the three Marshall lectures. But practically none of the actual exposition contained in the lectures survives. The material has been reworked entirely in the light of many recent theoretical developments. The subject-matter of Chapters IV and V was not treated at all in the lectures. Chapter IV reaches to levels of technicality in economic analysis for which the senior author felt entirely incompetent at the time of the lectures. Chapter V, though more sociological than economic on the whole, deals with a subject which was omitted from the lectures both because of lack of space and for lack of assurance in mode of attack. We include these chapters both because of the addition of reinforcement to the original one-man working force and because of the further development of thinking which more than two years of collaborative work have made possible.

The senior author wishes at this time to record his gratitude to the academic community at Cambridge for its cordiality in connection with the Marshall Lectures and more generally in connection with his

tenure as Visiting Professor of Social Theory during 1953–54. In particular, Professor Austin Robinson, who presided at the lectures, and Mr. Harry Johnson, now Professor at the University of Manchester, who subjected the manuscript to a most helpful critical analysis, may be singled out. In less specific ways, Professor Meyer Fortes, Professor M. Postan, Dr. Richard Stone, Mr. Bryant King and Mr. Noel Annan were particularly stimulating influences. Of other British colleagues Professor Raymond Firth also helpfully criticized the manuscript of the lectures and suggested the title which has been adopted for the book.<sup>1</sup> It also seems appropriate to acknowledge—albeit belatedly—a very warm welcome which the senior author received in Cambridge long ago in 1930, when he was working on a study of Marshall's sociological ideas which eventually appeared in two articles in the *Quarterly Journal of Economics*, and later as [Chapter IV](#) of *The Structure of Social Action*. The late Mrs. Marshall was particularly considerate and helpful on that occasion.

The junior author thanks Mr. William R. Moffat of Harvard University for a patient and detailed criticism of the Marshall Lectures; his clarification of the Keynesian position relative to the boundary processes was the germ of an extensive revision of material which now appears in the second chapter. Mr. Alain Enthoven of the Massachusetts Institute of Technology read the economic material on the trade cycle which appears in [Chapter IV](#) and suggested the elimination of several inelegancies. More generally, gratitude is due to Mr. G. D. N. Worswick, Fellow of Magdalen College, Oxford, who tutored the junior author through two years of economics. He insisted on the mastery of economic subject-matter as such, but welcomed suggestions and interpretations from a sociologist temporarily on leave from his training.

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<sup>1</sup> We are conscious that this title is an almost literal translation of Max Weber's *Wirtschaft und Gesellschaft*, but, in spite of the difference in scale and comprehensiveness, we respectfully hope it is worthy to stand in a line of succession to such a work. We also have inadvertently used the same title as Professor Wilbert E. Moore in his excellent pamphlet (Doubleday series, 1955). It was decided upon independently of any knowledge of Professor Moore's enterprise.

During the course of the academic year 1954–55, the theoretical developments incorporated in Chapters II and III were greatly facilitated in weekly discussions in an informal seminar of graduate students in the Harvard Social Relations Department on the classification of occupational types. Besides the authors, members of this group were Miss Christine Kayser, Messrs. Robert W. Avery, Jesse R. Pitts, Howard E. Roseborough, and for a period Dr. Frank E. Jones. In connection with matters of economic sociology, Messrs. Pitts and Roseborough have been especially helpful. During the fall term the foundations for the theoretical material in Chapter II were formulated and discussed extensively in a graduate Seminar on The Theory of Social Systems.

In the later stages several economists subjected the manuscript to a critical reading. We are particularly grateful to Professor Bert F. Hoselitz of the University of Chicago who undertook an unusually thorough and penetrating critical commentary which has stimulated extensive revisions. Others whose criticisms have been extremely helpful are Mr. Chester I. Barnard, Dr. Alfred Conrad of Northwestern University, Professor James Duesenberry of Harvard, Professor Marion J. Levy of Princeton, Mr. Henry Rosovsky of Harvard, Professor W. W. Rostow of the Massachusetts Institute of Technology, and Dr. Francis X. Sutton of the Ford Foundation. Convergence on the same themes by several of these critics was particularly helpful in guiding our revisions. None of them, however, bears responsibility for the views we have finally expressed. We have accepted many suggestions but also have rejected some, and bear sole responsibility for the result.

Mrs. Dorinthe Burkholder Sacks, with the assistance of Mrs. Anna Connors, has performed with great effectiveness the difficult task of processing the manuscript through several stages of revisions.

T. P.  
N. J. S.

CAMBRIDGE, MASSACHUSETTS  
*January 1956*

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# CHAPTER I

## THE PROBLEM: CURRENT SOCIOLOGICAL THEORY AND SOME CENTRAL CONCEPTS OF ECONOMICS

### THE PROBLEM

We would like to take as our point of departure the view, common among economists, that the science of economics deals with one major “aspect” of social life. Even such an apparently simple notion bristles with questions: how is this economic aspect to be defined? What other aspects are there? How are they related to the economic and to each other? In the economic literature one frequently encounters such words as “psychological,” “social” and “political”—to say nothing of “physical”—which are used to refer to these “non-economic” aspects of social life. But one seldom finds serious attempts to define these concepts rigorously. They are used mainly as tags to indicate that the “economic” territory has boundaries and that something lies beyond them. Of course, this lack of precision is understandable; it is not the primary business of the economist to explore the areas beyond the economic boundary.

The lectures on which this book is based were addressed to an audience composed mainly of economists. To a large body of opinion, it seems anomalous to speak to economists on non-economic matters, since among the social sciences economics above all is believed to be a science sufficient unto itself. We wish to attempt to dispel this belief and to demonstrate that economics must lean on the other social sciences, both on the theoretical and empirical levels, as they also must lean on it.

On the *theoretical* level economists agree fairly well that economic theory is an abstract theoretical scheme which by itself is adequate to



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