Book Review/Compte rendu

Victor Nee and **Richard Swedberg**, eds., *On Capitalism*. Stanford, CA: Stanford University Press, 2007, 368 pp. $US 24.95 paper (978-0-8047-5665-5), $US 70.00 hardcover (978-0-8047-5664-8)

The chapters of this collection were originally presented at a conference on "Norms, Beliefs, and Institutions of Capitalism: Celebrating Weber's Protestant Ethic and the Spirit of Capitalism" held at Cornell University in October 2004 to mark the 100th anniversary of *The Protestant Ethic*. What unites them, according to the editors, is that they "are all concerned with solving the mystery of economic growth in one way or another" while seeking to overcome the limitations of both the pure neoclassical approach and the amended institutionalist version of Douglass North et al. What they take from Weber in particular is the need to include "values, attitudes, and norms" (p. 9) to account for economic growth.

Luckily, however, not many of the contributors to the volume limit themselves to reiterating this tired Parsonsian reception of Weber. Swedberg invokes de Tocqueville's observations about the "restiveness," "audacity," materialism and respect for work that characterized the citizens of 19th Century America to argue that norms and ideas are at least as important as institutions and organizations in explaining the success of early capitalism. Barnaby Marsh argues for the importance of including "spiritual capital," i.e., "the outlooks, ideals, and subjective beliefs held by the individual" (p. 177) in our explanations since, as he tries to show through a series of sometimes rather trite and well-worn examples (e.g., self-fulfilling prophecies, markets and currency requiring trust, etc.), these often matter a great deal in achieving economic success. Point taken, especially in the current, post-subprime era, but what do we do with it? Neither Marsh nor Swedberg provides any useful suggestions as to *how* we might incorporate these subjective states into our existing explanatory strategies.

Happily, most other contributors present their own arguments and ideas, either not bothering to pay much attention to the Weber of "values, attitudes and norms" at all or only doing so *e contrario*. Not coincidentally, these are the more stimulating and interesting contributions to this volume. Thus, Russell Hardin, actually taking his cue from some of Weber's less often noted remarks in *The Protestant Ethic*, insists that not

greed but enough profit to stay in business is the essence of capitalism. In a piece suggestively titled "The Systemic Anticulture of Capitalism," he argues, contrary to sundry anti-greed, anti-globalization zealots, that this simple observation has far-reaching implications. While conceding that "[t]he standard complaint that capitalism bulldozes traditional cultures is probably true" (p. 34), he argues that this is something to be celebrated, not mourned. In a way, he turns the table on Weber, arguing that it is not a case of culture making capitalism but of capitalism breaking and re-making culture. "Capitalism is primarily a machine for enhanced production" (p. 35) and as such it sells itself. By offering people more options and more ways to profitably participate in an international division of labour it *does* end up destroying local culture and knowledge but only because the latter have become obsolete to its own users. To bemoan this process is to insist that much of humanity remain in a state of "grim subsistence agriculture and poverty" (p. 31) just to satisfy *our* antiquarian interest in preserving traditional "culture."

Robert Frank, after rehearsing his well-known winner-take-all-market explanation for the recent rapid rise in earnings inequality, goes on to argue that this increased inequality is causing a "spending cascade" in which the middle class is forced to increase its spending beyond its means on housing, education and even professional wardrobes to keep up with the big-spending top earners. He then concludes, in a rather abrupt and slightly contrived manner, that a revival of something like a protestant ethic may be necessary to halt the trend towards ever-increasing inequality "if the capitalist system is to survive" (p. 88).

The middle sections of the book contain a series of papers dealing with a rather diverse set of topics. Nee and Opper identify the current Chinese economy as a "hybrid institutional order" (p. 94) they call "politicized capitalism" in which private companies do markedly better than the remaining state-owned industries although they still remain closely dependent on political contacts and elites for crucial resources such as credit, permits, contracts and various other favours. But, they argue, this is an unstable equilibrium since, somewhat unsurprisingly, "market transition theory predicts that the importance of political connections for business success is negatively correlated with the degree of economic liberalization and marketization" (p. 107). Carruthers and Halliday look at how international financial institutions have sought to formulate prescriptions for bankruptcy laws in the wake of the fall of the Soviet bloc and the Asian financial crisis of 1997-98 in order to attain the kind of predictability in this intrinsically unpredictable and conflict-ridden domain in line with Weber's arguments about the importance of legal predictability and calculability in modern capitalism. Mark Granovetter's

"The Social Construction of Corruption" considers several forms of corruption, how and where they are likely to emerge and to be "neutralized" (rationalized or justified) only to end up with the rather general conclusion that what constitutes "corruption" depends on the social context, norms and actors.

In a separate section on religion, Barro and McCleary analyze a number of international surveys starting from the early 1980s to try and determine the (economic) correlates of various aspects of religiosity and religious pluralism. They find, in line with the secularization thesis, that economic growth tends to have a negative effect on religiosity, with, not very surprisingly, the US being the great outlier. Religious pluralism tends to raise church attendance but has no effect on economic indicators. Belief in hell appears to promote economic growth while church attendance reduces it. While these and several others are moderately intriguing findings, the authors limit themselves to attempting little more than ad hoc, tentative and fairly trite explanations for them, such as that church attendance may be raised by subsidies to state churches or that rising religiosity may have something to do with the fall of communism in Eastern Europe. The other piece on religion (besides Marsh's plea for "spiritual capital') turns out to be a short, rather personal reflection by Michael Novak lamenting Weber's failure to recognize the contributions of Catholics to the rise of modern capitalism through their emphasis on joy, creativity and inventiveness.

The final section of the book, devoted to methodological and conceptual issues, contains two quite stimulating pieces and one I found decidedly less so. The latter, by Jepperson and Meyer is a wholesale attack on the "doctrinal" or "analytical" individualism which they detect in the conventional reception of Weber's *Protestant Ethic*. But their real target actually is "economistic individualism," a.k.a. rational choice theory or neoclassical economics, which, they claim, has tended to grossly overemphasize the importance of economic rationalization and markets at the expense of the broad processes of cultural rationalization of other institutional domains such as administration, politics, science, and so on. Only the latter allow us adequately to understand the nature and significance of the modern world and current trends such as globalization, they argue. Frankly, I am beginning to find these kinds of diatribes against the nasty economists a little tiresome, particularly when they do little more than incite us to take "broader," "deeper' and more cultural perspectives without really advancing the cause of devising better explanatory strategies that might help us sort out the *relative* weight of economic and other causes.

The other two pieces in this section are rather more thought-provoking even if, in the end, one does not come away wholly persuaded by either. Duncan Watts argues that both "rationalist" and "historicist" explanatory models for social, that is, aggregate outcomes suffer from a fallacy of misplaced concreteness. No direct causal linkage between either approach's assumptions about individual behaviour and large-scale outcomes can be made because "historical processes … are intextricably *non*linear" (p. 250). This is so because individual choices are interdependent so that collective outcomes are determined more by the *process* of aggregation itself than by the initial characteristics of the individuals making the choices. Moreover, it can be shown that such outcomes are extremely sensitive to very small variations in the parameters of the aggregation process (network densities, numbers of interactions, thresholds, etc.) rendering them radically unpredictable. Watts presents the stunning volatility of the stock market — not exactly in dispute just now — as well as the rise and fall of various consumer fads as cases in point, perhaps a little too facilely. But his main point is troubling enough: causal explanations of collective phenomena that refer to individuals' preferences and characteristics, whether they emphasize rationality or irrationality, may be little more than *ex post* rationalizations because they ignore the immense importance of the interdependence of preferences and choices.

The volume ends with a piece by Charles Sabel attacking another feature of the received wisdom, the "endowment explanation of economic development" in both its economistic (as in "Washington Consensus") and more institutionalist (as in Douglass North) guises. According to this view a society's ability to generate economic development and growth depends on fundamental society-wide endowments of a motivational or institutional kind without which an efficient market economy cannot emerge and thrive. Against this Sabel offers the "emergent process or bootstrapping view of growth" (p. 307), which recognizes the enormous variety and heterogeneity of institutions and practices throughout developing countries which offer a plethora of idiosyncratic routes as well as obstacles to economic growth quite independent of any of the "fundamentals" postulated by general "endowment" theories. In this view economic growth occurs in clusters where actors are able to cooperatively establish learning practices and institutions that enable them to reduce or eliminate local obstacles to growth in an incremental fashion, much like the cooperative problem-solving characterizing so-called Toyoda production systems. Sabel briefly reviews several illustrative cases, ranging from fisheries in Kenya and Chile to the Chinese miracle and US public school reform, to show how such systems work to produce local solu-

tions to local problems to overcome obstacles to efficient production and trade. While I appreciate Sabel's impatience with the sweeping top-down general "endowments" approaches of the Washington Consensus and its institutionalist successors, and I understand his sympathy for the local guys collaboratively and incrementally solving their local problems in order to get on with things, it will take a lot more than a few suggestive anecdotal cases to dispel the impression of more than a whiff of little-guy romanticism and naïve cooperativism here, at least for an old cynic like me. Moreover, even if the case can be made that actual economic development takes place through such problem-solving improvisation at the local level this *still* does not mean it is impossible or useless to think about what broader conditions might be conducive to the growth of such problem-solving local institutions and practices. After dismissing the "omnibus reforms" that "endowment" theorists recommend, Sabel declares, rather tellingly, "in contrast, reforms that attend to constraints of local contexts by devising sequences of changes that extend patches of growth, *without thereby opening the door to political predation*, will be likely to succeed" (p. 325, emphasis added). Quite.

In short, as always with collections of this kind, the offerings vary in topic and quality but there are enough genuinely provocative and stimulating pieces here to satisfy anyone with an interest in issues linking the economy to the broader society. While one sometimes gets the impression that the much-celebrated New Economic Sociology is in danger of getting bogged down in its own (mostly anti-neoclassical) platitudes and orthodoxies, many of the contributions to this volume are refreshingly heterodox in tone and content.

McGill University Axel van den Berg

Axel van den Berg's research interests range from comparative labour market policy regimes to debates about rational choice theory in sociology and the status of the sociology as a science. Recent publications include: *Managing Social Risks through Transitional Labour Markets: towards an enriched European Employment Strategy*, (with Erik de Gier), Amsterdam: Het Spinhuis/Transaction Publishers, 2006; *The Social Sciences and Rationality: Promise, Limits and Problems*, New Brunswick, NJ: Transaction, 2004. edited with Hudson Meadwell; "From Unemployment to Employment Insurance: Towards Transitional Labour Markets in Canada?", Ch. 12 (pp. 307-341) in Ruud Muffels, ed., 2008. *Flexibility and Work Security in Europe: Labour Markets in Transition*, Edward Elgar, (with Claus-Henning von Restorff, Daniel Parent and Anthony C. Masi). axel.vandenberg@mcgill.ca