

Comparing Capitalisms through the Lens of Classical Sociological Theory¹

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1 Introduction

The ‘classical tradition’ in sociology, stemming from Marx, Durkheim, and Weber, continues to inspire sociological approaches to the economy (Beckert 2002; Swedberg 2000). Despite its foundational influence, the distinctively sociological contribution of this ‘classical’ tradition has been somewhat overshadowed by the widespread diffusion of economic theory, such as transaction costs or agency theory, and newer sociological approaches, such as network analysis or ‘new institutionalism’ in organizational analysis, in the process of forging interdisciplinary approaches to the economy.

In honor of the sixtieth birthday of Wolfgang Streeck, this essay looks at his contribution to economic sociology and its relationship to classical sociological theory. Wolfgang Streeck has retained and developed a distinctly sociological approach to the study of the economy that draws important inspiration from the classics. His closeness to the classic sociological tradition is perhaps unsurprising given his early journey as a student in the 1970s from the ‘critical theory’ found in Frankfurt to the then often more ‘middle range’ concerns of sociology pursued at Columbia University by influential figures such as Robert Merton, Peter Blau, and Amitai Etzioni. Wolfgang Streeck was excited by the empirical richness of early American sociology, as is evident in his subsequent edited volume *Elementare Soziologie* (1976). Alongside Durkheim, Weber, and Friedrich Engels, the book translated writings of postwar American sociologists such as Peter Blau, Alvin Gouldner, Howard Becker, and William Whyte. However, the focus was not on positivist empirical sociology, but on the way these sociologists utilized fundamental theoretical concepts, such as conflict, exchange, or status, to inform their detailed empirical or even ethnographic fieldwork. Likewise, Streeck’s early work creatively applied concepts from the postwar American so-

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ciology of organizations to the study of the way in which a particular social class ‘organized’ itself for collective action through unions (Streeck 1981).

I first met Wolfgang Streeck when he agreed to supervise my undergraduate thesis in sociology and later offered me a job assisting some of the other COWS (Center On Wisconsin Strategy) researchers at the University of Wisconsin–Madison. Streeck inspired students equally by thinking in big theoretical terms and by insisting on empirical detail.² This preoccupation with the ‘classical’ sociological themes endured during my later involvement in a project comparing the historical origins and internationalization of nonliberal capitalism in Germany and Japan (Streeck/Yamamura 2001; Yamamura/Streeck 2003). Streeck’s drive to use theory in a ‘concrete’ and transparent way, without simplifying away the dialectical twists of reality, reflects good sociology both as a science and a craft (see also Hammond/Bellah 1964).

Wolfgang Streeck’s work draws much of its inspiration from Durkheim’s “noncontractual conditions of the contract” and the importance of professional groups. These concepts are central to Streeck’s perspective on the German model of capitalism, particularly the apprenticeship system or employee codetermination. The noncontractual but “beneficial constraints” on German employers are central to the very business strategies associated with Germany’s success in diversified quality production (Streeck 1992b). Erik O. Wright and Euclid Tsakalotos (2004) recently commented on Streeck’s Durkheimian lineage from a Marxist standpoint by raising issues around divergent class interests and by asking to whom institutional constraints may be beneficial. My concern here, however, is to confront Durkheim with Weber. Weberian sociology emphasized that society is comprised of different institutional orders with distinct dynamics, values, and ‘logics’ of action. This idea also figures strongly in Wolfgang Streeck’s analyses of employers’ and union organizations, as well as in his comparisons of national ‘varieties’ of capitalism.

Given the vast attention paid to his specific interpretations of the German political economy, I choose here to highlight some of Wolfgang Streeck’s contributions *as a sociologist*. In tracing Streeck’s ‘classical’ sociological lineage, my aim is to show more generally how these perspectives remain central for the comparative study of capitalism today.

2 Wolfgang Streeck firmly steered my undergraduate thesis on inequality and German unification away from a foggy interest in Habermas’ idea of capitalist ‘systems colonizing the lifeworld’ to the exotic details of the German apprenticeship training system. His suggestion of Pierre Bourdieu’s concept of cultural capital and the financial backing of a Hilldale Fellowship that got me from Madison to Berlin prompted me to study the certification of certifications of East German printing and metal working apprentices in united Germany.

2 The Durkheimian Lens

Economic sociology conceives of individual exchange as embedded in noneconomic social relationships. Nowhere is this idea more central than in Durkheim's treatise *The Division of Labor in Society*. Durkheim (Durkheim 1984 [1893]) explores the forms of social solidarity that occur as the division of labor increases. The division of labor is a progressive adaptation of modern societies, but one with destructive tendencies, for it decouples the individual from a more homogeneous set of premodern moral regulations and beliefs. Durkheim seeks to find what makes the continuance of association possible without disintegration into anomie. His solution stresses a new form of organic solidarity, expressed poignantly in terms of the "noncontractual conditions of the contract."

Noncontractual Conditions of the Contract

Durkheim sees the division of labor as involving not only the increased specialization of activities, but also as requiring social integration. He notes that societies with low degrees of labor division regulate themselves through the collective or common consciousness (Durkheim 1984 [1893]: 39). This 'mechanical' form of solidarity is expressed through repressive law, whereby the penal character of law expresses the similarity of moral beliefs and sentiments within the group. However, the increasing division of labor causes the collective consciousness to decline in scope and function.

Empirically, Durkheim links the increasing division of labor with the emergence of restitutive law in which sanction "comes down to a mere restoration of the 'status quo ante'" (ibid.: 68). Restitutive law is not based on a moral sentiment common to all, but embodies specific functional relationships of people to things, other persons, or social functions. The administration of law also grows more diffuse and the involved parties become responsible for soliciting legal action (ibid.: 69–71). Restitutive law guarantees the rights of people, such as the obligation to refrain from harm or to repair damage, but does nothing to bend the will of different persons to common ends (ibid.: 73–75). Hence, while being necessary for solidarity, this 'negative' law presupposes existing cooperation. Durkheim's crucial argument is that restitutive law can also facilitate organic solidarity, based on the regulation of functional dependencies or cooperation.

Durkheim sees contract law as paradigmatic for cooperation (ibid.: 79), since contracts are specific agreements between particular parties such as lender and borrower or employer and employee. For Durkheim, contracts are possible only because they take place before a background of rights and obligations that are not in themselves subject to the negotiation in the contract:

For in a contract not everything is contractual. The only undertakings worthy of the name are those that are desired by individuals, whose sole origin is this free act of the will. Conversely, any obligation that has not been agreed upon by both sides is not in any way contractual. Wherever a contract exists, it is submitted to a regulatory force that is imposed by society and not by individuals: it is a force that becomes ever more weighty and complex. (ibid.: 158)

While a contract may stipulate rights and obligations, the interests of the parties will remain distinct and often conflicting. Beneficial compromises cannot be determined in advance (ibid.: 160), but law may determine the “legal consequences of those of our acts which we have not settled beforehand” (ibid.: 161). Restitutive law may constrain the exercise of self-interest by externally imposing obligations. Noncontractual conditions thus make contracts possible in light of the inherent uncertainty of most exchanges (Streeck 1992c) by endowing parties with generalized rights and obligations over and above the stipulations of contract, hence setting a basic norm for all similar contracts. Durkheim stresses that society never simply assures that contracts are carried out, but also determines “in what conditions they are capable of being executed and, if the need arise, restore them to their normal form” (Durkheim 1984 [1893]: 162). The division of labor thus has a “moral” character in that the individual becomes bound “to act in accordance with ends that are not his own, to make concessions, to agree to compromises, to take into account interests superior to his own” (ibid.: 172–173). Without such moral regulation, society will suffer from anomie.

Durkheim’s view is plainly distinct from the idea of market exchange as a spontaneous and sufficient guarantee of cooperation based on voluntary appeal to mutual self-interest. For example, Durkheim argues that labor contracts do much more than guarantee the remuneration of the worker in proportion to the labor exerted. The inherent inequality in status entails that “there cannot be rich and poor at birth without there being unjust contracts” (ibid.: 383). Justice and equality of external conditions must be assured elsewhere, outside the contract by society (ibid.: 338).

Changing Forms of Solidarity

Durkheim suggests that the growing division of labor is associated with a shift from a mechanical form of social solidarity based on normative regulation to a functionally differentiated or ‘organic’ form of solidarity. Still, even the latter is only possible in the presence of some normative foundations. Yet it is precisely this type of normative consensus that the division of labor progressively undermines. Ultimately, Durkheim paradoxically “traces anomie back to the same processes of differentiation from which a new morality is supposed to arise ‘as if by a law of nature’” (Habermas 1987).

Durkheim provides no detailed examination of the way organic solidarity would come about. Clearly, the state plays an important role through restitutive law. However, Durkheim ultimately views the state as being too remote. Rather, occupational or professional groups could provide a more adequate means of integration. The occupational group has a particular closeness and moral power capable of containing individual egos and maintaining a common solidarity in the consciousness of its members. This intermediate level of association, between the individual and society at large, is particularly important for Durkheim and his analyses of education, state policy, occupational groups, and law.

Status as Beneficial Constraint on Contract

Noncontractual conditions of the contract are a crucial starting point for later sociological views of the economy. In his work, Wolfgang Streeck links this debate to another classic sociological dichotomy, namely: status versus contract. Status relates to contract in at least three ways: status prevents contract (e.g. unequal parties cannot be said to engage in free contracts), contract establishes status (e.g. when rights and duties are diffuse and status-like), and contract presupposes status (e.g. contracts emerge against a background of rights and duties taken to be given; Streeck 1992c).

A large body of literature has interpreted the diverse forms of capitalism with regard to the persistence of different premodern status orders (Gerschenkron 1966; Marshall 1964; Moore 1966). For example, in nineteenth-century Germany, traditional status-based forms of employment constrained contracts by giving employers *paternalistic rights* of authority (e.g. the notion of employer as *Herr im Haus*) that were often backed by coercion from the state, as well as *paternalistic obligations* toward employees. In England, by contrast, earlier political democratization had formally given workers equal rights as individuals engaged in the free exchange of products, rather than making them dependents in status-like relations of authority. Later, democratization in Germany led to a substantial reinterpretation of previous status-like elements of contract in favor of employees, while leaving intact a notion that viewed the capitalist firm as more than a private 'nexus of contracts,' indeed as something more akin to a social institution toward which society may take an active public interest.

In his own work, Streeck seeks to discover how status can be *politically reconstructed* as a basis for organic solidarity. The core sociological theme here is the attempt to understand why rational voluntaristic and contractual arrangements may, in themselves, fail to produce beneficial institutional arrangements *even when they may be in the interests of the actors involved*. In short:

[S]uccessful self-interested, utilitarian behaviour in market environments requires the presence of collective resources, common values and shared expectations that rationally acting individuals cannot normally generate, protect or restore even if they fully recognize their vital importance. (Streeck 1989: 89)

Consequently, coercive, externally enforced constraints may be necessary to force rational capitalists to make more efficient use of individual and collective production factors and to assure the investment necessary for the 'supply side' of capitalist economies, which would otherwise erode. Two mechanisms are particularly relevant here: first, the establishment of status through the collectivization of contracts, such as through unions or other interests associations, and second, the generalization of 'traditional' status through politics. Streeck has addressed the former through his extensive work regarding associations, while the latter relates to his work on German codetermination.

Streeck's work (with Philippe Schmitter in particular) has pointed to the uniquely important role of associations as a mechanism of economic coordination and governance. In addition to markets, hierarchies, and state intervention, the distinctive domain of economic sociology is often the analysis of social networks.³ Associations engaged in organizational concertation are argued to be a further distinctive level of governance between markets and the state (Streeck/Schmitter 1985). Here functionally defined interest groups based on membership (e.g. class, sectoral, and professional associations) engage in concertation with other mutually recognized organizations with the aim of producing stable compromises (pacts). This idea is intimately tied to the Durkheimian notion of professional groups as an institutional basis for 'organic solidarity.' Private-interest associations may acquire *public status*. Emerging strongly in European corporatism during the 1960s and 1970s, they became part of an increasingly interdependent mechanism to implement state policy. For example, broad-based organizations that are able to 'internalize' diverse membership interests may produce more politically stable compromises. Likewise, the regulatory constraints on competition produced by associations, such as technical standardization or vocational training, may enhance the long-term efficiency of markets. In short, interest associations may uniquely compensate for a number of specific failures associated with the state, the market, and the community.

Status may also be institutionalized through politics – as in the case of the 'industrial citizenship' institutionalized through German codetermination. In an essay on employee participation aimed at an American audience, Streeck critiques the economists' usual argument, namely that: "If participation is indeed

³ Community is another model of coordination that shares some elements with social networks, although it also differs in important ways (Streeck/Schmitter 1985).

as productive as is claimed, management can be trusted to introduce it on their own; if they don't, this only proves that participation is less economically beneficial than its proponents claim" (Streeck 1996: 188–189). Employee participation most often reflects a demand by unions or employees that was resisted by employers. State intervention is critical in two ways. First, participation is more universal and less dependent on the market power of unions; second, the establishment of a legal framework for participation removes certain parameters from the realm of negotiation at the level of the workplace, and local industrial relations are relieved of many contentious issues. Streeck (*ibid.*: 189) sees these constraints as mutually beneficial because "legislation may thus make both sides devote their efforts and inventiveness to cooperative pursuits and positive-sum games, protecting employers from the temptation to seek advantage in creating a 'union-free environment' and workforces from the need to hedge against employers defecting from participation regimes and reasserting their managerial prerogatives if they see fit." In Germany, the development of codetermination involved managers, unions, and employees – all of whom had to learn how to use the new institution in economically productive ways and thereby turn constraints into cooperation (Jackson 2005; Streeck 1992a). Over the years, these particular constraints have proven to be crucial for the comparative institutional advantage of the postwar German economy, particularly in the sectors characterized by 'diversified quality production' (Streeck 1992b).

The Durkheimian view is central for Wolfgang Streeck's economic sociology in that it shows how social order is possible when economic exchange is embedded in institutions. Streeck and Thelen (2005: 9) define the very concept of institution in a thoroughly Durkheimian fashion as "socially sanctioned, that is, collectively enforced expectations with respect to the behavior of specific categories of actors or to the performance of certain activities." In contrast to writings on institutions as conventions, equilibriums among incentives, or taken-for-granted worldviews, Streeck emphasizes that institutions are defined by their obligatory character, as well as the enforcement of formalized rules by third parties. Institutions are regimes that constrain and confront the individual as a kind of "social fact" that – although produced by human action – is independent of individual will.

3 The Weberian Lens

While institutions represent an important "solution" to the problem of order in Durkheimian sociology, they are the source of paradox within Weberian sociol-

ogy. Although institutions are needed to support the modern economy, they derive their legitimacy and normative force from noneconomic values and norms. Although societies may possess a stock of pre-existing 'organic solidarity' based on traditional social relations, they may face a need to create a new "nonfunctional" basis for the institutions to govern their economies. In modern societies, institutions are enforced not simply by expressions of moral disapproval. Specific organizations are formally charged with enforcing the institutionalized expectations of actors with respect to the behavior of others. This endows institutions not only with predictability, but also legitimacy (Streeck/Thelen 2005: 9–11). The focus on legitimacy raises questions of authority and obligation that are central to Weberian sociology.

Rationalization and Value Conflict

In *Economy and Society*, Max Weber (1978: 72) argues that the development of modern capitalism in the West required those societies to at least partially overcome traditional orientations toward technique, social relations, and ultimate ends. Modern capitalism is intimately tied to the "freedom" from constraints imposed by tradition, emotion, and certain ethical imperatives. Like Durkheim, Weber's view of exchange nonetheless stresses the need for social embeddedness or the 'regulation' of self-interest. Exchange entails the resolution of a previously latent conflict of interests by means of a compromise (ibid.). Since conflict occurs over price or competition among rivals in the same market, self-interest alone is often an insufficient basis for compromise. Exchange often presupposes that one party is under the compulsion of need or the other's power (Weber 1978: 73). Likewise, consensual relationships require the assumption that parties will uphold their agreement and treat this 'expectation' as fact. Rational exchange based on self-interest requires the calculability of fulfilling one's promises (ibid.: 328). Parallel to Durkheim, Weber argues that legal authority is necessary to facilitate market exchange and sanction illegitimate behavior (ibid.: 336–337).

Unlike Durkheim's concern for social integration, Weber is interested in the way modern capitalist firms and the bureaucratic state emerged historically and embodied new purposive-rational orientations to action. In order for modern capitalism to develop at all, the foundations of rational self-interested exchange had to originate first as a way of life among social groups in precapitalist societies (Weber 1992: 55). Historically, a capitalistic 'spirit' only emerged in the West once the ethical sanctions of the moral Christian worldview began to ease and thereby facilitate the 'disenchantment' of the practical world. Particular 'elective affinities' (*Wahlverwandtschaften*) arose between the economic interests of particular groups, on the one hand, and the internal developments of religious rationaliza-

tion, on the other. Shifts in religious interpretation under Protestantism linked the “ideal interests” rooted in religion with a particular practical, capitalist ethos based on a vocational culture. Protestantism not only freed a bourgeois stratum from certain ethical conflicts involving economic activity, but gave individuals a sense that it was their duty or even calling to increase wealth (ibid.: 52). Ascetic Protestantism thus served to give new moral sanction to continuous and impersonal calculation.

Just as capitalism had to overcome value conflicts with religion, Weber stresses that conflicts exist among the value orders or institutions that ‘regulate’ capitalism. For Weber, ‘modern’ capitalist societies rest upon the formal rationality embodied in three central institutions: positive law, bureaucratic domination, and capitalist enterprise. The differentiation of these formally rational institutional domains leads to an increase in the number of conflicts with substantive value commitments in general.⁴ To understand this, it is important to understand that rationality has a variety of meanings in Weber’s work. Weber examines processes of rationalization according to particular “departments of life” or “value spheres,” each with their immanent “logics” or “inner dynamic” (*Eigengesetzlichkeit*). He has no systematic theory about the conflicts among institutional orders, nor a systematization of different spheres. Value conflicts come into play as secular theories with limited temporal scope, but develop with reference to specific institutional typologies.⁵

The value-spheres concept is most comprehensively discussed in *Economic Ethics of the World Religions*, which explores conflicts between religion and practical activity in other “spheres” (Weber 1946a). The term “spheres” refers variously to religion, the kinship group, the economic sphere, the political order, the aesthetic and erotic spheres, as well as the realm of cognition and science. Likewise, *Eigengesetzlichkeit* describes social functions and sometimes other irreducible logical, religious or moral, and aesthetic values. Weber’s value spheres possess various combinations of three logically independent dimensions: “Conduct within a sphere may take place according to its own laws (causal autonomy), may have its own inherent dignity or intrinsic value (axiological autonomy), or may generate its own norms and obligations (normative autonomy)” (Brubaker 1984: 83).

4 Weber stresses conflict between institutionalized orders of action, such as the formally rational activity of capitalist enterprise and individual commitments to values. Weber’s view thus differs markedly from a “clash of civilizations” perspective of conflict between ultimate value positions (Huntington 1993).

5 For a discussion of typologies, secular theories, and situational analysis in Weber’s work, see (Roth/Schluchter 1979; Roth 1987; Schluchter 1981). For example, in his work on the Protestant Ethic, Weber is not interested in explaining institutional developments in terms of specific historical events, but in terms of the historical preconditions of a historical “type,” such as rational capitalism or inner-worldly asceticism.

For Weber, value conflicts are irreconcilable and increase along with historical processes of rationalization. In *Economy and Society*, Weber looks at four functional spheres as a basis for universal historical comparison: religion, law, economics, and politics. These spheres may be rationalized to different degrees and in different directions. However, the more each sphere is rationalized and hence institutionalized, the more it becomes differentiated from other value spheres. The more a domain follows its own particular logic in a systematic, rationalized fashion, the more it comes into conflict with other values around it (Roth 1987: 295). As Weber (1946a: 328) explains,

For the rationalization and the conscious sublimation of man's relations to the various spheres of values, external and internal, as well as religious and secular, have then pressed towards making conscious the internal and lawful autonomy of the individual spheres; thereby letting them drift into those tensions which remain hidden to the originally naive relation with the external world. This results quite generally from the development of inner- and other-worldly values towards rationality, towards conscious endeavor, and towards sublimation by knowledge.

Capitalist enterprise is a central case in point. Weber (1978: 161–162) outlines conditions for the formal rationality of capitalist enterprise, whereby means and ends are fully rationalized by accounting procedures according to the criteria of realizing profit. This formal rationality is institutionalized externally by competitive pressures, which sanction actors who fail to orient themselves toward profits. Likewise, money provides an impersonal metric to subjectively observe the correctness or success of the action. Action thereby becomes instrumentally rational, since ends may be pursued with regard to their “marginal utility” in terms of relative costs and benefits. As Weber (*ibid.*: 28) elaborates:

Value-rational action may thus have various different relations to the instrumentally rational action. From the latter point of view, however, value-rationality is always irrational. Indeed, the more the value to which action is oriented is elevated to the status of an absolute value, the more irrational in this sense the corresponding action is. For the more unconditionally the actor devotes himself to the value for its own sake, to pure sentiment or beauty, to absolute goodness or devotion to duty, the less is he influenced by considerations of the consequences of his actions. The orientation of action wholly to the rational achievement of ends without relation to fundamental values is, to be sure, essentially only a limiting case.

As a consequence, modern institutions express an opposition between the value commitments and (formally) rational action, which involves orientation to objectified, impersonal, and ultimately meaningless ends.

Legitimacy

How can instrumentally rational action become differentiated and *legitimate* as an institutional order, such as capitalist enterprises? For Weber, relations between the different orders of modern society meet and become regulated in law (Weber 1981: 92). Law limits the claims of actors within various institutional domains through legal norms of behavior. Enacted laws provide procedures to settle conflicts of interest, but as in Durkheim, it remains unclear how such legal norms arise. Intentionally created, 'positive' law turns a command into law only in relation to certain principles of enactment (Schluchter 1981: 101–102). Legal authority may be legitimated in terms of the legality of these procedures, based on the constitutional separation of powers and the granting of inalienable rights, for example. While law is externally imposed and sanctioned, legal principles ultimately are nonetheless the product of human intention and derive validity only with regard to *agreement* in some sense (see also Habermas 1987: 257–268).

So while instrumental action can be legitimated with reference to law, legal principles remain a source of conflict. Weber (1978: 882–894) sees an irresolvable tension between the antiformal (substantive) and formal tendencies of law, each of which is a countertendency of the other. The development of capitalism supports legal formalism and its greater predictability of interpretation and calculability of enforcement. Importantly, legal formalism can only be achieved through an "ethical minimum" aimed at outlawing a narrow range of criminal or fraudulent practices (see Schluchter 1981: 113). The legal interpretation of most contracts must inevitably take extralegal norms into account, such as the "real" intentions of parties, which weaken positivistic legal formalism and precision. These antiformal tendencies within modern law are amplified by demands for substantive justice arising from factors such as strategies for political legitimation, struggles between antagonistic class interests, or the interests of the legal profession itself (Weber 1978: 894). In the Weberian view, capitalism does not exist as a stable and legitimate order, but must be continuously legitimated with reference to values outside itself, which in turn, it perpetually threatens to undermine.

As a sociologist, Weber suggests that institutions may be compared with regard to the differing or competing values and criteria of rationality institutionalized within them. As Weber (1946b: 150) stated in his famous speech, "Science as a Vocation":

The various value spheres of the world stand in irreconcilable conflict with each other ... Fate, and certainly not 'science,' holds sway over these gods and their struggles. One can only understand what the godhead is for the one order or for the other, or better, what godhead is in the one or in the other order.

Ultimately, Weber's analysis highlights the phenomenon that institutions embody antagonistic values. The institutionalization of values relates to both "ideas" as well as the interests of historical actors. Interests and ideas remain interrelated because interests must be interpreted and endowed with meaning in order for people to act on them. Likewise, ideas stand in practical relation to the world and can only be actualized in practical situations that involve accommodation or compromise with the world. The resulting value conflicts are not simply logical tensions, but are sociologically important sources of conflict. This, in turn, opens the study of value conflicts to *empirical* social science.

Interests, Ideas, and Institutional Change

Max Weber's emphasis on value conflict within institutions reminds us that social integration is always only partial. While institutions create constraints and opportunities for different types of economic behavior, the boundaries and legitimacy of those constraints undergo constant testing and revision because the *different principles of rationality embodied in institutions are irreconcilable*. Every institution remains no more than a partial order, one imperfectly integrated with other societal institutions.

These considerations appear widely in Wolfgang Streeck's use of ideal-typical models, particularly in his work on governance and interest associations. Here I will focus on his typology of different types of unions (Streeck 1993) based on class, occupation, enterprise, and district (region). The typology elegantly links the individual and collective *identities* of employees to the pursuit of different types of *interests* and models of union *organization*, such as industrial, craft, or enterprise-based unions. These models are further elaborated with reference to *institutions* (e.g. corporatism, pluralism, and paternalism) and modes of *politics* (e.g. productivism, market closure or cooperation). Importantly, Streeck sees the causal sequences not only as running from identity to interest to organization, but also vice versa, meaning that different forms of politics, institutions, and organizations also influence the perception of employee interests and help socialize employees into different identities. Likewise, Streeck (1993: 393) argues that the usefulness of Weberian ideal-typical models lies in their ability to distinguish between and conceptualize the conflicting and often irreconcilable relations and tendencies that often coexist simultaneously in reality.

Indeed, these ideal types elucidate the distinctiveness of German industrial relations as a unique configuration of class, occupational, and enterprise elements. German unions are organized as industrial unions based on broad class interests. At the same time, codetermination at the plant and in the company support enterprise-based interests. Tension exists between these dual bases for

representation. For example, local cooperation between works councils and management may undermine broader based class solidarity. The more fully cooperation occurs at the company or workplace levels, the less compatible such cooperation becomes with the pursuit of class interests across the spectrum of many different enterprises. Streeck argues that German unions have come to integrate the company model by capturing seats in works councils and by using them to implement and sometimes adapt collective bargaining agreements. Likewise, works councils are strengthened by expertise and independence through 'outside' union support. Similar arguments apply to occupational interests in the German apprenticeship-based vocational training system. Industrial unions have maintained solidarity among different occupational groups by supporting the upgrading of skills that leads to fewer and more broadly defined occupations and by encouraging further training that supports the mobility between occupations. This strategy is notably different from the politics of market closure prevalent among traditional craft unions.

This brief analysis suggests how institutions may embody divergent principles of rationality, which exist in constant but potentially productive tension with one another. In fact, an important reason for the success of German unions is the balance that exists in the logic of class politics between the orientation to the enterprise and the attention given to the role of different occupations. Likewise, enterprise and occupational interests are strengthened through the backing of class-wide organizations. Competing logics may reduce the internal 'coherence' of an institution, but they complement each other by making up for their inherent one-sidedness, at least in part.⁶ Still, the interweaving of these different logics does not lead to a transcendence of the inherent conflicts among them. Here Weber's separation between typological models and situational analyses is useful. Ideal-typical models help outline potential conflicts and their dynamics, but the actual 'working out' requires historical analysis. This is certainly true of German industrial relations. The German model was not a straightforward product of institutional design; it was based on an unintended series of temporary compromises (Streeck 2001). These institutions remain subject to further adaptation in light of growing international and capital market pressures caused by things such as decentralized collective bargaining and the use of firm-specific employment practices (e.g. Rehder 2003).

Institutional conflict runs through Streeck's macrosociological work as well, such as in the comparative-historical sociology of German and Japanese capitalism (Streeck/Yamamura 2001; Yamamura/Streeck 2003). The origins of the

6 Several recent works have discussed the importance of competing or conflicting principles of organization for maintaining diverse and adaptable economic structures (for example Crouch 2005).

German and Japanese ‘models’ of capitalism are argued to be the unintended fit between disparate and often contradictory sets of institutions. For example, conservative social reform in the late nineteenth century attempted to fuse economic liberalization with the maintenance of particularistic relations of politically privileged social groups by suppressing unions in favor of paternalistic forms of authority in the factory. Conservative social reform was rooted in different sets of ideas, including Germany’s corporatist tradition and Japan’s household (*ie*) tradition, and therefore developed in different directions. However, in both cases, the functional participation of the working classes based on particularistic group membership came into increasing conflict with notions of democratic participation through elections and universal concepts of citizenship. These social and political tensions contributed to the emergence of authoritarian and militaristic states of the 1930s. The situation of wartime defeat and occupation led to a remarkable postwar institutional transformation that “involved nothing less than the reconciliation of the two countries’ national traditions of conservative reform with electoral democracy, free markets, and independent trade unions ... it was above all the capacity of the government of the day to apply almost unlimited political power that made it possible to rebuild previously incompatible institutions and make them fit together in more or less organic wholes, turning frictions into synergies and conflict into a source of high requisite variety” (Streeck 2001: 29–30). More recently, internationalization and a declining power of the nation state has led to the partial liberalization of these economies and destabilization of their underlying economic models (Yamamura/Streeck 2003). Here new value conflicts are emerging. One such conflict is between, on the one hand, principles of shareholder value backed by the power of institutional investors, and on the other, ‘nonliberal’ notions of the firm as a community in Japan or as a constitutional entity in Germany, where shareholders and employees share mutual rights of citizenship in the firm (Jackson 2003).

While these historical analyses cannot be discussed further here, the Weberian insight can be clarified briefly. Unlike much of the literature on diverse ‘varieties’ of capitalism, Streeck has emphasized the *variable ways* in which institutions become linked together and ‘rationalized’ in different directions.⁷ Many postwar institutions, such as German works councils or Japanese main banks, have origins in wartime mobilization but later became important assets in free market competition. These institutions were initially imposed hierarchically by

7 With regard to the way institutions operate and embody different logics, one may note the difference in emphasis found in Streeck’s writings on Germany compared to the emphasis in the parsimonious functional analysis of those same institutions on supporting ‘coordination’ found elsewhere (Hall/Soskice 2001).

authoritarian states but were later adapted and adjusted in light of other emerging institutions and conditions of political democracy. Their functional complementarity was not designed but had to be discovered (see historical chapter in Aoki 2001). This suggests that institutions are more than simply rules constraining the rational choices of individuals; instead they embody ideas and reflect ongoing acts of interpretation about what is possible and legitimate.

4 Classical Theory and Contemporary Economic Sociology

The tensions between the Durkheimian and Weberian perspectives continue to be useful in informing contemporary economic sociology. Whereas Durkheim stresses the regulatory functions of institutions in relation to rational, voluntaristic exchange, Weber emphasizes the value conflicts posed by the differentiation and rationalization of institutional orders with distinct inner logics. Durkheim and Weber (or the respective traditions of thought) essentially place different emphasis on institutions in terms of their social and economic *function* or their *value* in orientating ideal and material interests and action.

The Durkheimian view remains central to any institutional analysis because it shows the fundamental limits to rational voluntaristic action and suggests alternative ways to support the division of labor through other ‘societal’ mechanisms of governance. Durkheim offers a basis for the sociological analysis of the way actors may overcome the fundamental uncertainty that characterizes exchange (Beckert 1996). Meanwhile, the resulting institutions nonetheless retain interpretive gaps and embody conflicting values, as highlighted by Weber, which are an important source of human creativity and institutional innovation.

Both traditions appear in the work of Wolfgang Streeck, although the emphasis has seemingly shifted from Durkheimian concerns with function and coherence of institutions (Streeck 1992b; Streeck 1997) to Weberian concerns with institutional tensions and dynamics of change (Streeck/Thelen 2005; Streeck/Yamamura 2001). These dual concerns help explain how Germany’s model of capitalism may be seen as a coherent source of comparative institutional advantage but also as the embodiment of historically unique and often contradictory institutional logics, whose synthesis is not easily captured by economic models on the ‘varieties’ of capitalism.

These differing perspectives of classical sociology have important implications for economic sociology today. The comparative institutional analysis of capitalism, in particular, has contributed significantly toward our initial under-

standing of the way different economic systems are influenced by diverse sets of institutional constraints and opportunities, which result in different competitive strengths (important as that may be). An equally urgent and perhaps more ambitious sociological task is to understand how the growing rationalization of those institutions is sharpening conflicts among the ultimate values that they embody. Weber's own stance toward value conflicts is interesting here, since he argues that the tension between formal rationality and substantive values could be addressed in a self-reflective manner through an 'ethic of responsibility.' Unlike an ethic of conviction toward ultimate ends, this ethic consciously affirms the irreconcilability of ultimate values and attempts to maintain the dignity of moral choice. In Weber's formulation, the ethic of responsibility operates at the level of personality, where tough decisions are taken in rare or dilemmatic historical circumstances. But at the level of institutions, Weber's view of social science provides a model which may inform the institutionalization of different rationality criteria: our moral choices may not be rationally resolved, but they can be rationally framed. Social science can heighten our awareness of our choices among ultimate values and their potential unintended consequences. In practicing this type of empirically grounded but 'critical' theory, social science may even help contribute to greater human autonomy and dignity.

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