

Markets and Management:

An Introduction to Economic Sociology

Socy 66
Spring 2019
Dartmouth College
T-Th, 2:25-4:15

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COURSE SUMMARY

Money makes the world go round. Money talks. Show me the money.

This course will address the many ways in which money pervades social life. As a medium of both symbolic and material exchange, it reflects and reproduces social arrangements. The readings in this course will treat the role of money in a wide variety of arenas, from politics, history and finance, to gender, religion and art. Thus, this course will be relevant to undergraduates majoring in any of these fields, while at the same time exposing them to a critical perspective that is particular to the social sciences.

The objective of the course will be to integrate a variety of theories about markets and the management of exchange, presented through readings and lectures, to develop a toolkit for analyzing empirical evidence. Thus, class materials will include a balanced mix of theoretical works and case studies. The class format and performance measures will be geared toward these goals. At the end of the course, students should have a highly developed ability to understand and think critically about the markets that affect their lives and shape world events.

Although many of the course readings draw on evidence from the United States, a significant portion of the readings involve international perspectives on markets. Our scope of inquiry will cover thousands of years of history – from ancient Greece to the modern era – and will include work from developing and non-Western economies, as well as from people in extreme conditions, such as prison camps and areas of urban poverty excluded from formal financial services.

Course Requirements and Grading

The course has a fairly heavy reading load, roughly 100 to 150 pages per week. Many of the readings are uploaded to Canvas already; in addition to the required readings, you'll find on Canvas a number of optional articles and book excerpts intended for those interested in pursuing topics in greater depth. The one required book – John Kenneth Galbraith's *A Short History of Financial Euphoria* – is on reserve in the library, but should be purchased if at all possible.

Your final course grade will be based on a simple 100-point scale, as shown below:

A = 94.00-100	C+ = 77.00-79.99
A- = 90.00-93.99	C = 74.00-76.99
B+ = 87.00-89.99	C- = 70.00-73.99
B = 84.00-86.99	D = 60.00-69.00
B- = 80.00-83.99	E = < 60.00

In keeping with the overall objectives of this course, your ability to integrate theory and applications will be measured in the following ways:

Midterm Exam – 30 points: Essay format; one question; in-class, closed book. **23 April.**

Class Participation – 20 points: Points for participation are awarded throughout the term based on attendance, *quality* of comments (not just quantity!), and quality of listening to/engaging with other students in discussion. Your skill at engaging in evidence-based discussions and critical analysis is the focus here, and listening is a crucial component. Other useful contributions might include: bringing in news articles about current events relevant to the theories we are studying in class (along with your short analysis linking the news to the theories); or making a short presentation to the class on a topic of your experience that makes a good case study for the class theories. If you're interested in doing a presentation, please send me an email and we'll discuss.

Final Exam – 50 points: Essay format; scheduled for **Monday, 3 June, 11:30am-2:30pm.**

Expectations and Policies

People come to elite liberal arts colleges with a variety of purposes, but everyone ought to leave smarter: meaning, equipped with a broad knowledge base and a suite of critical thinking skills that will enable them to cope with the vast range of challenges they must make in their future lives. With sociology in particular, the practical value of learning this material and mode of analysis is immense, and can make your life better.

How do you acquire those skills? Contrary to popular belief, they aren't delivered by faculty. The skills can be *modeled* by faculty, but each person must learn by doing, and the doing occurs in interaction. It's kind of like a team sport – and **as with a team sport, you**

can't learn unless you show up and engage fully. The following three expectations stem from this simple proposition:

1. *Show up and be punctual:* Regular on-time attendance is a minimal expectation. Being late by 10 minutes or more for any individual class will result in the loss of a point for participation. If you miss more than two classes without a valid excuse (see note below), each subsequent missed class will result in the loss of a step in the final grade (e.g., B to B-). If you miss a class, you are responsible for getting notes from another student; **please do not ask me.** I do not distribute my own notes.

Note: The only excused absences will be illness (documented with a doctor's note), a major religious observance (with my permission—please see me within the first week of class), or a catastrophic event (such as the death of an immediate family member, documented with a Dean's note). Otherwise, schedule conflicts resulting from extra-curricular activities, holidays, weddings, etcetera will result in an unexcused absence. This is especially important to keep in mind for examinations: the midterm and final are sit-down exams, on fixed dates; **there will be no make-up exam dates** except in cases of genuine emergency, documented by a physician or a Dean. Rationales for lateness, absence and exam conflicts are subject to the [Dartmouth Academic Honor Principle](#): that means dishonesty of any kind will not be tolerated.

2. *Be prepared for class:* At a minimum, you must do the assigned reading no later than the date shown in the syllabus. In a small class where participation counts for a lot, it will be very obvious who has not done this.

3. *Be engaged and help others engage:* At a minimum, engagement means immersing yourself in the readings, and thinking through their implications; listening carefully to your professor and fellow students; and grounding your own claims in evidence and sound reasoning. To facilitate these aims, **students will not be permitted to use laptops, tablets, phone or other electronics in class.** This is due to the seeming impossibility of keeping people off the internet. Web browsing, emailing and other online activities during class not only degrade each students' educational experience, but that of everyone around them. They also distract your professor.

A word about grading: I don't "round up" grades; that means if you earn a 79.8 as your final class grade, it won't be rounded up to an 80. If you believe I have made a mistake in grading your work, please write a short, well-reasoned explanation (no longer than one page) articulating your rationale; your graded work should be attached. Please keep in mind that grading is based on the information you make available on the page and its relationship to the question(s) you were asked to answer; thus, comments such as "but I know the material" or "I worked really hard" or "what about that other student who got a higher grade" are not compelling rationales. Whenever you submit work for re-grading, that work may be given a lower grade than was originally assigned; the grade might also

go up, or stay the same. **For any graded item, you have one week from the time it is returned to you to request re-grading.**

About correspondence and questions: If you have a question about the class, you should first consult the syllabus – it’s highly detailed. Second, ask another student in the class. Only if you’ve been unable to find a solution in those ways should you contact me, preferably via email. Please write a proper letter, with a salutation (“Dear Professor Harrington,”) followed by words assembled into sentences. Emails written in SMS shorthand (“r” for “are,” “u” for “you,” etc.) will be consigned to flames of woe and never spoken of again. If you don’t get a response from me, that may well be because you’ve asked a question answered in the syllabus.

Writing in English: It’s important for anything you’ll do later in life, and most people can improve. Fortunately, Dartmouth has resources to help with that – notably RWIT (the Student Center for Research, Writing and Information Technology). There, you can meet one-on-one with an undergraduate tutor to discuss your work. If English is not your native language, I am very sympathetic – feel free to come talk with me about any challenges you face. I’m happy to chat with you in French or German, or even a bit of Danish, Italian or Turkish.

Disability-Related Accommodations: Students who require accommodations must register with SAS – the Student Accessibility Services office. This includes not only learning disabilities, but chronic diseases and psychiatric issues. Once SAS has authorized accommodations, the student must show the original, signed SAS Services and Consent form and/or a letter on SAS to the professor. All inquiries and discussions about accommodations will remain confidential. Call 603-646-9900 to start the SAS process.

Students from Low-Income Backgrounds: If you encounter financial challenges related to this class, please let me know. Some resources on campus might be useful for you.

PART I—ECONOMISTS ON ECONOMICS

In this section of the class, we will attempt to define our terms by taking a brief and non-mathematical look at the foundational assumptions and purposes of economics. This is not intended as an “objective” view of economics; rather, the articles showcase the assumptions and claims that sociologists question in economic theory.

March 26:

- Von Hayek (1974), “The Pretence of Knowledge,” Nobel Prize Address, Stockholm. An interesting critique of economics from a famed economist on the occasion of his acceptance of the Nobel Prize in that field.
- Hirsch, Paul, Stuart Michaels, and Ray Friedman (1990), “Clean Models Versus Dirty Hands: Why Economics Is Different from Sociology,” pp. 39-56 in Sharon Zukin and Paul DiMaggio (Eds.), *Structures of Capital: The Social Organization of the Economy*, Cambridge: Cambridge University Press.
This article defines economics in contrast to sociology, a theme to which we will return many times.

March 28:

- Galbraith, John Kenneth (1998 [1958]), Chapter 3-7 of *The Affluent Society*, Mariner Books
These chapters lay out the history of classical economic thought from Adam Smith to the present. Galbraith argues that economic theories are stuck in the assumptions of 18th-century, pre-industrial England, where they were forged.
- Nelson, Julie (1992), “Gender, Metaphor and the Definition of Economics,” *Economics and Philosophy*, 8: 103-125.
This is an unusual take on the definition of economics, arguing that the field is based on gendered assumptions. This is related to what J.K. Galbraith is saying about economics being rooted in 18th century pre-industrial assumptions. The larger point is, economics, like all academic disciplines, is an artifact of history and human behavior.
- Bell, Daniel (1981), “Models and Reality in Economic Discourse,” in Daniel Bell and Irving Kristol, *The Crisis in Economic Theory*, New York: Basic Books, pp. 46-81.
Bell traces the history of economic theory in brief and argues for its reintegration with the other social sciences.
- *Optional:*
Conant, Jennet (1998), “School for Glamour,” *Vanity Fair*, February.
The affluent society as experienced at Brown University. According to this report, money and conspicuous consumption are the hallmarks of the Ivy League campus. What do you think? Any analogies to Dartmouth?
- *Optional:*
Olin, Dirk (2003), “Prospect Theory,” *New York Times Magazine*, June 8, pp. 33-34.
A quick tour through the history of financial speculation, and the ways that economists have tried to make sense of it all.

PART II—THE SOCIOLOGICAL PERSPECTIVE

The following four articles look at the development of economic sociology through the lens of both classical economics and sociology. Of these, you should pay special attention to Granovetter's ideas about the social embeddedness of economic behavior.

April 2:

- Smelser, Neil and Richard Swedberg (1994), "The Sociological Perspective on the Economy," in Neil Smelser and Richard Swedberg (Eds.) *The Handbook of Economic Sociology*, Princeton, NJ: Princeton University Press.
- Chart from Swedberg, Richard, Ulf Himmelstrand, and Goran Brulin (1987), "The Paradigms of Neo-Classical Theory and Economic Sociology," *Theory and Society*, 16: 174.
- Granovetter, Mark (1990), "The Old and the New Economic Sociology: A History and An Agenda," in Roger Friedland and A.F. Robertson (Eds.), *Beyond the Marketplace*, New York: Aldine de Gruyter.
- DiMaggio, Paul (1990), "Cultural Aspects of Economic Action and Organization," in Roger Friedland and A.F. Robertson (Eds.), *Beyond the Marketplace*, New York: Aldine de Gruyter.
- Hart, Keith (1990), "The Idea of Economy: Six Modern Dissenters," in *Beyond The Marketplace*, Roger Friedland and A.F. Robertson (Eds.), New York: Aldine de Gruyter.
- *Optional:*
Twain, Mark. 1893. "The Million Pound Bank Note." From *The Million Pound Bank Note and Other New Stories*. Leipzig: Bernhard Tauchnitz.

PART III—MONEY & MARKETS: A SOCIAL, POLITICAL & CULTURAL HISTORY

April 4:

- Polanyi, Karl (1944), Chapters 4,5 and 6 from *The Great Transformation*, Boston: Beacon Press
Polanyi argues persuasively that the free market is both a recent and artificial innovation, contrary to the assumptions of classical economics. Economies take many forms (see Part IV of the class), and Polanyi argues that the modern market economy is the siamese twin of the nation-state. In other words, strong state governments are not opposed to free markets, but coeval and necessary to the market's survival.
- Hirschman, Albert (1982), "Rival Interpretations of Market Society: Civilizing, Destructive, or Feeble?" *Journal of Economic Literature* 20: 1463-1484
Hirschman reviews the historical interpretations of the impact of markets on social life.

- *Optional:*
Dubner, Stephen (2003), "Calculating the Irrational in Economics," *New York Times*, June 28, Section 2, p. 7.
This article reviews the state of the art in economics, which is actually heading toward sociology and psychology!

April 9:

- Galbraith, John Kenneth (1995), Chapters 1-5 of *Money: Whence It Came, Where It Went*, 2nd Edition, Boston: Houghton-Mifflin
This is an overall social history of money and its role in shaping political events; given Galbraith's former role as a policy maker, this book is infused with the policy perspective.
- Zelizer, Viviana (1996), "Payments and Social Ties," *Sociological Forum* 11:481-495
Zelizer argues that all dollars are not equal; even within a single currency system, "value" depends on how money is exchanged – either as gift, compensation or entitlement. Each mode of exchange implies different ties between the parties, and different assignments of value.
- Finlay, Moses (1973), Chapters 1 and 6 in *The Ancient Economy*, Berkeley: University of California Press
Finlay, a professor of Ancient History, reviews the origins of the term and concept of "economy" and shows what it meant in practice in the ancient world. A good companion piece to Polanyi.

PART IV – THE CLASSIC TEXTS: MARX AND WEBER

April 11:

- Marx, Karl (1978), *Communist Manifesto*, in Robert Tucker (Ed.) *The Marx-Engels Reader*, New York: W.W. Norton
In the *Manifesto*, Marx explains most simply how labor is converted into money.
- Weber, Max (1946), *The Protestant Sects and the Spirit of Capitalism*, in H.H. Gerth and C. Wright Mills (Eds.) *From Max Weber*, New York: Oxford University Press
This classic essay lays out the classic connections between money and culture, in the form of religion.
- *Optional:*
Kolbert, Elizabeth. 2004. "Why Work: A Hundred Years of "The Protestant Ethic." *New Yorker*, November 29.
A useful take on Max Weber and his work from a national magazine, written for a general audience.
Simons, Marlise (2003), "Sister Nicole Fights the Good Fight as Financier," *New York Times*, 14 April, Section 1, p. 4.
How one person (a nun in Paris) sought to reconcile the conflicts between being an investor and a moral person. Call it "The Catholic Ethic and the Spirit of Capitalism."

April 16:

- Marx, Karl (1978), selections from *Das Capital*, in Robert Tucker (Ed.) *The Marx-Engels Reader*, New York: W.W. Norton
In *Das Capital*, Marx defines capitalism as the process of turning money into more money. This reading will be particularly relevant to students with an interest in government or history.
- Cvetkovich, Ann (1992), selections from *Mixed Feelings: Feminism, Mass Culture and Victorian Sensationalism*, New Brunswick, NJ: Rutgers University Press
This essay views Marx from the perspective literary criticism, and classifies *Capital* as a mystery and as a Gothic horror story, along the lines of Shelley's *Frankenstein*.
- Weber, Max (1946), *Class, Status and Party*, from H.H. Gerth and C. Wright Mills (Eds.) *From Max Weber*, New York: Oxford University Press
This famous essay explains how money is related to social position, a theme to which we shall return.

PART V – POPULAR ECONOMICS I: THE INFORMAL SECTOR

April 18:

- Portes, Alejandro (1994), "The Informal Economy and Its Paradoxes," in Neil Smelser and Richard Swedberg (Eds.) *The Handbook of Economic Sociology*, Princeton, NJ: Princeton University Press.
Portes lays out the basic contours of the informal economy, then compares and contrasts it to the formal sector.
- Jimenez, Jose Blanes (1989), "Cocaine, Informality and the Urban Economy in La Paz, Bolivia," in Portes, Castells and Benton (Eds.), *The Informal Economy: Studies in Advanced and Less Developed Countries*, Baltimore: Johns Hopkins University Press.
This article looks at drug trafficking as a mode of informal economic activity, and how it is embedded in the social fabric of one country.
- Light, Ivan (1977), "Numbers Gambling Among Blacks: A Financial Institution," *American Sociological Review*, 42: 892-904.
This fascinating article looks at gambling as a form of savings among the poor, who are otherwise excluded from the formal financial sector.
- Geertz, Clifford (1978), "The Bazaar Economy: Information and Search in Peasant Marketing," *American Economic Review* 62: 28-32.
This famous article is another anthropological look at markets – this time in Morocco, where social ties form the foundation of the bazaar economy.
- Radford, RA (1945), "The Economic Organization of a POW Camp," *Economica* 12: 189-201.
This article by a former prisoner of war in Germany during WWII shows what markets look like in their most elementary form: the cigarette-based economy of the POW camp. Participants developed a fully-fledged currency market, including arbitrage!

April 23:

- IN-CLASS MIDTERM EXAMINATION

PART VI – POPULAR ECONOMICS II: GIFT EXCHANGE

This section of the class draws on anthropological accounts of gift-based societies and countries where people shut out of the institutionalized, formal economy have developed a parallel economic system of their own. The larger theme is the embeddedness of economic relations in social life.

April 25:

- Schwartz, Barry (1967), "The Social Psychology of the Gift," *American Journal of Sociology*, 73:1-11.
This article is a great introduction to alternative to market forms of organizing economic relations, particularly the ancient and very common mode known as gift exchange. This sets up the issues in the next reading.
- Titmuss, R.M. (1970), Chapters 5, 12, and 13 of *The Gift Relationship: From Human Blood to Social Policy*, London: Allen and Unwin.
These excerpts from a large study of blood donation in the U.K. and U.S. show that markets are in some ways much less efficient than altruistic or gift-based distribution systems. This is especially true when trust in the *quality* of a product is at stake, as in blood transfusions. His larger point is similar to Polanyi's: markets are not separate from societies, and we divide them at our peril.
- *Optional:*
Elliott, Andrea (2004), "Inviting the Public's Embrace, One by One," *New York Times*, May 10, Section 3, p. 3.
Speaking of gifts, this article relates what happens to one brave fellow who tried to give away free hugs in a Manhattan park.

April 30:

- Sahlins, Marshall (1972), "On the Sociology of Primitive Exchange," in *Stone Age Economics*, Aldine: Chicago
This article reviews the cross-cultural evidence on economic transactions within societies based on gift exchange rather than markets. These forms of economic organization fundamentally challenge the assumptions of classical economics that humans are rational-self maximizers, and that the greatest good for the greatest number is achieved by pursuing rational self-interest.

May 2:

- Galaskiewicz, Joseph (1985), Chapters 1 and 7 in *Social Organization of An Urban Grants Economy*, Orlando, FL: Academic Press
These chapters summarize a larger study of corporate philanthropy. It finds a strong relationship between "gifts" and social status, for organizations as well as individuals.

PART VII – MONEY AND SOCIAL STATUS

May 7:

- Frank, Robert (1985), Chapters 1 and 2 of *Choosing the Right Pond: Human Behavior and the Quest for Status*, New York: Oxford University Press
Frank discusses the role of money in conferring social status, with a fascinating side-line on the physiology and biochemistry of status among primates.
- England, Paula (1992), selections from *Comparable Worth: Theories and Evidence*, New York: Aldine de Gruyter
This is a more contemporary organizational take on status and money; England argues that the “gender gap” in pay is an expression of the generally devalued social status of women.
- Veblen, Thorstein (1899), *The Theory Of The Leisure Class: An Economic Study Of Institutions*. Mineola, NY: Dover Publications.
The excerpts here are Chapter 4, the classic text that coined the term “conspicuous consumption,” and Chapter 7, which concerns clothing as a mode of expressing social status.

May 9:

- DuBois, W.E.B. (1953), selections from *The Souls of Black Folk: Essays and Sketches*, New York: Blue Heron Press
DuBois presents his thoughts on the relationship between race, social status and money in these essays.
- Aldrich, Nelson W. (1988), chapters 2 and 3 in *Old Money: The Mythology of America's Upper Class*, New York: Vintage Books
Aldrich, the scion of one of New England's wealthiest families, writes in this semi-autobiographical social history about the attempts of American elites to maintain a ladder of social status independent of financial status.
- *Optional:*
Veblen, Thorstein (1898), “On the Barbarian Status of Women,” *American Journal of Sociology*, 4.
Veblen on the women of the Gilded Age as trophies and consumers.

May 14:

- Aldrich, Nelson W. (1988), chapters 4 and 8 in *Old Money*
- *Optional:*
Trebay, Guy (2003), “At Bailey's Beach, The Ruling Class Keeps Its Guard Up,” *New York Times*, July 20, Section 2, p. 1.
A story about Old Money shoring up its status in Newport, RI.

PART VIII – MONEY AND FINANCIAL MARKETS

May 16:

- Galbraith, John Kenneth (1990), Chapters 1-4 in *A Short History of Financial Euphoria*, New York: Whittle.
This is a witty book on the history of speculative bubbles: defined by Galbraith as “the mass escape from sanity by people in pursuit of profit.” The historical scope covers three centuries, from the Dutch tulip bulb craze of the mid-1600s to the Ponzi schemes of the 1960s. This material offers a useful way of teaching about the role of money in social movements.
- Ingrassia, Catherine (1995), “The Pleasure of Business and the Business of Pleasure: Gender, Credit, and the South Sea Bubble,” *Studies in Eighteenth-Century Culture* 24: 191-210.
This fascinating article documents the role of gender in the South Sea Company speculative frenzy described in detail in Galbraith. The study adds substance to the overall claim of this class that markets are both shaped by and reproduce the social identity of participants.

May 21:

- Chapters 5-8 in Galbraith
- Reed, Christopher (1999), “The Damn’d South Sea,” *Harvard*, May-June: 36- 41.
This short history of the South Sea Bubble gives an even better and more detailed account than Galbraith’s, and uses photographs from Harvard’s collection of manuscripts from the event.

May 23:

- Baker, Wayne (1990), “Market Networks and Corporate Behavior,” *American Journal of Sociology* 96:589-625
This empirical study of Wall Street investment banks exemplifies Granovetter’s point about the social embeddedness of markets. Baker demonstrates that trust and network ties rather than economic efficiency, dictate corporations’ banking choices.
- O’Barr, William and John Conley (1992), “Managing Relationships: The Culture of Institutional Investing,” *Financial Analysts’ Journal* Sep-Oct: 21-27
This article is based on interviews with pension fund managers, who candidly discuss the social dynamics underlying their financial work.
- Shiller, Robert (1993), “Stock Prices and Social Dynamics,” in Richard Thaler (Ed.) *Advances in Behavioral Finance*, New York: Russell Sage
An internationally-recognized finance scholar argues economic heresy: the stock market is driven by fads and fashions – *social* phenomena – rather than efficiency. This is economics blending into sociology.

June 3: FINAL EXAM, 11:30am-2:30pm. LOCATION TBD BY REGISTRAR

