

# Money and Society:

## An Introduction to Economic Sociology

Sociology 107  
Spring 2006  
Brown University  
M/W/F 1-1:50pm

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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.

### COURSE REQUIREMENTS

1. **Grading:** The graded work for this course will include two short papers and a final exam. See below for specifics. No curve is used in the grading.
2. **Readings:** The vast majority of readings for this class are available online, free of charge, by logging onto the course website: <https://webct.brown.edu/>. This site requires students to login with their AuthID and Brown system password; all students registered for the class should be able to log on to the site starting the week of January 25. If you have any problems doing so, please contact WebCT@brown.edu. In addition, there will be three inexpensive books required for the class: Horatio

*Alger's Ragged Dick, or Street Life in New York with the Boot-Blacks*, John Kenneth Galbraith's *A Short History of Financial Euphoria* and *The Economics of Innocent Fraud*, and Michael Lewis' *Liar's Poker*. As a convenience, these books will be available for purchase in the Brown Bookstore, though you may of course purchase them elsewhere.

3. **Two 5-7 page papers: 60 points total.** For each paper, your grade will depend on your ability to synthesize ideas from the readings on that topic. You are expected to reference the readings in your paper. Papers must be uploaded to the course WebCT site by the following dates (see below).
4. **Final exam: 40 points.** Choice of four, short-essay format questions. The final will be take-home, open book and open note, and will be administered via WebCT. Due date to be announced.
5. **WebCT proficiency.** In order to take Soc 107, you will need access to a computer connected to the internet; you will also need to be able to download course materials and upload assignments to the course WebCT site. If you have any concerns about your ability to do this, please contact me via email or in person **NO LATER THAN MARCH 1**. Training in the use of WebCT is available through the CIT.
6. **Honor code:** All the work you submit for a grade in Soc 107 must be your own. Use of work from other students, including those from previous years, with or without attribution, will be considered a violation of the honor code and result in a grade of No Credit.
7. **Late work: NOT ACCEPTED WITHOUT A NOTE FROM A DOCTOR OR DEAN.** Contact me immediately via email or in person when it becomes apparent that illness or emergency will affect your ability to turn in work on time, so that I can plan accordingly; my later acceptance of your work will be contingent upon the doctor's or dean's note.
8. **Learning disabilities:** If you have a note from disability services regarding any problems with reading the course materials (including overhead slides and reading assignments), writing the papers or meeting deadlines, please let me know no later than March 1, so I can make appropriate accommodations. **DO NOT WAIT UNTIL THE LAST MINUTE PRIOR TO A DUE DATE, OR AFTER A DUE DATE, TO INFORM ME OF ANY LEARNING DIFFICULTIES YOU MAY HAVE.**

## ESSAY QUESTIONS AND DUE DATES:

Please submit a 5 to 7 page paper (double-spaced, 12 point font, 1" margins) on any two of the following three topics; you may only submit two papers for a grade.

### **Question 1: Due February 23**

An acquaintance of yours comments that government systems and free markets are fundamentally at odds with one another. Based on what you've learned so far in Soc 107 about economic history (including, but *not* limited to the readings from Polanyi, Galbraith, and Bell), how would you respond?

### **Question 2: Due March 23**

In what ways do the operations of the informal economy pose a challenge the assumptions of classical economic theory? Can you identify commonalities across the case studies of the cocaine trade in Bolivia, numbers gambling in the U.S., and the Moroccan bazaar?

### **Question 3: Due April 23**

How do Frank, England, DuBois, Aldrich and Alger characterize the relationship between money and status? Is status determined by money? How does the status system intersect with other dimensions of social position, such as race, class and gender?

## READINGS, LECTURE MATERIALS AND DUE DATES:

Please complete the readings listed on the following pages *by the date on which they appear*. We will discuss the readings in class on the date listed.

There is a LOT of reading for this class. Please plan accordingly in light of your other commitments.

If you don't think you can keep up with the readings by the due dates listed, please do not commit to this course, as you will quickly fall behind and will have difficulty writing the papers or the final exam essays.

To make sure you're getting the most from the class materials, I encourage you to review the reading questions I have posted on the course WebCT site.

You may also find it helpful to review the course lecture slides, which I will post online at the end of each week. However, these slides are *in no way* a substitute for attending class and taking notes. I post the slides for two reasons: so that you need not copy each slide in class; and for your review prior to paper and exam due dates.

## 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.

### January 25:

- 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.

### January 27:

- 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.
- Optional:  
Conant, Jennet (1998), “School for Glamour,” *Vanity Fair*, February.  
The affluent society as experienced at Brown. According to this report, money and conspicuous consumption are the hallmarks of our campus. What do you think?

### January 30:

- Galbraith, John Kenneth (1998 [1958]), Chapters 3-5 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.
- 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.

### February 1:

- Galbraith, John Kenneth (1998 [1958]), Chapter 6 and 7 of *The Affluent Society*, Mariner Books

### February 3:

- 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:  
Collingwood, Harris (2003), "The Sink or Swim Economy," *The New York Times Magazine*, June 8, pp. 42-45.  
An essay on the difference between what the numbers say about our economy and how we experience it as individuals.

## **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.

### **February 6:**

- 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.

### **February 8:**

- 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 AND MARKETS: A SOCIAL, POLITICAL AND CULTURAL HISTORY

### February 10:

- Polanyi, Karl (1944), Chapters 4 and 5 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.

### February 13:

- Polanyi, Karl (1944), Chapter 6 from *The Great Transformation*, Boston: Beacon Press
- 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!

### February 15:

- Galbraith, John Kenneth (1995), Chapters 1-3 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.

### February 17:

- Galbraith, John Kenneth (1995), Chapters 4 and 5 of *Money: Whence It Came, Where It Went*, 2nd Edition, Boston: Houghton-Mifflin
- 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.

### February 22:

- 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**

### **February 24:**

- 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.

### **February 27:**

- 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.
- Optional:  
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.”

### **March 1:**

- 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*.

### **March 3:**

- 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

### March 6:

- 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, MD: The 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.

### March 8:

- 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 between buyers and sellers are 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!

## 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.

### March 10:

- 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 eco-

conomic 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), Chapter 5 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.

### **March 13:**

- Titmuss, R.M. (1970), Chapters 12 and 13 of *The Gift Relationship: From Human Blood to Social Policy*, London: Allen and Unwin.
- 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 last spring.

### **March 15:**

- 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.

### **March 17:**

- Galaskiewicz, Joseph (1985), Chapters 1 and 7 in *Social Organization of An Urban Grants Economy*, Orlando, FL: Academic Press  
These chapters summarize the findings of 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**

### **March 20:**

- 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 sideline on the physiology and biochemistry of status among primates.

- Optional:  
Barry, Ellen (2003). "Humiliations by a Cruel Ex-Lover Can Spark Depression." *Boston Globe*. August 14, p. 1.  
In support of Frank's article, further evidence that loss of status has a profound physiological, biochemical impact.

### March 22:

- Galbraith, John Kenneth (2005), *The Economics of Innocent Fraud*, New York: Houghton-Mifflin  
A short treatise that reviews recent instances of corporate accounting fraud and corrupt governance, illustrating how status has been used to generate wealth: essentially, how and why the rich get richer.
- 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.
- Optional:  
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.

### March 24:

- Alger, Horatio (1990 [1863]), 1st half of *Ragged Dick, or Street Life in New York with the Boot-Blacks*, New York: Signet  
We will analyze this, the first rags-to-riches novel in American literature, in terms of its assertions about social status and money.

### April 5:

- Alger, Horatio (1990 [1863]), 2nd half of *Ragged Dick*
- Optional:  
Sanneh, Kelefa (2004), "Pray and Grow Rich: Dr. Creflo Dollar's Ministry of Money," *The New Yorker*, October 11, p. 48.  
As if the name "Creflo Dollar" isn't reason enough to read this article, it is a fascinating study of the continuing association of virtue with wealth. It shows that the kind of beliefs that made Alger so popular in his time are alive and well over a century later.

### April 7:

- 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.

**April 10:**

- 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.

**April 12:**

- 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 that strikes close to home: Old Money shoring up its status in Newport, RI.

**PART VIII – MONEY AND FINANCIAL MARKETS**

**April 14:**

- 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.
- Reed, Christopher (1999), "The Damn'd South Sea," *Harvard Magazine*, 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.

**April 17:**

- Chapters 5-8 in Galbraith
- 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.

**April 19:**

- 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.

**April 21:**

- 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.

**April 24:**

- Lewis, Michael (1989), chapters 1-3 in *Liar's Poker: Rising Through the Wreckage of Wall Street*, New York: Penguin  
This is one of the best-written first-person accounts of life on Wall Street ever written. The author was an art history major at Princeton who worked as a bond trader at Salomon Brothers during the boom years of the mid-1980s.

**April 26:**

- Lewis, Michael (1989), chapters 4-6 in *Liar's Poker*

**April 28:**

- Lewis, Michael (1989), chapters 6-9 in *Liar's Poker*

**May 1:**

- Lewis, Michael (1989), chapters 10-Epilogue in *Liar's Poker*