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# Talcott Parsons' economic sociology

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## **ABSTRACT**

Talcott Parsons' important legacy in the field of economic sociology still remains underestimated. The paper pays Parsons his due, without avoiding criticism. The paper focuses on his most mature work in this field, i.e. „Economy and Society”, co-authored with Neil Smelser. Many weaknesses in Parsonian approach are rooted in his methodological outlook, in particular his anti-empiricism that leads him to prefer conceptual methods over the facts, which preference, in turn, is responsible for many substantive omissions and errors Parsons commits. Nevertheless, some of his ideas, such as an input-output paradigm, or even his famous AGIL scheme have proved to be mor fruitful. Many critical points made by Parsons' opponents are, therefore, found to be irrelevant or misplaced. This refers in particular to an interesting and innovative in a number of respects theory of money.

**Keywords:** economic sociology; Parsons; AGIL; money; symbolic media; economy; methodological formalism

## **1. INTRODUCTION**

Swedberg and Granovetter comment that '[Parsons] came to see sociology as focusing exclusively on the values, or 'ends,' in 'means-end' chains, with economists assigned to the task of analyzing the most efficient ways to achieve ends taken as given' (1992: 5). This statement refers to what Parsons in his first major work, 'The Structure of Social Action' termed AN analytical factor view. Such an approach would rely on different points of view of economics and sociology, the first of which would consider alternative use of scarce resources to meet needs, while the second - would focus on values, i.e. fundamental common ends.

By contrast, in co-authored with Neil Smelser 'Economy and Society, economics is no longer recognized as a science equivalent or alternative to sociology but as a special case of a general theory of social system.

## **2. BASIC PRINCIPLES**

The procedure Parsons adopted to analyze both the general system of action and its subsystems is called 'the AGIL scheme' or 'AGIL paradigm'. To survive or maintain

equilibrium with respect to its environment, any system must to some degree adapt to that environment, attain its goals, integrate its components, and maintain its latent pattern, a cultural template of some sort. These are called the system's functional imperatives.

To put it in more specific terms: the 4 functional imperatives of any system of action, given in order of significance from the point of view of cybernetic control of action processes in the system under consideration are the following:

**L** - The function of pattern maintenance. The function of pattern maintenance refers to the imperative of maintaining the stability of patterns of institutionalized culture defining the structure of the system. There are two distinct aspects of this function. The first concerns the character of the normative pattern itself; the focus lies in the structural category of values. The second concerns its state of institutionalization, which concerns the motivational commitment of the individual. A very central problem here is that of the socialization of the individual, taken as the processes by which the values of the society are internalized in an individual personality. Overall, systems do show a tendency to maintain themselves (inertia).

**G** - The function of goal-attainment. Goal-attainment becomes a problem in so far as there arises some discrepancy between the inertial tendencies of the system and its needs resulting from interchange with the situation. A goal is therefore defined in terms of equilibrium, and directional changes will tend to minimize the discrepancy between the two systems. Goal - attainment, or goal-orientation is thus, by contrast with pattern maintenance, tied to a specific situation. Systems often have a plurality of goals. For the social system as such, goal-orientation concerns, therefore, not commitment to the values of the society, but motivation to contribute what is necessary for the functioning of the system.

**A** - The function of adaptation. Adaptation is another consequence of goal plurality. A system has only so many set, scarce resources, and when goals are many, often one goal must be sacrificed so the resources may be used to attain another goal. This means that the system loses the benefits of the sacrificed goal. The sacrificed goal is chosen through the function of goal-attainment. Adaptation is concerned with providing additional disposable facilities independent of their relevance to any particular goal. More generally, at the macroscopic level, goal-attainment is the focus of political organization, and adaptation is the focus of economic organization. Within a given system, goal-attainment is a more important control than is adaptation.

**I** - The function of integration. In the control hierarchy, integration stands between the functions of pattern-maintenance and goal-attainment. The functional problem of integration concerns the mutual adjustments of segmented units or subsystems from the point of view of their contributions to the effective functioning of the system as a whole. In a highly differentiated society, the primary focus of the integrative mechanism is found in the system of legal norms and the associated legal system. The system as a whole is concerned most with the allocation of rights and obligations. For any given social system, the integrative function is the focus of its most distinctive properties and processes' (Parsons 2007).

In the case of the analysis of a societal action system, the AGIL Paradigm, according to Parsons, yields four interrelated and interpenetrating subsystems: the behavioral systems of its members (A), the personality systems of those members (G), the society as a system of social organization (I) and the cultural system of that society (L). To analyze a society as a social system (the I subsystem of action), it can be treated as a complex system of interrelated functional subsystems, namely:

- The economy -- societal adaptation to its action and non-action environmental systems
- The polity -- societal goal attainment
- The societal community -- the integration of its diverse social components
- The fiduciary system -- processes and units that function to reproduce societal culture (also called pattern maintenance and tension management).

Parsons put forward the idea (to which we shall come back to analyse it in more detail) that each of these systems also developed some specialized symbolic mechanisms of interaction analogous to money in the economy, e.g., influence in the societal community. Various processes of ‘interchange’ among the subsystems of the societal system were postulated. For the notion of border exchanges implies that each subsystem requires input from the neighboring subsystems in order to continue functioning correctly. For example the economic subsystem requires input from the 'G' subsystem (external support from the state for businesses) the 'I' subsystem (legal norms regulating contracts) and the 'L' subsystem (value commitments internalised in economic actors). Within each subsystem itself there is another AGIL system – corporations (of the adaptive subsystem) contain within them positions specifically involved with internally regulating values (for example human resources departments) promulgating norms (the legal department), political organisation (board of directors) and adaptation to the environment. One might add that the said theory of subsystem interchanges is at the same time an attempt to incorporate the model of factors of production, i.e. capital, labour, land and organization.

One cannot agree more with a diagnosis presented in the foreword to “Economy and, where mutually damaging effects of the divorce of economics and sociology are stressed, and, correspondingly, the need of integration of the two disciplines is proposed. One of the crucial reasons for this sad state of affairs consists of resignation of contemporary sociologists, some exceptions notwithstanding, from creating a general social theory. All the more interesting will be to check how Parsons and Smelser have succeeded in that regard.

As has been said above, society is seen as composed of four basic functional subsystems. If indeed recently a renewed interest in the relationship between economics and sociology (Swedberg 1991; Smelser and Swedberg 1994) has been observed, this relation cannot be determined without raising another issue, that of conceiving the boundaries of the economy. Parsons answers this question by pointing to objectives of the economy as a functional subsystem of society at large. Namely, he defines the economy’s function as one of production of consumer goods and services.

Two comments are in order. Firstly, in the definition conspicuous by their absence are the means of production or investment goods. While they, of course, constitute an indispensable condition of reproduction of the economy, there has been no room for them within Parsonian scheme, as they are not subject of any interchange with any other societal system. As a result, Parsons’ notion is useless from the standpoint of economics (let us recall, a discipline with which he is seeking integration) as being of no help in constructing national balance, tables of reproduction such as those found in Marx’s writings, adequate schemes of flows of economic outputs and so on and so forth. It is also the second component of the definition that at least needs more precision. ‘Services’ is, after all, notoriously ambiguous term, and, if, as Parsons appears to be doing following in the footsteps of most economists, they are to be understood as all actions that satisfy other persons’ wants, there could be no reasons why not include in the economy activities of the clergy as satisfying the believers’ need for peace of mind and clear conscience, or police, or even, as Marx ironically noted, ‘The criminal [who] produces an impression, partly moral and partly tragic, as the case may

be, and in this way renders a 'service' by arousing the moral and aesthetic feelings of the public'(1861-3). thus conflating economic and non-economic activities.

The task of delineating the economic structure's boundaries is not made any easier, but, on the contrary, further complicated by introducing by Parsons the notion of income as a purpose of functioning of the economy.

Just like another claim of that sort according to which the key attribute of internal economic processes is measurement, monetary calculation it must be charged with ahistoricism, an attempt of viewing all various historical economic structures from an angle of merely one of such systems, i.e. commodity-money one whose most perfect embodiment is capitalism. Going forward, Parsonian functional analysis does not produce any useful insights either. Application of its categories leads to rather fuzzy contention to the effect that the economy is aimed at production of generalised facilities as means of a limitless number of uses, or, to put it differently, physical, social and cultural objects instrumental in solving adaptive problems of social systems.

The concept of 'utilities' little relevance as regards our 'demarcation' purpose stems from the fact that this concept includes everything which contributes to achieving any purposes valued by a system or its subunits. It follows that the reader is almost completely free as far as recognition of a given object as a 'generalised facility' is concerned.

The most grave flaw of Parsons' conception of the economy is inclusion within it only some relations of commodity-money circulation. As a consequence, Parsons takes an odd decision of classifying banks, together with political parties, but also insurance companies etc. As political units.

### **3. THE ECONOMY VS. THE POLITY**

The above-mentioned financial institutions are, along with any , even individual, creditor part and parcel of the polity, because their function consists in providing capital, which, according to Parsons, is no more, no less political activity. Of course, these conceptual choices have no empirical grounds. To put it more precisely, despite the fact that the authors of the book are Americans, their view , paradoxically, is congruent not with an Anglo-Saxon model of capitalism, where corporate financing is based on the stock exchanges, but rather continental and Asiatic models where the financial role of banks is much more prominent. Anyway, financial institutions should, of course, to be treated as economic ones.

It is to be noted that to exaggerate the significance of banks is to commit the so-called Hilferding error. This economist's theory of financial capital has never, frankly speaking, strictly matched reality, and is even more outdated in relation to at least American economic system. The above considerations are closely associated with another misjudgment concerning the role of self-financing. Parsons, to be sure, perceives the existence of such source of corporate capital, but – surprise, surprise! – regards them as 'special cases', so definitely playing down their significance. When one supplements this position with an answer to the question on the causes of Parsonian stance, clear methodological conclusions follow. In point of fact, they have to do with a weak spot in his deductive methodology, to which issue we shall return later. Namely, as an output of the polity, as couched in terms of Parsonian theory of system interchanges is power, which term has something in common with 'purchasing power', the whole conception becomes, in Parsons' opinion, credible. This account, it has to be pointed out, departs from one presented in his earlier 'The Structure of Social Action' where the political sphere has been associated with extra-economic coercion.

What has changed since that treatment is an adoption of the notion of interchanges, or an input-output analysis. In all probability it was precisely this perspective that has imposed the solution mentioned above. Simply put, in a given place within the scheme a specific input or output has to be found.

For 'Parsons's treatment of empirical phenomena comes to be derived from the categories of a scheme that is itself held to be nonempirical. [Supposedly empirically-oriented categories] are all generated by the logic of the a priori categorical scheme; the 'indefinite number of concrete empirical systems' is not itself the basis for a reconsideration of types or the categories from which they are derived. The categories were not empirically derived and their 'applications' have no consequence for the theory. In this way, it proves all too easy for Parsons to assimilate all arguments to his general theory, that is, to a general argument about the progressive differentiation of social structures around specialized functions. Differentiation and functional specialization are argued to be integral to complex systems and their integration. At the same time, [...] each interchange in the complex contributes to the interdependence of the system' (Holmwood 2006).

Parsons' methodological position could be described as formalism. According to this position, contact with empirical data does not lead to modification, improvement or enrichment of the conceptual constructs previously worked out; it is as a matter of fact superfluous, or even undesirable and harmful, as it can violate logical coherence of the theoretical system, constructed without any reference to empirical facts. 'Parsons committed himself to a form of analytical theorizing in which the mechanisms associated with the functioning of social structures are rendered non-empirical, thereby undermining economic sociology as an empirical research program' (Holmwood 2006).

It is this that accounts for so frequent in Parsons' writings use of safety hatches of which the aforementioned 'special case' is a case in point. They help the American supporter of so-called Grand Theory avoid uncomfortable confrontation with reality, whilst maintaining prima facie integrity of his aprioristic schema and models. As Burger puts it, Parsons was so concerned with avoiding the problems of empiricism and the 'fallacy of misplaced concreteness' that he rendered his scheme unfalsifiable:

'the only thing that could be tested is the synthetic explanation of concrete phenomena by the combined totality of all the specialized sciences. Yet how can these sciences be developed to begin with if they are not testable?' (1977: 328).

Fortunately, there is silver lining to parsonian treatment of interrelations of , on the one hand, the economy, and the polity on the other. Namely, Parsons' theory of interchanges allows to distinguish an input of the latter for the benefit of the former, which is termed 'supporting productive enterprises'. This general term involves such methods of the state intervention in the economic structure as protective tariffs, import restrictions, direct subsidies aiding various industries and others.

However, Parsons uses overly broad categories: he speaks in this context both of nationalisation, and, on the other, of calls directed at the collective 'Geist' of enterprise, which make it difficult, if not impossible to distinguish qualitatively different ways of state economic interventions. Thus, from the viewpoint of Parsons, both a single armaments order and determination of minimal wage or regulation of prices in specific industries will be classified on the same footing. Meanwhile, all activities belonging to the latter category, i.e. consisting of business management, including planning and targets determination at the macro-level should be classed as inherently economic activities. Their economic nature is by no means erased with the transfer from the micro to the macro-scale.

There is more to Parsons' view of the interchanges between the economy and the polity. Namely, the said theory makes it possible for the American sociologist to consider conditioning of the political system on part of the economic structure. He notes that each political system must have at its disposal physical facilities of power. In other words, for the political subsystem to function, it must possess tanks, batons, prisons, court and police premises, offices etc. In view of this dependence, the political system is, as Parsons points out, vitally interested in the size and productive potential of the industrial apparatus.

#### **4. THE ECONOMY AND SCIENCE**

The authors of the book being discussed deal with the relationship of the economic structure to other non-economic substructures of society at large.

Writing about land as one of the factors of production, they distinguish within it another factor of science. Now the combination of these two factors should be considered singularly sound given the nature of the land which in terms of socio-economic theory of property as providing its owner with gratuitous benefits. The same applies to science.

Penetration of science into the sphere of the economy concerns by no means merely material components of production. Parsons mentions in this context such phenomena like an implementation of various technologies, purchases of know-how, but also points to an embodiment of science in the form of skills of the labour power. It should be added that this kind of science's economic relevance refers exclusively to those elements of physics, geometry, chemistry and so on, which are actually applied by a given worker in his operations, and not to his or her scientific knowledge in general. To put it another way, it is only that scientific knowledge that is a necessary condition of execution of this or that work task, which is at stake here. The above supplement is in order because of certain interpretations of the role of science with reference to the economic structure present, among others, in theories of 'scientific-technological revolution', 'knowledge-based society', 'information society' etc. What is meant at this moment are such views, which from the evidence on heightened economic power of the natural sciences draw the conclusion that the science, as supposedly occupying ever larger space of the economy, broadens its scope as a substructure of society, at the expense of the economic substructure, whose size is, therefore, shrinking.

This misinterpretation is based on the following misunderstanding. While science is in fact present in various forms within the economy, it does not follow, of course, that the types of activity in which definite elements of science are used are transformed into scientific activities. Thus, any talk about appropriation by science of even small part of the economy relies on a complete misunderstanding. The situation here is analogous in certain respect to one considered above in relation to state activities, which in some instances are of economic nature. For example, if a given management activity is performed not by a chief executive officer, but by someone who bears the title of Trade Secretary or Energy Minister, it does not lose thereby its economic characteristics.

Parsons, however, does not commit the above error. He avoids this mistaken view by simply outlining a scheme showing the social journey of science all the way from its creation till entering the economy. Especially relevant in the present context is a divide between those elements of science that are potentially accessible to the purposes of economic use and those which are in fact used in productive consumption.

## **5. THE ECONOMIC MICROSTRUCTURE**

### The economic microstructure

What is by the author of the paper termed pre-material or conceptual labour consisting in production of so-called ideal means and objects of work, which activity is typically in modern conditions based on science application belongs to the economic structure, or, to use Marx's term, productive forces of society. This problematics is considered at length in 'Economy and Society'. For what the authors do is an application of their functional scheme not only at the macro, but also micro level. The economy, therefore, is divided into four familiar systems, which are further subdivided. In other words, within each subsystem itself there is another AGIL system – corporations (of the adaptive subsystem) contain within them positions specifically involved with internally regulating values (for example human resources departments) promulgating norms (the legal department), political organisation (board of directors) and adaptation to the environment. Oftentimes not entirely clear and convincing terminology hides rather precise and detailed analysis of the inner structure of the economic system. It is conducted, to be sure, with reference to the unit division of labour, and it covers relationships writhing the all-societal division of labour to much smaller degree, which, however, does not detract from the cognitive worth of the particular observations, which are to be found in this section of the book.

Thus, a hidden premise of placing within the 'production subsystem' of the substructure called 'co-ordination of production' appears recognition of types of work performed within it, i.e. organisation of collective material work, assignment of particular workers to specific means of production as an economic (in our terminology: indirectly material) labour.

Similarly, inclusion within the production system of the sector termed 'provision with utilities' signifies that all the problems with qualifying such activities at the macro-level notwithstanding, at the micro-level it is much more difficult to deny evident facts. Despite previously analysed reservations, therefore, Parsons finally includes exchange, purchase of instruments and materials of work into the economy and admits that their continuous inflow is a necessary condition of the latter's functioning.

We have considered so far Parsons' views on the economic structure, including its microstructure. What this analysis has shown, is the circumstance that the economy is a complex network of interrelated social relations. This complexity as well as its social dimension exclude its reduction to a primitive labour process, and, equally, its conceptualisation in terms of the means of work plus their operator.

Turning to the issue of mutual relations of particular societal structures, let us remind that in particular an analysis of how Parsons views the ties of science and the economy has allowed us to correct some, to our mind, misinterpretations of the issue in question. Parsons, however, does not restrict himself to the above-mentioned substructure of society. Equally instructive, as will be seen, is his treatment of so-called basic cell of society.

## **6. THE ECONOMY AND THE FAMILY**

In the case of the family, one can observe similar in a sense problems as regards its relation to the economy as those considered above with reference to science, the difference being that in the present case the problems are in reverse, as it were. In the former instance from the presence of numerous elements of science in the economy the conclusion has been derived that those parts of the economic structure in which science has been applied are no



longer economic but scientific in nature. In the present case, on the other hand, the reasoning, resting on a similar basis, goes in an opposite direction; just it is argued that at certain stage of its development the economy cannot exist without science, it is also pointed to an evident fact that it cannot also function without the family as a source of labour power which is, of course, an indispensable factor of production or, more generally, any economic action. From this undisputable circumstance it is concluded that this time it is acts of reproduction and socialisation that have economic character. And again, Parsons' position relative to the aforementioned issue is, in contradistinction to the supporters of the view mentioned above right. He even labels the view according to which 'socialisation is a form of economic production' 'naive'. To substantiate his criticism, he builds, as in the above discussed case of science, a scheme showing an entire life career of an hypothetical individual and he argues that the individual enters at certain moment the labour force does not turn all his or her previous life stages, including birth and socialisation into an component of the economy.

## **7. SUMMARY AND THEORETICAL - METHOLOGICAL CONCLUSIONS**

Summing up our discussion of 'Economy and Society' so far, it can be pointed out that it clearly albeit indirectly suggests that, firstly, the interrelations between the economic structure and non-economic structures are so complex and multifaceted that they cannot be reduced to any simple formulae, all the more that, secondly, they are variable in time, and, thirdly, that their scientific analysis requires, as its point of departure, working out of precise concepts of both the economic and non-economic structures.

Thus, from an analysis of Parsonian views one can draw not only negative but also positive lessons. Amongst the former ones an outstanding role is played by Parsons' methodological approach, or, rather, 'anti-approach', in that one should be warned against its use. One of its traits is speculative approach to the issues considered, squeezing their real or imaginary solution into the straitjacket of an deductive model adopted a priori.

Such an approach is also evident in the aforementioned theory of productive factors, as interpreted through the prism of the notion of subsystem interchanges. Take, for example, the 'organization' factor treated as a contribution of the entrepreneur. First an foremost, 'Economy and Society' leaves us essentially ignorant as regards the real content of that factor. One does not know whether, following in the footsteps of Schumpeter, one should understand that a given agent withdraws some of the resources existing in the static economy, and then proceeds to use them in a different manner, i.e. carrying out of new combinations.

On the other hand, Parsons by no means rules out an interpretation according to which the concept under discussion would refer to day- by-day management, which does not necessarily imply any innovative activity in the above-mentioned sense.

On the one hand, Parsons associates an entrepreneurial function with 'co-ordination and planning of economic actions', but on the other, another page of the book shows 'necessary co-ordination' as a distinct concept.

Thus, one is not able to determine whether one has to do with an agent of creative construction, as the moving force that carries out new combinations in the economy, or an ordinary manager, the motive power of the economic development or a common economic functionary. One consequence to this lack of clarity is obscuring what is from our point of view an important distinction between co-ordination and supervision of work<sup>1,1</sup> which, albeit they may be carried out by the same person, they remain analytically distinct.

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By the way, in another context Parsons himself points out that organizational activities can be performed by employees occupying various positions, e.g. members of managerial or administration staff, but also those employed in the technological division. This is a genuinely sociological view, and as such deserving praise. Parsons implies here that for purposes of socio-economic research, knowledge of formal occupational titles is not enough, one should look at the empirical content of given types of work.

There is more to that, however. Parsons, namely, construes the concept of organization as a function of his subsystem whose aim is societal integration. There is no independent substantiation of this decision apart from citation of the definition of the function in question alone.

## **8. ECONOMICS AND SOCIOLOGY**

The above-mentioned theory of production factors can serve as an example of how Parsons approaches the issue of mutual relations between the two disciplines concerned. On the grounds of the theory just mentioned particular factors of production represent more general categories of inputs and outputs. And indeed, more generally speaking, Parsons treats economics as a special case of his theory of social systems, which, in turn, remains in the same position relative to even more universal theory of general system of action.

‘The specifically economic aspect of the theory of social systems[...] is a special case of the general theory of the social system. [...] the basic variables operative in all the special cases are the variables of a more general theory’ (1956: 6).

At the beginning of his book Parsons lists a number of examples, which are to corroborate the above view. Even giving the author the maximum benefit of the doubt is not in a position to convince one that it is really the case.

Thus, in Parsons’ view such economic categories as ‘demand’ and ‘supply’ represent special cases of more general concepts of ‘achievement’ and ‘sanction’, which, under his general theory pertain to each action. This is hardly convincing, however. Note that by the same token one could lay out an indefinite number of analogies between similar or complementary phenomena. Why not, for instance, juxtapose the above pair of economic concepts with ‘sea inflow’ and ‘outflow’. But does it follow from the above comparison that economics is a special case of hydrology? Or, possibly the reverse is the case.

Further, Parsons argues that what in economics is known as ‘goods’ and ‘services’ refers in fact to a sociological dichotomy of ‘physical objects’ and ‘social objects’. This view, again, is entirely useless in terms of both economics and sociology; one is not able to indicate any advantage that would stem from the substitution of the concepts in question.

On these grounds it could be claimed that Parsonian methodology is based on an underlying principle of ‘application’ or ‘subsumption’, which is also apparent in his theory of the general system of action characterised by indeed sweeping generalisation or universalism, as its categories, according to its creator, are to refer to the entire biopsychosociocultural world.

The term ‘subsumption’ indicates the above-considered feature of Parsons’ thought that consists in conceiving phenomena of a given realm as special cases of some more general one, thus establishing particular spheres of reality in a hierarchical order. In the case of economics, just as in other instances, for that matter the logic of reasoning should, though, lead the author in an opposite direction – after establishing that the economy constitutes a distinct subsystem of broader societal system, the next logical step ought to consist of

working out a set of categories and propositions that would highlight that specificity. Unfortunately, in 'Economy and Society' Parsons has gone in quite another direction, which is symbolised by his words: 'At the most general, constitutive of the economic theory level, no specifically economic variables exist, they are categories of the general theory of action, as the economic categories can be derived from the general theory'.

Such a reductionist view cannot but affect proportions of pages of 'Economy and Society' occupied by numerous attempts to place this or that category in a definite square within a certain scheme or diagram, and those devoted to rather neglected in comparison with the former preoccupation as, it appears, deemed less interesting a down-to-earth analysis of economic phenomena and processes. Such a hierarchy of priorities also leaves much less room for what, as suggests Parsonian theory of interchanges, should constitute the key focus of his interest: i.e. an investigation of interrelations between the economic structure and other societal structures, which interrelations are so complex and multisided that any attempt to reduce them to a pair of factors exchanged between every two structures must turn out to be a failure.

It has to be pointed out that the period of using by Parsons of what has been termed here a methodological approach premised on sumpsumption has lasted long after publication of 'Economy and Society'. It would be no exaggeration to say that it dominated his work; Parsons, retaining the basic functional scheme, has focused in later years on its reformulation, adding new details and extension into previously neglected societal fields

Looking at this development, one can observe an increasing tendency towards formalism. The strengthening of formalism manifests itself in pushing the boundaries of concepts used, so that they become devoid of any identifiable empirical reference, and eliminating categories possessing such a referent. Thus, as far as the relations between the economy and the polity go, Parsons ceases to talk about per cent drawn from loans and the factor of supporting industrial enterprises' vanishes as well. The concept of organisation, which, despite its ill definition, has allowed one to grasp some real economic processes gets substituted by even more vague notion of 'patterns of allocation of resources', which allocation is to be carried out by means of influence. The connection of the two appears rather enigmatic, and in all probability is accounted for, in keeping with our earlier observations, by the circumstance that the medium termed influence has found itself at the intersection of certain subsystems, and not the others.

To do justice to Parsonian treatment of economic phenomena, one should draw attention to the fact that it can be interpreted in another angle, namely, as a more or less successful attempt to introduce a sociological perspective to an analysis of the economic structure. 'empirically most so-called 'economic' processes must be regarded as resultants of economic and non-economic factors' (1956: 6). It is the very argument that the 'concrete' is made up of 'systems,' rather than 'individual acts,' that underlies the following claim of Parsons and Smelser that 'if we view the goal of the economy as defined strictly by socially structured goals, it becomes inappropriate even to refer to utility at this level in terms of individual preference lists or indifference curves. . . .

Therefore, it is correct to speak, with only apparent paradox, of the 'maximization of utility' in a social context without at the same time making any statements about the interpersonal measurability of utility' (1956: 22).

We cannot agree more with Parsons, therefore, when he criticises modern economists, not excluding Keynes for explaining economic processes by individuals' psychological leanings or tendencies, and motivations, as well by specific traits of human nature. However, fully sharing Parsons' rejection of psychologism and antropologism in economics, we should

not confine ourselves to expressing this solidarity. It must be checked, however, what the real effects of this convincing rhetoric are, or, to put it differently, to establish if his research practice is where his mouth is, so to speak.

We are sorry to say that the results of this practical test do not match Parsons' declarations. It is true, then, that makes some steps toward the sociological treatment of motives of economic action. He writes, for instance, that different stimuli of bankers on the one hand, and workers on the other are to be explained by their involvement in distinct situational contexts. The reader, however, does not receive any analysis of these respective objective conditions, but merely the statement, being another example of 'application' procedure identified above according to which an analysis of motivations in occupational roles is a special case of an general theory of motivation in institutionalised roles, and, with proper modifications, these broadest – not cited categories will satisfactorily account for the behavior of any economic agent.

We are afraid that the remaining illustrations of Parsons' sociological approach to economics are not consistent with his intentions either. Could one, for instance, agree without any reservations with the view that the main problem concerning the labour force in a capitalistic economy is their socialisation, such shaping of workers' motivation that they would be willing to adopt as theirs own the goals of productivity.

One cannot leave this statement without criticism given granted that Parsonian account of workers' motivation and mechanisms of the labour market omits workers', as owners of sole labour power, being therefore subject to economic pressure to work, it being for them one and only possibility of acquiring the means of subsistence.

In return, Parsons indulges in rather dubious formulations about 'common value patterns' shared by the free partners of an contract, which, after all, are the employee and the employer, on 'comprehensive loyalty' and 'trust' constituting, according to Parsonian theory, inputs of the worker for the benefit of the firm, which reciprocates in the form of 'support' and 'moral approbation'.

Leaving aside an ideological bias of the above statement, one should, once again, raise a question of its applicability to Parsons' fatherland rather than the European or Asiatic variants of capitalism, where indeed workers' rights are respected to much greater extent than in his native type of capitalism. Other exemplifications of Parsonian approach are not able to invalidate our doubts as to its inability to overcome on a practical basis psychologism. For instance, a decrease of labour force on the labour market the American sociologist proposes to explain by, for one thing, their deficit of 'comprehensive loyalty', and, for another, by the fact that they ceased to value production.

Not only the above contention, contrary to anti-nominalistic and holistic, as he himself refers to them, methodological assumptions does not transcend a vicious circle of individualistic subjectivism, but it is subject, as can be easily seen, to the criticism of tautology. It is of little, if anything, use to criticise Keynesian notion of 'general propensities', if all what is meant to substitute it are such quasi-explanatory factors, similar to Moliere's famous example of explaining why one falls asleep after opium by pointing to the latter's hypnotic powers.

Employing categories such as these there can essentially be no phenomenon that cannot be explained. 'Why Americans are fond of highly developed high-technology sector?' 'Because they value science and technology'. 'Why does Mr Smith not love Ms Smith?' 'Because love is no longer any value to him'. And so on, and so forth, the list can be practically endless. Thus, does not, as it happens, Keynes' low-grade psychology has been

substituted with an equally ill-conceived sociology? Values, their patterns and systems are, incidentally, Parsons' favourite explanatory factor.

What remains as 'specifically sociologica' categories meant to fight psychologism is extremely limited. Is there, for example, any material difference, as to their scientific worth, the concept of 'propensities', which appears in Keynes, and its substitute from 'Economy and Society', i.e. 'expectations'?

From the economist's standpoint, it turns out, the well-known set of functional imperatives is worthless. Ch. Morsey notes in this context that Parsons' assertion according to which different patterns of family expenditures reflect distinct solutions of those four functional problems does not contribute anything of value to economics.

The inability to successfully purge psychologism from economic sociology is also evident in Parsonian theory of change. What is relevant here is especially his claim accounting for the much discussed phenomenon of separation of ownership and control. Parsons's (1975) exchange with Gintis (1975) around the issue of ownership and control within the capitalist enterprise speaks volumes about his approach, as Parsons conducts it entirely as a matter of 'correct specification in terms of the theory of the social system, with no consideration that there may also be issues of empirical adequacy in their competing accounts' (Holmwood 2006). Such an approach allows the American sociologist to explain the said phenomenon in rather idiosyncratic way, pointing to the dissatisfaction of prospective managers and other, as he calls them, dissident elements with the way in which corporations are run. In this odd account the whole sphere of objective conditions is left out of the picture. Amongst these objective conditions were: an increase in size of enterprises making it difficult, if not impossible, for an individual owner to single-handedly manage the firm, an increasing extension and complication of production and sales, necessitating hiring of industrial engineers, marketing specialists, finance directors etc.

This lack of taking consideration of the aforementioned objective circumstances is not the sole drawback of Parsonian comments in the said context. One such doubtful claim maintains that the personal ownership of securities on part of professional executives has only nominal significance. Parsons' account not only does not take consideration of objective data; to the contrary but, taking as his frame of reference jurisprudential rather than socio-economic property theory, fails to consider in that context not only various equity-based forms of managerial compensation, but even salaries and bonuses, which are in many cases so astronomically high that they cannot be regarded as simply pay for their work since any factor of 'heavy responsibility', 'length of the working day' or whatever are not in position to justify those skyrocketing earnings indeed, at least in part, and in most cases it is not a tiny proportion, they should be viewed as financial benefits derived from corporate capital. This is also shown by their further destination: because of their size, they cannot be consumed, but are converted into some form of capital.

It is not only on the grounds of the above considerations that one must reject related Parsonian assertion pointing out the demise of property in modern capitalism, which implies a shift of the focus of power into the hands of professional managers. A lack of disposal of truly socio-economic theory of property makes it impossible for the author of 'Economy and Society' to notice that the modern capitalist society is characterised, if anything, by an increase of the role of ownership. This is evidenced, in particular, by the fact that ownership of capital allows its holder to live without a necessity of any work (taken over by the hired managers). By way of summary, it should be noted that 'Economy and Society' contains within itself two relatively independent layers, as it were. The first one consists of the application of the 'subsumption' model to an analysis of interrelations of economics and

Parsonian general theory of action. In lots of cases, as the alleged analogies between pairs of concepts pertaining to the two disciplines most clearly show, the said procedure produces manifestly figurative results. In the same field one should include all instances in which the functional paradigm reveals its arbitrary nature, manifested most blatantly in unsubstantiated associations of given empirical phenomena and processes with specific functions.

If, however, we describe the above discussed layer as epiphenomenal, it follows that it can be without any harm subtracted from the second layer, whose value is incomparably higher.

## **9. MODERN CAPITALISM**

Parsonian paradigm of inputs and outputs has led him to successfully investigate the interrelationships between the economic structure and other societal structures. On the other hand, his approach to systems as consisting of a set of subsystems, strongly reminding A **matryoshka doll**, or **babushka doll**, i.e. a **Russian nesting doll** which is a set of dolls of decreasing sizes placed one inside the other has made it possible to dwell into the inner structure of the economy, with equally valuable results. As a consequence, 'Economy and Society' contains fairly adequate picture of contemporary capitalism.

It depicts its big corporations, underlines the role of science in the economy, highlighting , among others, the significance of scientifically trained labour force, takes account of the economic functions of the state. To be sure, not always facts cited by Parsons matched their theoretical interpretations, in many cases one has also to do with over-generalisations, treating as universal the phenomena specific to concrete nations. For example, the claim reducing trade unions' functions to their purely semi-ritual role as opposed to collective bargaining cannot be said to be generally true. Not all unions, as Parsons would have it, have transformed themselves from an institution protecting employees as against employers into an organisation protecting employees in relation to the remaining citizens of society. Luckily, in 'Economy and Society' one can find other, much more pertinent and convincing contentions. In one of the above paragraphs Parsonian questionable account of relations between workers and capitalists has been discussed.

There is, however, another, more felicitous side to it where Parsons talks more realistic language. He writes, for example, that a worker taking a job in a firm, entrusts the latter with his own and his family's security, points out that the firm, that representative of the collective capitalist acquires thereby rights of intervention into the life of the household whose head is its employee (its extreme form being his or her layoff or dismissal), which implies a capability to control the long-term fortunes of the household.

Acknowledgement of long-term dependence of a capitalistic employee and her/his family upon the laws governing the capitalist economy is , in Parsons' case, connected with recognition of essentially antagonistic character of relations in bourgeois society. Parsons does not hesitate to speak of what he reckons hidden conflict of interests of employees and employes, not excluding its outbreak. He also points to the contradiction of value systems, attitudes and ideologies of the world of work and the world of business.

These statements have been cited to show frequent misjudgments of Parsons' ideological position, who is often charged with conservatism, right wing bias, or even reactionarism. Meanwhile, Parsons in 'Economy and Society' seeks to avoid ideological commitments, strives to study the phenomena under discussion sine ira et studio.

## **10. THE SOCIOLOGY OF MONEY**

Parsons presents an interesting and valuable theory of money, which apparently draws on Weber, Simmel and Marx. Along with familiar economic functions of money, his deliberations contain fairly original notion of degrees of freedom made possible thanks to this medium.

Parsons described money as a medium of exchange whose function consists in measuring value (Parsons 1963: 236). Money is thereby symbolic, 'in that though measuring and thus 'standing for' economic value or utility, it does not itself possess utility in the primary consumption sense-it has no 'value in use' but only 'in exchange', i.e. for possession of things having utility' (Parsons 1963: 236). The offers to buy or sell goods or services are communicated through the medium of money. Parsons traced the development of money to its roots in precious metals, which have intrinsic value. This connection is fully lost in differentiated money economies, to the extent that money becomes worthless in regard to its use value. The theoretical problem arising from the worthlessness of money (why should ego be willing to exchange a good for worthless money in the exchange process?) is deciphered by Parsons pointing to the four degrees of freedom that actors achieve through the medium of money: the buyer can spend money on any goods; he or she can buy from any producer; the buyer can freely decide on the time of purchase; and he or she is free to accept or reject the terms of purchase. The disadvantage of the worthlessness of money is compensated by the gain in options and motivates acceptance of the medium in exchange.

However, the risk remains that money will not be accepted by third parties or that it will become worthless due to inflation. This risk remains because money is not tied to a product that has a use value. However, the disconnection of money from its historical origins in precious metals is, according to Parsons, a precondition for its functional efficiency as a medium of exchange, which is why this risk is part of the structure of differentiated economies.

Only the actors' trust in the stability and acceptance of the symbolic medium can be supported through its institutionalization. 'There must be an element of bindingness in the institutionalization of the medium itself-e.g. the fact that the money of a society is a 'legal tender' which must be accepted in the settlement of debts which have the status of contractual obligations under the law' (1963: 240). At the same time, the institutionalization of money allows a separation of economic exchange processes from their anchoring in culturally sanctioned expectations of reciprocity. Only under these conditions do the degrees of freedom, which have been attained through acquisition of money, become relevant, which could otherwise not be exercised due to institutionalized obligations. What, from whom, when, and for what price something is purchased is no longer culturally decided. The resulting uncertainty of economic decisions can no longer be normatively reduced. (Beckert 2006) To put it from slightly different angle, money, as a generalised medium of exchange can stand for a wide range of goods, allowing a sophisticated division of labour not available in barter economies. Furthermore it allows large amounts of capital to be built up, and hence large scale production to be engaged in. This example highlights the importance of input from the other subsystems. As money is symbolic it has no real use-value in itself - a £5 note is nothing more than a flimsy piece of paper after all. Input from the value commitment and normative subsystems generates trust allowing us to accept that we can exchange the note for its promissory value on demand.

< <http://www.spc.uchicago.edu/ssr1/PRELIMS/Theory/parsons.html>>.

Parsons sees the precondition for the functional differentiation of the economy in the development of a money economy. In an economy that is characterized by highly specialized production processes, the direct exchange between labor and consumer goods would not be practicable and, besides, would not take the diverging interests of families and companies into account. While a company's production decisions are oriented toward expected profits [...]. Through the medium of money, consumers can attain independence from the products they produce, which makes it possible to adequately speak of the development of lifestyles on the basis of consumer choices. The different needs of the economy and the family can be reconciled as consumer demand and labor demand become separated by the exchange medium of money from concrete producers and at the same time remain connected to each other on a generalized level (Beckert 2006).

This presentation of Parsons' treatment of money allows one to refer to certain counterarguments that have been raised by its critics. Ganssmann (1989: 293) argues that Parsons's theory of money has always assumed that an institutional trust in money exists, without, however, explaining where this trust comes from. According to Ganssmann, the theory therefore describes a functioning economy but cannot explain its origins. The first point is simply untrue. It is one thing to accept Parsons' explanation, but the denial that he has put forward such an explanation based on his conception of subsystem interchanges is quite another. The second point, however, refers to some genuine weakness in Parsons' approach, but only indirectly. For what should be expressly pointed to here is not any lack of purely theoretical argument, but, rather, it's in fact important gap that lies in its lack of historical dimension. Only in such terms, as shown by Marx and many economic historians studying the transition from feudalism to capitalism, or, more generally, the emergence of the commodity-money economy, can the problem indicated be solved. Even less justice to Parsons' approach does the second main criticism made by his opponents who attribute to it an 'obvious underestimation of money's societal relevance. By considering money merely as a symbol-which was already problematic (1963: 290ff.) Marx's and Weber's insight that the monetary economy enables an orientation toward profits as its own end was ignored. Money is the central instrument for the orientation toward the profit motive and makes possible the principally unlimited dynamics of capitalist economies, detached from concrete needs (1963: 292). Parsons's theory of money, however, completely in the tradition of the neoclassical theory of money, plays down the possible social implications of money by understanding it only as a neutral means to simplify exchange' (Beckert 2006). Christoph Deutschmann's (1999: 44) criticism follows these same lines. He accuses Parsons's theory of money of not recognizing 'wealth characteristics of money' and with this its potential to reach beyond the economic system and to attain social power.

This suggests that money is not only a neutral means of exchange; it contains the 'additional usefulness' of freedom of choice. Compared to the owner of a good, the owner of money can transfer his or her wealth easily from one use to the next and achieve social power by strategically exploiting this possibility.

On the other hand, according to Deutschmann, Parsons ignores the imaginary dimension of action, which is embodied in money and consists of the possibility to attain not only existing wealth but even imaginable future wealth. Only monetary wealth initiates 'the production of today unknown products by not yet known producers' (1963: 54).

All in all, this criticism of Parsons's theory of money from economic sociology practically amounts to the point that 'he underestimates the social-structural importance of money (cf. Zelizer 1994).



The reason for this is suspected to lie in Parsons's premise to acknowledge the neoclassical theory of money' (Beckert 2006). This criticism is obviously one-sided in that it fails to recognize Parsons' discussion of precisely social functions of money, his notion of the degrees of freedom attainable thanks to money included. Second, while Parsons, to be sure, was not Marx, his sociology does not hesitate to disclose some genuine contradictions and conflicts peculiar to the capitalist economy, and the association of money with an orientation on profit of capitalist firms is, contrary to Parsons' critics, one of the cardinal arguments of the theory. The critics' blunder is made even more glaring by their failure to take account of Parsonian criticism of conventional economics. In point of fact, Parsons' main source of inspiration was Keynesian economic theory in which money clearly matters. More specifically, According to Keynes, a stable underemployment equilibrium can arise precisely because economic actors can reserve parts of their investment funds in liquidity.

This hoarding of money for speculative reasons can lead to depriving the economy of sufficient investment funds. Keynes thus establishes a connection between money and the real economy, a connection that is largely refuted in neoclassical theory. The actual amount of money that is kept in liquid form decisively depends on a noneconomic entity according to Keynes, namely, the expectations of the investors concerning the further development of the interest rate and the long-term revenues from capital investments. Here, Keynes refers to the 'state of confidence,' in other words, the trust in market development, as relevant for the rate of investment (Keynes 1949: 149). The actual expectations actors hold with regard to future states of the economy do not, however, reflect a rational estimate. This is impossible due to uncertainty. Instead, the expectations and the level of confidence are an expression of 'mass psychology' and 'animal spirits,' making 'economic prosperity. . . excessively dependent on a political and social atmosphere' (1949: 162).

This implies that the integration of economic processes depends to a high degree on the creation of confidence (or trust) in processes of social interaction. Parsons's media theory follows this central characteristic of modern money economies by no longer primarily referring to mechanisms of normative integration for explaining the interpersonal generalization of meaning, but instead turning to the expressive-symbolic communication of affect. What matters is convincing alter in situations that are principally characterized by uncertainty, that is, to produce a 'state of confidence.' The result of Parsons and Smelser's analysis of financial markets was specifically that no general value orientations guide action, but rather that the contingent achievement to convince actors of the positive prospects of their investments is what really counts. The state of confidence can be created only through communication-the possibility of which is established by the very same differentiation processes, induced through the medium of money, that represent the expansion of the freedom of choice for the actor. With that, economic sociology is guided toward an interactionist theory of the communication of affect. None of the critiques from economic sociology on Parsons recognized this theoretical aspect that paves a way to a pragmatist understanding of action in economic contexts (Beckert 2003).

An important theoretical basis for the sociological understanding of the integration of market processes could lie in this because it offers an alternative to the less plausible assumption of primarily normative integration of modern economies' (Beckert 2006).

This in our opinion necessary doing justice to Parsonian sociology of money does not mean, however, that it is flawless.

As has been already noted above, Talcott Parsons introduced the idea of money as a 'symbolically generalized medium of communication' (Parsons 1967). This idea was taken up and modified in different respects by Habermas (1981) and Luhmann (1994). These

differences notwithstanding, the three theorists' shared starting point was an analogy between language and money. A second analogy was used to introduce other "symbolically generalized media of communication", first among them power. These media, one for each subsystem of society, were constructed in analogy to money.

Let us consider the basic premise of the theory in somewhat more detail.

It is true that language may be construed as a medium of communication of aims of its given user. These functions of money (medium of exchange, store of value etc.) can be ascertained from the context of the act in question. In this respect money is indeed similar to language, which also can be deployed as a means of various ends. Thus, language may serve to describe the external world, or own feelings and evaluations; it can be also used as a tool of singing, persuasion or command. Two last examples show the fallacy inherent in juxtaposition of language and other media. To utter a command is in no way power itself, which can be conceived of as a capability of forcing other people's action, its modification or stopping, but merely an instrument of its implementation. Meanwhile, with reference to the view attributing power to the political system, it should be noted that it represents only one form of power, i.e. the monopoly of legitimate use of the means of coercion, thus not taking account of what is termed economic power.

Similarly, persuasion is not the same as influence, which can be understood as causing other people to take action, modify or stop it within the voluntary social relation, but can be considered merely as a means of such influence.

Thus, in both these cases there occurs confusion of levels of analysis; language cannot be treated as analogous to social relations mediated by it. However, the central analogy of language and money also suffers from inherent limitations. Despite much trumpeted term: 'generalised symbolic medium', it is certainly language as indefinitely elastic medium, by means of which one can both swear and express with Proustian sophistication most subtle psychological tones that deserves the label 'universal' or 'general' than money, which reduces all qualities to quantities.

In addition, language contains within itself metalanguage; by means of language one can refer to or clarify particular utterances or pronouncements, which cannot be done in case of money. On the contrary, it is the use of money that is usually accompanied by language utterances as explaining the objective of action taken with its participation, or kind of function realised by it.

It happens sometimes, to be sure, as Ganszmann (1999) notes, that, albeit in a limited context, that money performs the role of language, requiring, however, an additional use of the body language. Such cases can be observed with reference to tourists in an exotic country when purchasing a good from local inhabitants.

Thus, both Habermas and Luhmann are right in defining money in terms of a special language. Indeed, language can exist without money, whilst money cannot function without language.

Exchange means transfer of property. Money as an object of ownership is exchanged in return of, say, some consumer good. Even more clearly this ownership linkage is brought out in case of money as a component of money capital.

Meanwhile, language constitutes public good; particular symbols are not subject to appropriation.

The aforementioned reductionism of money implies that on its basis one can generate out communications of considerably poorer content than in the case of language. On the other hand, however, recognition of money as a means of influence implies that it significantly more often than language can serve as a cause of events it is oriented on, be it selling a dress

by a shop assistant, or booking a hotel room by the Internet, thus comprising both direct interaction and indirect socio-economic relation. This provides yet another argument undermining 'communication' metaphor. The use of money cannot be reduced to communication, because it is concerned with non-communication objects: material goods and services or the labour power.

As regards transferring the characteristics of money as a model medium onto remaining media, one can note that power is not characterised by any symbolic system that could be conceived of as direct and undisputable equivalent of money. As distinct from money, any quantification of power units is not feasible. Power is, to be sure, alienable, but it cannot circulate so freely as money. It cannot also be put into any bank account, and owing to the fact that in modern democracies it is election processes that determine the distribution of power, any talk of inflation or deflation of power, as analogous to respective monetary processes, is groundless. In addition, whilst an extension of credit or investment in the economy increases the inner complexity of the system (Plucinski 2006), the intensification of power is a double-edged sword, as it leads, earlier or later, to more or less strong countermeasures, which boomerang reaction precludes production of any greater complexity.

Even more questionable is the analogy between money and two remaining media. Influence and value-commitments are extremely difficult, if not impossible to alienate, measure and accumulate.

In the above criticism we are not alone. Other scholars also point out that parsonian analogies are somewhat misleading. Money has properties reaching beyond language. And other media, like power, do not share crucial properties of money (Ganzmann 1988, 1996).

In abstracting from the differences between objects, institutions, social relations and concepts by lumping together money, power, influence, love, truth and more, in Luhmann's case, or money and power in Habermas' emphasis on the system/life-world distinction, the idea of symbolically generalized media of communication became too fuzzy to be useful. [...]the analogy of language and money, the idea that money is a 'special language' is misleading in picturing money merely as a harmless, beneficial social device (Ganzmann).

"Parsons himself says that the theory was developed as a generalization from the properties of money (Parsons 1977a: 198-201; 1977b: 205-8), the very name of the theory indicates a fundamental tension running through it. The idea of *media*, firstly, refers to the necessity of building links between social relations already differentiated. The idea of *interchange*, secondly, refers to money being paradigmatic for conceptualizing the 'give-and-take' relationships between subsystems, and for measuring the equivalence of those relations as well. In the case of the concepts of *symbolization* and *generalization*, thirdly, the former refers to the exchange-value of money as well as the symbolic utility of language (Parsons 1977b: 206); whereas the latter means that every medium can represent several objects in different contexts of interaction. The references to generalization and symbolization are also related to the anthropological and sociological capacities of human beings to operate symbolically and to use these skills in a socially effective way. In that sense, language, as a set of generalized symbols, is the secondary source for the understanding of media'.

*The ultimate aim of the theory is the theorization of social co-ordination in differential societies.*

Parsons, as has been noted, proposed that money is not the only medium in the social system and defined three more, each one especially related to one subsystem: power (political system), influence<sup>5</sup> (societal community) and value commitments (fiduciary system).

It cannot be clear, at first sight, what money has in common with the other media. Hence the thesis that Parsons develops a real *theory* should be supported by showing some

properties which, as a generalization of the characteristics of money, are adequate to the remaining media. In the Parsonian version of the theory of interchange media, these properties can be summarized as follows.<sup>7</sup>

*1. Norms and codes:*

Each medium has a set of norms that rule its operations. As counterpart to its generalized and symbolic character, every medium is institutionally anchored in its subsystem by norms. Media have 'meaning-specificity' referring to these norms, and they perform effectively only within their subsystems. In the case of money, for example, there are many exchanges that can be regulated by it, but there are also several that cannot. The codes of the media represent the institutional mechanisms that make their operations functionally adequate in differentiated contexts.

*2. Circulation:*

Media can move both between actors inside the subsystem and beyond the system's boundaries (double-exchanges). T. Parsons developed the theory of generalized symbolic media in the mid-1960s to tackle, theoretically and historically, the issue of differentiation. According to him, the interchange media are denned as resources oriented to exchange processes between the subsystems of the social system. Starting with money, Parsons argues that the remaining media (power, influence, and value-commitments) have a set of characteristics denned as common properties for all media. After this first formulation, contemporary theorists such as Niklas Luhmann and Jürgen Habermas have developed and modified the Parsonian theory: Luhmann rejects the idea of interchange and proposes the use of communication; Habermas distinguishes between steering and communication media. In all three cases, the focus of the theory is on the characterization of the strongest dynamics of social co-ordination present in differentiated societies. A major result of these developments is the inclusion of new dimensions on which to conceive the properties of media, not only those of money but also language. Beyond differences, then, it is proposed that there is only one theory of generalized symbolic media' (Chernilo 2006).

## **11. CONCLUSION**

Gould argues for the contemporary relevance of Parsons's early writings precisely because he believes that Parsons provided an effective critique of orthodox economic categories, writing: in our current situation, where economists are seeking to apply utilitarian models to everything . . . where utilitarian rational-choice models seem once again to be making inroads into the heart of sociology and where methodological empiricism is stronger than ever, it is well to read Parsons's fifty-year-old demolition of those very same points of view. (1989: 649; see also Alexander 1984). for Gould, 'Parsons' work provides the most sophisticated economic sociology available. He enunciated a conceptual framework within which it is possible to both reconceptualize microeconomic theory and to draw on macroeconomic theory in the formulation of a viable macrosociology' (1991: 91).

One should agree with this assessment, except that it ignores a number of flaws intrinsic to his approach. Nearly all of them have methodological roots, i.e. lie in Parsons' deductive and in effect counter empirical approach and the resulting features of his models and paradigmas, which, in turn, underlie many inconsistencies and misinterpretations in his treatment of actual economies. In this sense one could say that in Parsons' case epistemology

dominates ontology. This scornful attitude toward reality is an ingredient of Parsonian legacy to the same extent as his undeniable and often underrated accomplishments of his economic sociology.

### **Biographical Note**

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FOOTNOTES: <sup>i</sup> which, in our view, is distinguished by the use of sanctions, whilst from the viewpoint of Parsons' general theory is characteristic of each and every action

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