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Uwe Schimank & Ute Volkmann (Eds.)

## **The Marketization of Society: Economizing the Non-Economic**



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(Welfare Societies Conference Paper)

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Uwe Schimank & Ute Volkmann

## Introduction

Marketization and economizing are topics of a number of research perspectives in sociology and other social sciences. By now these perspectives are barely connected with each other, and each one of them is still a work in progress:

- Among the various sociological theories of modern society, Marxism seems to be a natural candidate to deliver a proper understanding of marketization and economizing. But perhaps the very fact that it is so easy and quick to explain economizing from a Marxist perspective means that this perspective misses essential points of this phenomenon. Theories of societal differentiation, in contrast, have much more analytical difficulties with economizing as a society-wide dynamic; but it may be worth the effort to struggle with these difficulties. Other general perspectives on modern society, for instance sociological neo-institutionalism or the Ulrich Beck's theory of reflexive modernity, have yet to pay much attention to marketization and economizing as part of the world polity or the world risk society. It would be interesting to explore what they can contribute to an understanding of this on-going societal dynamic. Finally, governmentality studies, often inspired by Foucault, provide us with rather detailed reconstructions of the discursive dimension of marketization and economizing – but what that means for actors' practices is an open question.
- The new economic sociology elaborates in its various approaches an understanding of markets as being embedded in cultural frames, institutional rules, and social networks. This view could be extended to markets and quasi-markets in other societal spheres such as healthcare or the arts. There the creation of markets or quasi-markets occurs in the middle of established social structures – ideologies, professions, organizations – which often clash with the forces of economizing. It is an open question whether a durable marketization of these non-economic spheres of society can happen. If this occurs, it remains to be seen whether this leads to some kind of balance between economic and non-economic forces as cross-pressures on actors, or a suppression of the non-economic so that in the end marketization means a society-wide extension and supremacy of the economy.
- For a micro-analysis of how markets and quasi-markets work the governance perspective could offer important conceptual tools. In this perspective, markets are one of the elementary governance mechanisms which can be compared with others such as hierarchies, communities, or networks. This comparison shows that each of these mechanisms has its strengths and weaknesses. In particular, there are well-known market failures which some recent expressions of market adoration totally neglect. Whereas this is a still highly abstract level of analysis, concrete markets or quasi-markets – such as the performance-based modes of allocation of financial means to universities,

for instance – can be conceived of as governance regimes which are characterized by specific mixtures of the market mechanism with other elementary mechanisms. Various aspects of a functional or dysfunctional performance of such governance regimes can be pointed out.

- Quantitatively by far the largest number of studies of marketization and economizing have been done with a special focus on particular societal spheres, often concentrating on respective organizations. Thus, universities and research institutes, hospitals and schools, the armed forces and the churches, newspapers and TV stations, courts and welfare state bureaucracies, museums and opera houses, public transport and prisons: All these quite different kinds of organizations, and a number of others as well, have been subjected to very similar measures of economizing during the last decades. But attempts to compare, for instance, the marketization of universities with the marketization of museums, are still rare although such cross-border comparisons might be an especially promising source of non-obvious insight.

It is clear that the aforementioned kind of studies of particular social fields provide us with most of the specific empirical knowledge we have about marketization and economizing; whereas the other three approaches – theories of society, economic sociology, and governance studies – reach a more generalized theoretical level of analysis.

In particular, theoretical as well as empirical studies of economizing and marketization must deal with the following questions:

- How can the economizing of the non-economic spheres of society be conceptualized? What are the constitutive properties of this phenomenon, and which respective types can be distinguished – with marketization as a prominent but not the only type?
- How do dynamics of economizing and marketization proceed? What are their origins, conditions, and mechanisms, and what determines their strength? How do typical conflicts about the introduction and establishment of measures of economizing look like?
- What are the consequences of economizing and marketization? To which extent are intended consequences reached, and which unintended and undesired consequences happen? Which functional and dysfunctional outcomes can be discerned, and from whose perspective?
- In June 2012 we organized a conference at the University of Bremen on behalf of two sections of the German Sociological Association: the Economic Sociology and the Sociological Theory section. In this Welfare Societies Conference Paper selected contributions to the conference are collected. The two papers by Bob Jessop and by Uwe Schimank and Ute Volkmann propose general theoretical approaches to economizing and marketization whereas the following four papers by Ingo Bode, Marino Regini, Ivonne Küsters, and Dominic Akyel represent case studies of economizing dynamics in different social spheres (higher education, social policy, art, and funerals). Other presentations given on the conference can be found on this internet page: [http://www.mpifg.de/projects/marketization/paper\\_library\\_en.asp](http://www.mpifg.de/projects/marketization/paper_library_en.asp).



Bob Jessop

## Understanding the “Economization” of Social Formations

This contribution aims to disambiguate the meaning of economization as a principle of societalization through a critical interrogation of four major pre- or trans-disciplinary social scientists: Marx, Weber, Polanyi and Luhmann. My analysis draws more on three of these thinkers to the neglect of the potential of Weber's ‘Zwischenbetrachtung’, which has strong affinities to the arguments developed here. I hope to remedy this in subsequent work. The successive steps in the present contribution are: first, introduce the concepts of society, society effects, societalization (‘Vergesellschaftung’) and competing societalization principles (‘Vergesellschaftungsprinzipien’); second, disambiguate the concept of economization by identifying seven possible referents; third, elaborate the meaning of commodification in relation to non-commodities, quasi-commodities, fictitious commodities, real commodities, and fictive capital; fourth, explain the relation between economization, marketization, and different meanings of economic determinism, including economic domination, economic hegemony, and ecological dominance; fifth, discuss differential accumulation as one principle of societalization among others; sixth, relate economization in its different meanings to the potential ecological dominance of profit-oriented, market-mediated accumulation in world society; seventh, the potential for ecological dominance and the scope for economic determination; eighth, extend the analysis to financialization and financial capital; ninth, explore the limits of marketization in relation to the market economy and market society; and to draw some general conclusions about market economies, capitalist economies, and financialized economies and their social implications.

### 1. Society, Society Effects, Societalization, and Societalization Principles

Any discussion of economization or marketization presupposes a field of social relations that is not yet (or is no longer) oriented to economic activities and/or organized along market principles of one kind or another. This could be because the (market) economy is not yet disembedded from the wider ensemble of social relations and/or because sets of social relations that are not currently organized in terms of market principles are subordinated to, penetrated by, or colonized by, such principles. This in turn implies that there can be other modes or principles of organizing social relations and structuring social formations. In this context, the notion of *societalization* (‘Vergesellschaftung’) is useful. In Luhmann's work, societalization is used to describe three historical modes of organizing social formations: segmentation, center-periphery, and functional differentiation. I want to build on this typology by suggesting that (a) these principles are not mutually exclusive from the perspective of world society and (b) the codes and programs associated with particular functionally differentiated systems can be more or less dominant within world society. It can be shown that these extensions are more or less

implicit in Luhmann's work and, even if they were not, they are nonetheless useful and powerful heuristic principles for understanding the production of *society effects*.

The premise of this approach is that the existence of a *society* cannot be taken for granted: it must be constituted and reproduced through more or less precarious social processes and practices which articulate diverse social relations to produce a *society effect*. The nature of any society varies with its collective identity (self-description) and how its conditions of existence are secured. It would emerge from and be based on a more extensive substratum of social relations which included many more elemental relations than those which are articulated to form this particular set of *society effects*. There are always interstitial, residual, marginal, irrelevant, recalcitrant, and contradictory elements and, indeed, these may serve as reservoirs of flexibility and innovation as well as actual or potential sources of disorder. Moreover, insofar as alternative societies are possible, there is scope for conflict over rival *societal projects* as well as for emergent contradictions among institutional logics. In this sense effective societalization has both a *social* and a *system* integration aspect (see Lockwood 1964). In addition, because social interaction and organizational life can occur in the absence of societies, much of social life occurs without regard to their existence, if any, and there is no reason to privilege *society* as a unit of analysis. Thus many of the processes of interest to this workshop do not presuppose this analytical unit: one can study economization or marketization without assuming that it is *society* that is subject to these processes. Indeed social scientists regularly undertake broad-ranging social analysis without invoking *society* in any positive, as opposed to loosely contextual, sense.

In this context, the question of economization or marketization need not entail a totalizing view of *society*, such that the totality of social relations is subordinate to economic criteria or market principles. It is sufficient to regard *society* as the horizon against which to explore these principles or processes as one possible axis of societalization and their implications for the ensemble of social relations. Indeed, if we accept that modern societies are characterized by functional differentiation, it is likely that there are competing societalization principles, processes, and projects, associated with efforts to extend the code and program of one functional system at the expense of others. It is in this context that I will examine economization or marketization as one 'Vergesellschaftungsprinzip' (societalization principle) or, better, as one set of 'Vergesellschaftungsprinzipien', among others. Thus, in addition to marketization, which, in one of its possible meanings, extends the logic of profit-oriented, market-mediated economic action to sets of social relations where it is absent, one could also explore rival principles associated with other functional systems such as juridification, medicalization, militarization, sacralization, politicization, or scientization or, indeed, with identities and values anchored in civil society (or the lifeworld rather than system-world) such as ethnicity or "race" (apartheid), gender (patriarchy), generation (gerontocracy), or nationality (nation-statehood). This argument is developed below.

## 2. Disambiguating Economization

There are seven possible meanings of economy and, by extension, economization that I wish to consider here (there may be yet others, of course):

- (1) The economy as material provisioning (Polanyi's substantive economy – "an instituted process of interaction between man and his environment, which results in a continuous supply of want-satisfying material means" (Polanyi 1982: 33)).
- (2) The market economy in which want-satisfying material means circulate through market exchange, whether through barter, a medium of exchange, or debt relations.
- (3) Commodification and monetization: processes through which one or another aspect of material provisioning takes the form of commodity production and/or through which some economic agents seek to derive monetary revenues from material provisioning or immaterial activities that were not previously subject to monetary exchange.
- (4) The development of the market economy as the site of free trade in commodities and rational organization of production and trade in money and credit instruments (Weber's two main forms of rational capitalism, with the rationality of production defined in terms of its organization according to book-keeping principles). Weber distinguishes this form of economic organization from three internally heterogeneous forms of political capitalism in which profits are sought in ways that contradict the principles of free trade and rational accounting (for example, through force and domination, unusual deals with political authority, or the financing of political adventures and enterprises, see Weber 1968: 2003).
- (5) The economy as the site of generalized commodity production based on the extension of the commodity form to *fictitious commodities* such as land, labor-power, money, and knowledge as intellectual commons. This can be interpreted as resulting from a quantity-quality shift in which the continuing extension and consolidation of the preceding three changes interact to produce a distinctive mode of production. This is the privileged site of Marxist analysis of economic formations.
- (6) The economy as a profit-oriented, market-mediated form of economic organization based on the treatment of money as a fictitious commodity from the viewpoint of the tensions between maintaining the *liquidity* of economic agents and the economic system rather than from the viewpoint of its role as unit of account, store of value, or means of deferred payment. This involves a qualitative transformation in the form and functions of money and credit relations such that other economic activities are subordinated to the perceived need to maintain liquidity (on this aspect, see Amato & Fantacci 2011).
- (7) The economy as a profit-oriented, market-mediated form of economic organization in which finance-dominated accumulation based on *market completion* through the extension of capital as property, e.g., derivatives, has occurred with an increasing tendency to the autonomization of the circuits of finance capital as property from finance capital as functioning capital within the *real economy* (see Meacci 1998).

Note that the first meaning has no inherent relation to markets – it could be based on another of the principles of allocation that Polanyi identifies: householding, reciprocity among similarly organized economic units, redistribution through an allocative center linked to a political regime, and so on, rather than market exchange. It is on this basis that Polanyi criticized the economic fallacy, i.e., the tendency to regard all economic conduct as formally rational and economizing and therefore to assimilate the properties and dynamics of non-capitalist economies to those of market economies (Polanyi 1982). Likewise the second meaning introduces market exchange but this does not entail that it is central to economic organization – as Marx, Weber, and Polanyi note, markets could exist on the borders of households, redistributive communities, reciprocity-based networks, and so on.

Only when we move to the third meaning do we begin to encounter marketization based on commodification and monetization as a potentially dominant principle of societalization. Thus, whereas, following Polanyi, economic activities in pre-capitalist social formations were not conducted primarily for *economic* motives, i.e., for the sake of (monetary) gain or fear of going hungry for lack of employment (Polanyi 1977: 51-52), contemporary market economies are increasingly dominated by profit-oriented, market-mediated activities. The fifth meaning reinforces the scope for marketization because market principles are extended to fictitious commodities which affect many areas of social life. The development of money as a fictitious commodity may also lead to the emphasis on money as liquidity (Amato & Fantacci 2011). And the growing dominance of money as capital in the form of property rather than functioning capital marks the most extreme form of marketization, promoted in the name of market completion and associated with the role of securitization and financialization. There is nothing automatic in the historical movement across these forms of economization/marketization and there is much work involved in extending market principles and compensating for the contradictions, crisis-tendencies, and market failures with which this movement is associated. The last three forms are strongly associated with liberalism and, especially, neo-liberalism (see Jessop 2007; 2011, and below).

### 3. The Complexities of Commodification

Given the centrality of the commodity form, price form, and money form to the analysis of economization, marketization, and monetization, this section elaborates some crucial distinctions for the analysis of these three processes based partly on Polanyi’s analysis and partly on a more general critique of capitalism inspired by Marx.

First, a *commodity* is a good or service that is actively produced for sale in a labor process. If this were not so, we could not sensibly distinguish commodities and fictitious commodities. A commodity can result from peasant, petty commodity, state production, cooperative production, or social enterprise as well as capitalist production – what matters is its production for sale.

Second, a *capitalist commodity* is one produced in a labor process subject to capitalist competition that creates pressures to reduce both the socially necessary labor-time and, in the case of *natural* products and services, the naturally necessary reproduction time involved in its production and the socially necessary turnover time involved in realizing the surplus-value or surplus product that it embodies. This generates a dynamic relation between the organization of production and the commodity form of these products.

Third, a *fictitious commodity* has the form of a commodity (can be bought and sold) but is not actually produced in order to be sold. It already exists as a use-value before it acquires the form of an exchange-value (e.g., raw nature) or it is produced as a use-value before being appropriated and offered for sale (e.g., human artefacts originating in a substantive, socially embedded economy). Above all, in contrast to a capitalist commodity, a fictitious commodity is not created in a profit-oriented labor process subject to the competitive pressures of market forces to rationalize its production and reduce the turnover time of invested capital. This concept is important because analyzing land, money, labor-power, and knowledge (as intellectual commons) as simple and/or capitalist commodities would obscure the conditions under which they enter the market economy, get transformed therein, and so contribute to the production of goods and services for sale. In this sense, a fictitious commodity belongs to the broader spectrum of quasi-commodities that have a price but otherwise fail to meet one or more of the criteria for a full capitalist commodity (Schaniel & Neale 1999).

The tendency to naturalize fictitious commodities as objectively given factors of production leads to the fallacious belief, strongly criticized by Marx, that economic value arises from the immanent, eternal qualities of things rather than from contingent, historically specific social relations (Marx 1976: 993; Schiller 1988: 32). This legitimates in turn the idea that each factor of production is entitled to its own share in the distribution of the total income and/or wealth of society. This theme is elaborated by Polanyi in the following terms:

Self-regulation implies that all production is for sale on the market and that all incomes derive from such sales. Accordingly, markets exist for all elements of industry, not only for goods (always including services) but also for labor, land, and money, their prices being called respectively commodity prices, wages, rent and interest. The very terms indicate that prices form incomes: interest is the price for the use of money and forms the income of those who are in the position to provide it; rent is the price for the use of land and forms the income of those who supply it; wages are the price for the use of labor power, and form the income of those who sell it; commodity prices, finally, contribute to the incomes of those who sell their entrepreneurial services, the income called profit being actually the difference between two sets of prices, the price of the goods produced and their costs, i.e., the price of the goods necessary to produce them. If these conditions are fulfilled, all incomes will derive from sales on the market, and incomes will be just sufficient to buy all the goods produced (Polanyi 1977: 69).

By analogy, just as wages are the market price for the use of labor power, rent is the market price for the use of land, and interest is the market price for the use of money capital, we can interpret royalties in their different forms as the market price for the use of knowledge as a quasi- or real commodity (intellectual property). Focusing on social relations rather than naturalized factors of production matters not only for a general understanding of the market economy as Polanyi knew it but also for the role of information, knowledge, and intelligence in *post-industrial economies*. One must ask under what conditions knowledge gains the form of a commodity. Insofar as knowledge is collectively produced and is not inherently scarce (in economic terms, it is a *non-rival* good), it only acquires a commodity form insofar as it is made artificially scarce and access thereto depends on payment of rent. Hence, instead of naturalizing knowledge, one should assume that "information is not inherently valuable but that a profound social reorganization is required to turn it into something valuable" (Schiller 1988: 32).

As Polanyi emphasized, there is nothing natural about the market economy. This is especially clear in the rise of intellectual property as a revenue category that purportedly rewards intellectual creativity. Historically, the production of knowledge occurred outside the market, in institutions such as guilds, universities, religious bodies, or state institutions; and it was rewarded through patronage, prestige, prizes, or income tied to rank or status rather than to economic performance. This was recognized in Bell's early claim that, since the free circulation of knowledge offers no incentives to firms to produce, it must be created by some "social unit, be it university or government" (Bell 1979: 174). Or, as Polanyi concluded, "[s]cience and the arts should always be under the guardianship of the republic of letters" (Polanyi 1957: 255). This contrasts markedly with the growing importance of intellectual property rights (IPRs) as the basis for remunerating suppliers of information, knowledge, and intellectual creativity. Indeed, in contrast to the institution of property rights in land, labor–power, and money, IPRs are distinctive because they have been extended to secure the average rate of profit for immaterial goods and services but do so by establishing a legal monopoly that enables intellectual property owners (who may well not be direct knowledge workers) to earn super-profits provided effective demand for their products continues.

Investigating the commodification of knowledge, which is a relatively recent phenomenon in a world-historical perspective, provides useful insights into the nature of economization, marketization, and monetization that can be applied to other cases. For a consideration of knowledge indicates that there are five ways in which it can be evaluated in relation to the commodity form: as a non-commodity, fictitious commodity, other type of quasi-commodity, real commodity, and basis of fictive capital. First, as an intellectual commons that circulates more or less freely in society through reciprocity and/or is produced and distributed through non–market mechanisms (such as patronage), it is a non-commodity. Second, when the intellectual commons is enclosed through non-market mechanisms and circulates as private property within the market, it can be regarded as a simple fictitious commodity. Third, when intellectual labor is formally and/or

really subsumed under relations of capitalist exploitation and is transformed into immaterial goods and services, then it becomes a fictitious commodity like other forms of labor-power and can become embedded in quasi- or real capitalist commodities. The latter possibility will occur to the extent that the reflexive application of knowledge to the production of knowledge (i.e., information-rich, knowledge-intensive, or otherwise creative goods and services produced for sale) is subject to competition between different capitals to minimize the socially necessary labor-time embodied within them and reduce the socially necessary turnover time of the capital invested in their production. Fourth, when the revenue streams to producers of information-rich, knowledge-intensive, or otherwise creative goods and services are guaranteed by IPRs rather than normal market mechanisms analogous to *technological rents*, then we can talk of information, knowledge, and creativity as the basis of *fictitious capital* or even of *fictive capital*. The last category reflects the power of abstraction of capitalism that can reduce intellectual capital (embodied in intellectual property rights) to an anticipated flow of future revenue streams that can be bought and sold in secondary markets. By analogy, the power of abstraction permits *land* to be securitized in terms of future flows of absolute and differential rent and also enables money to be traded in futures markets and derivative markets. In relation to labor-power, the logic of capital reduces concrete labor to abstract social labor. Since this is a generic feature of capitalism, however, the appropriate analogy with the securitization of rents, interest-bearing capital, or IPR revenues would be the calculation of future earnings in relation to labor-power considered as human capital (see Table 1).

**Table 1: Non-Commodities, Quasi-Commodities, Commodities, Fictitious Commodities, Fictive Capital**

	Pre-Commodification	Pre-Commodification	Quasi-Commodification	Fictitious-Commodification	Fictive Capital
<b>Land</b>	Virgin land/ raw nature	Appropriated and transformed land/nature	Profit-oriented improvements in land/nature	Land reclamation, biofuels; genetically engineered organisms	Securitization of absolute and differential rents
<b>Labor-Power</b>	Generic capacity for human labor	Capacity for concrete labor offered for sale	(Re-)skilling labor-power, shaping labor supply	Breeding farm and laboratory animals. Limit case would be cloning slave labor for profit	<i>Human capital</i> as discounted revenue stream
<b>Money</b>	Householding, Reciprocity, Redistribution, etc.	Symbolic tokens for exchange of goods/ services, payment of taxes, tithes	Private/central bank action to raise relative price & performance of money, credit, etc.	Commodity money (e.g., silver, gold) produced in capitalist labor process	Interest-bearing capital, derivative markets in interest-rate futures
<b>Knowledge</b>	Knowledge as cumulative collective resource	Private enclosure of intellectual commons for sale at a profit	Formal subsumption of intellectual labor to sell creativity	New drugs produced entirely within capitalist labor process for sale	Securitization of Intellectual Property Rights



#### 4. Economization and Marketization are *not* the same as Economic Determinism

Pace orthodox Marxism, there is no *determination in the last instance* even where the economy has been disembedded from the wider ensemble of social relations. This is excluded because the dynamic of the profit-oriented, market-mediated process of accumulation still depends on extra-economic conditions that it cannot guarantee. This section discusses four main forms of economic determinism that have been associated with historical materialism. It excludes technological reductionism because it is virtually absent from Marx/Engels (Bimber 1990; Frison 1988; Llobera 1979; McKenzie 1984; Rosenberg 1976). The four forms are:

- (1) Economic structures unilaterally determine the superstructure. This strong version of economic reductionism is implausible given Marx's commitment to dialectical rather than mechanical analysis and, even more, his many statements on 'Wechselwirkung', 'Rückwirkung', etc.
- (2) Economic forms determine the overall character of a 'Gesellschaftsformation' as a coherent set of social forms – with their content more open to variation subject to its long-term compossibility with the dominant economic forms, insofar as these continue to be reproduced. This is a strong but thin economic determinism – strong in according causal primacy to economic forms but, because less is said about content, weak in terms of the scope of determination.
- (3) Class relations based on the technical and social relations of production give rise to economic class struggle (which may spread to other social fields) and this is the motor of history. Where class belonging and identities are grounded exclusively in economic relations, this is a strong form of agential economic determination. Where class struggle is overdetermined by political and ideological forms and relations, with their own logics and organizational principles, we have class rather than economic reductionism. Both types are typically *thick* in terms of the scope and density of their social effects.
- (4) *Economic dynamics* have a stronger influence on social development than the dynamics of other societal *layers* (e.g., law, politics, religion, art, philosophy) but the latter also influence economic development and other spheres. In short, they are reciprocally but asymmetrically related because economic dynamics are more powerful in the long run. This is a weak but thick determination. It is also the meaning of economic determinism that makes most sense for present purposes and one that I will elaborate below in terms of ecological dominance (for further discussion of these four possible meanings of economic determinism with supporting quotations from the classic texts of historical materialism, see Jessop 2011).

Dismissing the ultimately determining role of the forces of production and/or the technical and social relations of production for an entire social formation does not, however, exclude their importance within the economy. Here the principle of economic determination can be stated in terms of the primacy of production in the overall circuit of capital. By extension, it means the primacy of productive

capital (not to be equated solely with industrial capital) over money or commercial capital. This involves no more (but certainly no less) than the fact that wealth must first be produced before it can be distributed. The rise and fall of the so-called new economy based on the dot.com bubble, of the real-estate bubble associated with sub-prime mortgages, or, more generally, the massive collapse of leveraged financial assets associated with the North Atlantic Financial Crisis and Great Recession illustrate this well.

## 5. Differential Accumulation as a Principle of Societalization

The self-valorization of capital can occur where most of the key inputs into capitalist production take the form of (real or fictitious) commodities; there is effective control over labor-power within the labor-process; the environment is sufficiently stable to enable capitals to systematically orient their activities to opportunities for profit; and profits can be realized and reinvested. None of this requires that all social relations have been subsumed under the commodity form and entirely subordinated to market forces. Indeed, capitalism would be impossible if this were so. On the contrary, there is wide variation in how far capitalist market forces (and the associated logic of profit-seeking) come to dominate the overall organization and dynamics of social formations. This raises questions about the conditions under which accumulation can become the dominant principle of societal organization (or societalization). This implies in turn that there is ample scope for conflict over societal projects that privilege quite other organizational principles as well as for conflict over rival projects based on the same principle.

Capitalist or bourgeois societalization (the organization of a social formation under the dominance of profit-oriented, market-mediated differential accumulation as the axial principle of social organization) involves far more than continuing accumulation. Market exchange and capital accumulation can also occur in theocracies, national security states, new nations, revolutionary situations or state socialist societies. What bourgeois societalization involves in addition to the mere fact of commodity production and exchange is the relative subordination of an entire social order to the logic and reproduction requirements of capital accumulation. This could be described as "the embedding of the market economy in a market society" (Polanyi 1957); as the development of an *historic bloc* between the economic base, juridico-political superstructure and forms of consciousness (Gramsci 1971); or as the rise of a *bourgeois civilization*.

Four different mechanisms can contribute to such a situation: economic determination in the first (not last) instance, economic domination, bourgeois hegemony, and ecological dominance. The first mode is a systemic feature of economic activities considered from the viewpoint of material provisioning; the second concerns the institutional and organizational dimensions of structural power in the economy and/or the relation between economic agents and extra-economic forces; the third operates initially on an ideational plane – although successful hegemony also tends to become structurally embedded and dispositionally embodied; and the fourth concerns the systemic relations between the economy and other systems. Each mode of determination has many

mechanisms and aspects as well as its own conditions of existence. As such they are doubly tendential, i.e., they operate as tendencies only insofar as their respective conditions of existence tend to be reproduced (on the doubly tendential nature of tendencies, see Jessop 2009).

*Economic determination* in the first instance concerns the primacy of production in economic activities, expressed in capitalist economies as the primary role of productive capital in the circuit of capital. In short, in the capitalist mode of production, where wealth takes the form of an 'ungeheure Warensammlung', value must first be produced before it can be realized, redistributed, and reallocated. This means in turn that the course of capital accumulation is primarily shaped by the organization of the capitalist economy under the dominance of the value form and its dynamic mediation through the capitalist law of value. Because production lies at the heart of the circuit of capital, productive capital's performance is vital to the overall accumulation process. This implies that the real rates of return on money capital (including credit), commercial capital, and landed capital depend in the long term on continued valorization of productive capital. In turn this depends on capital's continued ability to control the terms, conditions and performance of wage-labor and, since added value can be realized only through sale of commodities at appropriate volumes and prices, to ensure that its products are marketable.

*Economic domination* refers to the primacy of those who control strategic resources in a given commodity chain and or broader set of economic activities, e.g., oil in the Fordist and, indeed, post-Fordist economy, gene patents in bio-capitalism, or credit during a liquidity crisis. This aspect is internal to the economy and concerns the power of one or another fraction of capital (or simply a cartel or even a single firm) to impose its immediate interests on other fractions, regardless of their wishes and/or at their expense. Such domination can derive directly from the position of the relevant fraction (cartel, firm) in the overall circuit of capital in a specific economic conjuncture and/or indirectly from the use of some form of extra-economic coercion (including the exercise of state power). By extension, economic domination also includes the relative *strike power* or *blackmail power* of the profit-oriented, market-mediated economic order vis-à-vis other institutional orders and social systems because of the latter's material dependence on specific economic inputs (whether specific goods and services, general income, or credit). In other words, this second aspect refers to the capacity of capital in general, a given fraction of capital, or particular capitals to steer the evolution of other institutional orders in line with the demands of capital accumulation, either through sheer structural power or through specific strategic capacities. Such domination is grounded in the nature of capitalism, can express itself in several ways, and can, in certain circumstances, become a major element in the more general ecological dominance of capitalism (see below).

*Economic Hegemony* involves the capacity of given social forces to define the leading economic imaginary, prompting other forces to adapt their own technical paradigms, business models, and growth strategies to this economic

hegemony. It exists where a given accumulation strategy<sup>1</sup> is the basis for an institutionalized compromise between opposed social forces for coordinating, governing or guiding activities within and across different institutional orders around the pursuit of a particular economic trajectory. Interests are not only relational but also relative, such that a given actor only has interests in relation to others and relative to different spatial and temporal horizons. The imagined general interest limits the identities and relations relative to which interests are calculated; and it defines the spatial and temporal horizons within which this occurs. It involves specific notions about which identities and interests can be synthesized within a general interest, about the articulation of different temporal horizons (short-, medium- and long-term, business cycle, electoral cycle, long wave, etc.), and about spatial horizons (local, regional, national, supranational, etc.). Thus, a conception of the general economic interest privileges some identities, interests, and spatio-temporal horizons and marginalizes or sanctions others. It also refers to what is needed to secure an institutionalized class compromise appropriate to that accumulation strategy and to address wider problems of social cohesion. In all these respects it is closely related to spatio-temporal fixes. The conditions for accumulation and regulation often get identified only through a trial-and-error search that reveals them more through repeated failure than sustained success. There is nothing in the economic logic of accumulation that entails that it will inevitably subordinate other institutional orders or colonize the lifeworld. To the extent that this occurs, it depends on the outcome of political and ideological struggles around political projects and hegemonic visions as well as on the ecological dominance of the circuit of capital.

*Ecological dominance* concerns the thick but weak form of economic determination noted in the preceding section. In essence, it can exist to the extent that, in a social formation characterized by a plurality of functionally differentiated systems that are formally equal and non-substitutable, one system (in this case, the profit-oriented, market-mediated economy) is less equal than the others. In short, it has more influence on their development, positive or negative, than they have on it. Since this concept is both unfamiliar in the social sciences generally considered and crucial to the present argument, the next section introduces it in more detail and then elaborates some of its consequences.

## 6. Ecological Dominance

This concept was initially developed in the biological sciences. Ecological dominance refers there to the fact that one species exerts an overriding influence upon the other species in a given ecological community. This idea can usefully be extended to social systems. This requires that due allowance be made both for the specificities of social systems as communicatively or discursively-mediated systems and for the capacity of social forces to reflect on, and learn

1 Accumulation strategies are formulated on many scales of economic activity from the different units of a firm through the branch or region to the national or supranational bloc. Different types of actor play a leading role in each case. For a discussion of dimensions of accumulation strategies at the firm level, see Williams et al. 1983, and, at branch level, Ruigrok and van Tulder 1995.

about, their own evolution, to engage in deliberate attempts (successful or not) to guide it, and even to modify the forms in which evolution itself evolves (Willke 1997: 48-51). Thus regarded, ecological dominance refers in general terms to the capacity of a given system in a self-organizing ecology of self-organizing systems to imprint its logic on other systems' operations through operational coupling, blind co-evolution, interpenetration, structural coupling, structural drift, ecological dominance, and strategic co-ordination to a greater extent than other systems can impose their respective logics on that system.<sup>2</sup>

To avoid simple reliance on the natural science metaphor of ecological dominance, let me explicate the meaning of the preceding terms in more social scientific language. Each of the seven concepts mentioned in the preceding paragraph identifies a different type of dialectical causal relation whose combination permits us to theorize an open-ended, non-deterministic dialectical interaction that nonetheless displays a non-teleological, long-term directionality.

To explicate these relations I will draw on the work of Niklas Luhmann and other scholars who work with self-organizing systems theory. Later I will show that these ideas can also be discerned in the work of Marx and Engels and in other contributors to historical materialism.

Let me first present the twin theoretical challenges that a persuasive account of ecological dominance must confront. These challenges are posed by modern systems theory in terms of the non-substitutability of functionally differentiated systems. The first challenge is structural. For modern system theory implies that no single functional (autopoietic) system could determine societal development *in the last instance*. All such systems have absolute (not relative) operational autonomy. For example, the modern economy is a self-perpetuating system of payments; the modern legal system is a self-contained and self-modifying system of legally-binding legal decisions; the science system is a self-perpetuating system of scientific communications coded in terms of true/false; and the political system produces collectively binding decisions that generate further political decisions. Other functional systems explored by Luhmann include religion, art, the family system, health care, and, a late addition, the mass media. Nonetheless any such operational autonomy is limited by a given system's relation to its external environment and, more specifically, by its material dependence on the performance of other systems that operate according to their own codes and programs. These constraints can be read as sources of relativization of autopoiesis and encourage the relevant system to construct simplified, selective models of these constraints and integrate these models into its operations. Each system will model these constraints differently, reflecting their observed relevance to its own reproduction. Despite such constraints, however, each system can maintain its operational autonomy insofar as it has its own operating codes and has sufficient time to implement them, faces competing demands so that it can choose which to process, and has the general legitimacy or societal trust needed to operate without having constantly to justify its specific activities on each occasion. Without such conditions, a functional system can lose its

2 Interpenetration is a special case of structural coupling.

operational autonomy. This poses an interesting question, pursued below, about the conditions under which other functional systems might lose some operational autonomy to the economy (or, indeed, *vice versa*).

The second challenge is strategic. For modern societies are so highly differentiated and polycentric that no single system, central decision-making body, or ruling class could ever coordinate their diverse interactions, organizations, and institutions and ensure their harmonious cooperation toward a common end. Once systems reach *autopoietic take-off*, they only respond to problems defined in their own terms. External demands stated in other codes and/or in terms of more general *noise* from the *everyday life-world* will be dismissed as irrelevant or else handled as an irritation to be avoided or overcome in whatever way the perturbed system itself thinks fit.

While these challenges seem daunting at first glance, I believe that there are sufficient resources even within modern systems theory to show why they can be overcome. Let me elaborate this in terms of the seven concepts introduced at the beginning of this section.

- (1) For Luhmann, every functional system is *operationally coupled* to its environment whenever it responds to perceived irritations and perturbations that it attributes to that environment. The key point about such coupling is that, while it is purely momentary, it can lead to unintended path-dependent effects.
- (2) Extending this argument to the self-organizing ecology of operationally autonomous functional systems, the evolution of world society (as the horizon of development of functional differentiation) always occurs through *blind co-evolution*. This process is nonetheless shaped by the interdependencies among functional systems insofar as they constitute mutually relevant environments with the result that the evolution of each is conditioned by *disturbances* that are created by other systems and to which they react and adapt, if at all, in terms of their respective codes and programs (Luhmann 1986). Those variations will thereby get co-selected that interfere least with the autopoiesis of the interacting systems and will then get co-retained as these selections become suitably sedimented in the programs, organizational intelligence, strategic capacities and moral economies of the various co-existing systems (Teubner 1989: 78-9).
- (3) Autopoietic systems may also be related through *interpenetration*. This occurs when an autopoietic system presupposes the complex achievements of another system and can treat them as parts of its own system operations. Luhmann illustrates this from the economic, legal, and political systems: for the economy depends on the securing of its juridical and political conditions of possibility; and the legal and political systems depend in turn on the performance of the economy for revenues, legal cases, and political legitimation. Organizations are an important site of interpenetration – indeed Luhmann describes them as ‘Treffräume für Funktionssysteme’ (Luhmann 2000a: 398).

- (4) *Structural coupling* occurs where systems evolve structures that connect systems and facilitate mutual responsiveness in the application of their respective codes.<sup>3</sup> There are few such structures at the system level and they allow only a limited range of adaptations. For example, Luhmann identifies three structures that facilitate coupling among the economic, legal, and political systems: property, contract, and constitution. These structures have different meanings in each system and trigger different sets of operations in each; but they also connect the systems (Luhmann 1997: 787). Luhmann also observed a particularly tight structural coupling among the economic, legal, political, and science systems compared to the mutual irritations between these and other functional systems in world society (Luhmann 2000b: 382).
- (5) *Structural drift*: Where systems are regularly subject to continuing irritations of a specific type, routine forms of dealing with them may develop. These routines are reinforced through the continuing autopoiesis of the coupled systems and become hard to alter (Luhmann 1990b: 408; 1995: 494-495; 1995: 32f; 2000b: 391-392). The sensitivity of organizations to their environment makes them especially susceptible to structural drift through their couplings to various functional systems, leading to various forms of self-limitation (Luhmann 2000a: 397-398).
- (6) *Ecological dominance* originally refers to the relative dominance of a given species in the overall development of its ecosystem. Luhmann applied it only twice (to my knowledge) to explore possible relations among social systems, once to describe the dominance of bureaucratic organization within the political system and once, more generally, to describe the relation among functional systems. Consistent with his argument that no single system can control other functional systems in world society, Luhmann cites Edgar Morin (1980: 44) on ecological dominance, i.e., an *ecological relation* wherein some systems may be dominant but where none dominates (Luhmann 1987: 109-110; 1990a: 147-148). This idea was already implicit in some earlier Luhmannian remarks on the world economy (Luhmann, 1974); and many other Luhmannian analyses suggest *to an interested observer* the need for such a concept to provide a more complex account of the relations among autopoietic systems (see also below).
- (7) *Strategic coordination*: while Luhmann correctly notes that a world society formed on the basis of functional differentiation cannot be controlled from a single superordinate instance or center, he does not exclude attempts (with all of their unanticipated, unintended consequences) to coordinate the relations between functional systems through de-centered context steering. Other theorists have noted many other forms of strategic coordination, especially at levels below the world system and, indeed, some attribute, rightly or wrongly, a key role to the state within the political system in this regard, as the addressee in the last instance of appeals to resolve *social* problems.

3 Interpenetration is a special case of structural coupling.

The result of ecological dominance operating in the context of the other five types of reciprocal relation could be that one system in a self-organizing ecology of self-organizing systems imprints its developmental logic on other systems' operations more than any of the latter can impose their respective logics on that system. In short, even if all functional systems are equal, some may be more equal than others. The concept can also be fruitfully applied, as the field of organizational ecology indicates, to inter-organizational relations. Ecological dominance is a contingent emergent relationship between two or more systems rather than a naturally necessary property of a single system. It is always differential, relational, and contingent. Thus, a given system can be more or less ecologically dominant; its dominance may vary across systems and in different spheres or aspects of the lifeworld; and/or with changing circumstances; and the continuation of any dominance will depend on the development of the entire social ecosystem as a whole.<sup>4</sup> This does not mean that the ecologically dominant system will not be affected by the operation of other systems or that specific social forces will not attempt to reverse, brake or guide that dominance. Rather, as its name implies, ecological dominance involves an *ecological relation* where one system becomes dominant in a complex, co-evolving situation; it does not involve a one-sided *relation of domination* where one system unilaterally imposes its logic or will on others (see Morin 1980: 44). This capacity is always mediated in and through the operational logics of other systems and the communicative rationalities of the lifeworld. There is no *last instance* in relations of ecological dominance – they are always differential, relational, and contingent. The relative ecological dominance of a system will differ across systems, depends on specific social relations, and is always doubly tendential.

The obvious question to ask here is whether one functional system is more likely to be ecologically dominant than the others. This is not a question susceptible to a straightforward answer, even for someone favorably inclined to historical materialism, once one recalls that capitalism cannot be reproduced solely through the value form. It depends on other systems and the lifeworld to help close the circuit of capital and to compensate for market failures. Outside a fully imaginary pure capitalist economy, then, capitalism is structurally coupled to other systems and the lifeworld. Thus, the development of the capitalist (market) economy is closely tied to non-economic factors. It never follows a purely economic logic. The question then becomes whether the principle of differential accumulation dominates the evolution of other systems and the lifeworld, or one of these dominates the organization of the market economy in one or other of the guises that it can assume (see above).

## 7. The Potential for Ecological Dominance

Building on these arguments and drawing on work on complexity, ecology, and self-organizing systems in the natural and social sciences, I suggest that there are seven analytically distinct, but empirically interrelated, aspects of the social (as opposed to biological) world that affect a system's potential for ecological dominance (see Table 2). A further point to note, not included in the table, is that,

4 Similar points apply to the ecological dominance of organizations.



because a social ecosystem comprises different types functional systems and subsystems), the relative dominance of specific organizations and subsystems in a given functional system will impact the overall dynamics of ecological dominance of autopoietic system (including various types of organization as well as various.

Drawing on these somewhat speculative and stipulative propositions, I argue that the profit-oriented, market-mediated capitalist economy, with its distinctive, self-valorizing logic, tends to have just those properties that favor its ecological dominance over other types of social relations. And this in turn provides key insights into the nature and the limits of economic determination via economization or marketization. Let me briefly elaborate how these seven principles relate to capital accumulation.

First, regarding the first of the three factors internal to a given system or institutional order that contribute to ecological dominance, the capitalist economy gets increasingly disembedded from other systems, internal competition to reduce socially necessary labor-time, socially necessary turnover time<sup>5</sup>, and naturally necessary reproduction time becomes an ever more powerful driving force in capital accumulation. Extra-economic pressures on the economy are thereby translated into competition among capitals to find new opportunities for profit in these pressures and/or to exit from particular markets in order to preserve capital by investing elsewhere (including in liquid assets). Different degrees of liquidity, flexibility, and fungibility mean that capitals vary in their ability to respond to such pressures and competition. Finance capital controls the most liquid, abstract, and generalized resource and therefore has the most capacity to respond opportunities for profit and external perturbations. Derivatives have developed as the most generalized form of this capacity and, indeed, have an increasing role in the commensuration of all investment opportunities in the world market, serving thereby as a self-generating, self-referential expression of capital in general on a world scale (see Bryan and Rafferty 2006; 2007).

Second, the capitalist economy is internally complex and flexible because of the decentralized, anarchic nature of market forces and the dual role of price formation as a flexible mechanism for allocating capital to different economic activities and as a stimulus to second-order observation, learning and self-reflection. A contributing factor to ecological dominance in the natural world is a given species' superior capacity to tolerate environmental disturbances (Keddy 1989: 18-19). By analogy, this capacity is well-developed in the capitalist economy because of its greater internal complexity (multiplicity and heterogeneity of elements), the looser coupling among these elements, and the high degree of reflexive capacity (self-monitoring) (Baraldi et al. 1998: 151). Moreover, as capitalism develops, different organizations, institutions and apparatuses tend to emerge to express different moments of its contradictions, dilemmas and paradoxes and these may then interact to compensate for market failures within the framework of specific spatio-temporal fixes.

Third, capital has developed strong capacities extend its operations in time and space (time-space distantiation) and/or to compress them in these regards (time-space compression). The mutual reinforcement of such distantiation and

5 On socially necessary labour time, see Harvey (1982).

compression facilitates real-time integration in the world market and makes it easier to maintain its self-expansory logic in the face of perturbations. These capacities are related to the anarchic, formal, procedural rationality of the market, its reliance on the symbolic medium of money to facilitate economic transactions despite disjunctions in time and place, its highly developed abstract and technical codes (with well-developed mechanisms of capitalist accounting and monetary returns as its easily calculable formal maximand), and the requisite variety of its internal operations (on Marx and capitalist accounting, see especially Bryer 2006). This increases capital’s *resonance capacity* to react to internal and external conditions (Luhmann 1988: 37–41). The greater this capacity relative to other systems, the greater is the scope for capital’s ecological dominance.

**Table 2: Factors Relevant to Ecological Dominance in the Relations among Functional Systems**

<b>Internal</b>	<ul style="list-style-type: none"> <li>– Scope for continuous self-transformation because internal competitive pressures are more important than external adaptive pressures in the dynamic of a given system</li> <li>– Extent of internal structural and operational complexity and the resulting scope for spontaneous self-adaptation in the face of perturbation or disruption (regardless of the external or internal origin of adaptive pressures)</li> <li>– Capacity to engage in time-space distantiation and/or time-space compression) to exploit the widest possible range of opportunities for self-reproduction</li> </ul>
<b>Trans- versal</b>	<ul style="list-style-type: none"> <li>– Capacity to displace internal contradictions and dilemmas onto other systems, into the environment, or defer them into the future</li> <li>– Capacity to redesign other systems and shape their evolution via context-steering (especially through organizations that have a primary functional orientation and also offer a meeting space for other functional systems) and/or constitutional (re)design</li> </ul>
<b>External</b>	<ul style="list-style-type: none"> <li>– Extent to which other actors accept its operations as central to the reproduction of the wider system and orient their own actions to its reproduction <i>needs</i> (e.g., through their naturalization within system programs or decision premises as naturalized constraints or imperatives). Organizations also have a key role here through their capacity to respond to irritations and expectations of several functional systems</li> <li>– Extent to which a given system is the biggest source of external adaptive pressure on other systems (perhaps through the implications of recurrent system failures, worsening social exclusion, and positive feedback effects) and/or is more important than their respective internal pressures for system development</li> </ul>

Source: Jessop (2002)

Fourth, through these and other mechanisms, capital develops its chances of avoiding the structural constraints of other systems and their attempts at control, thereby increasing its *indifference* to the environment (see Lohmann 1991; Luhmann 1988). This holds especially for the only economic *subsystem* that has become more or less fully integrated on a global scale: international finance (Luhmann 1996). This does not mean that finance (let alone the economy more generally) can escape its overall dependence on the diverse contributions of other functional systems to its operations or, of course, from crisis-tendencies rooted in its own contradictions and dilemmas. Efforts to escape particular constraints and attempts at control can nonetheless occur through its own internal operations in time (discounting, insurance, risk management, futures, derivatives, hedge funds, etc.) or space (capital flight, relocation, outsourcing abroad, claims to extra-territoriality, etc.), through the subversion of the logic of other systems owing to the colonization of organizations central to the latter's operation by the logic of exchange value, or through simple personal corruption.

Fifth, in contrast to natural evolution, where species must adapt to or exit from their environment, social evolution may involve reflexive self-organization and efforts to redesign the environment (see Marx on the distinction between the worst 'Baumeister' and the best bee, *Capital I*: Ch 7, §1). This may extend to efforts to shape the co-evolution of organizations, systems, and, eventually, world society and to change the mode of social evolution (e.g., through extending market relations into ever more spheres of social life). Where different organizations and systems seek to adapt to and/or to change their environment, "the logic of evolutionary progress is toward ecosystems that sustain only the dominant, environment-controlling species, and its symbionts and parasites" (Bateson 1972: 451). This poses the question of the relative capacity of different organizations and systems to change their environment rather than adapt to it and the general limits of societal steering.

Sixth, the primacy of accumulation over other principles of societalization (e.g., national security, "racial" supremacy, religious fundamentalism, social solidarity) depends on the relative influence of the self-descriptions and social values of functional systems, especially as these are articulated and represented in the mass media and public sphere and in struggles for political, intellectual, and moral leadership. The importance of such self-descriptions and values may vary within generalized societal communication (everyday language and the mass media) in relation to: (a) alternative logics of societal organization; (b) secondary coding in each functional system such that economic considerations are decisive in the choice among alternatives that fit its primary function, e.g., choosing research topics, deciding what is newsworthy, calculating quality of life years in the medical system; (c) the decision premises of organizations; (d) the weight of different interests in negative coordination among organizations with different functional primacies (where such coordination aims to avoid mutual blockages in the application of their respective codes), and (e) changing public opinion. The struggle for hegemony will also be easier where social forces cross-cut functional systems and seek to harmonize their operations through positive or negative coordination. Parallel power networks are a key mechanism of system and social integration in this regard (Poulantzas 1978; Baecker 2001 & 2006). This does not mean that a hegemonic vision represents the singular identity of

[world] society. Its task is not to represent an entire society but a particular set of particular interests as the illusory interests of society (see Marx & Engels 1976; Gramsci 1971).

Seventh, the ecologically dominant system is the most important source of external adaptive pressure on other systems. In general, any increase in the complexity of one functional system increases the complexity of the environment of other systems and forces them to increase their own internal complexity in order to maintain their capacity for autopoiesis (Baraldi et al. 1998: 96). For the first four factors above, increasing internal complexity with repercussions for other systems in an emerging world society is most likely to characterize the world market. Indeed, for Wagner (2006), it is the system with the highest tendency to fail with the most significant consequences for other systems that will gain 'Primat' or, in my terms, ecological dominance. This is likely because the organizations vital for the realization of other systems' activities must secure the revenues to support their operations from the economy, either directly or indirectly (see Lange 2003: 233). This enhances the capacity of the profit-oriented, market-mediated economy to colonize other functional systems and the life-world through the logic of commodification and the adoption of net revenues as the major secondary code. Globalization has increased pressures on individual territorial states in this regard (Stichweh 2000: 195), leading to permanent irritation by economic problems (Wagner 2006: 7).

In short, the capitalist market economy, once the commodity form is generalized to all inputs into the process of production (hence to the four fictitious commodities identified above), is internally complex and flexible because of the decentralized, anarchic nature of market forces and the price mechanism's dual role as a stimulus to learning and as a flexible mechanism for allocating capital to different economic activities. Moreover, as capitalism develops, different organizations, institutions and apparatuses tend to emerge to express different moments of its contradictions, dilemmas and paradoxes and these may then interact to compensate for market failures within the framework of specific spatio-temporal fixes. Capital also develops its capacity to extend its operations in time and space (time-space distantiation) and to compress them (time-space compression), making it easier to follow its own self-expansionary logic in response to perturbations. Through these and other mechanisms it develops the capacity to escape the particular structural constraints of other systems and their attempts at control even if it cannot escape from its overall dependence on these systems' general contribution to its own operation or, of course, from the crisis-tendencies associated with its own internal contradictions and dilemmas. Attempts to escape particular constraints and particular attempts at control can occur through its own internal operations in time (discounting, insurance, risk management, futures, derivatives, etc.) or space (capital flight, relocation, extra-territoriality, etc.), through the subversion of the logic of other systems through their colonization by the commodity form, or through simple personal corruption. In certain conditions it can also win support for the primacy of accumulation over other principles of societalization in the continuing struggle for political, intellectual and moral leadership.

This all suggests that *ecological dominance* could be used productively to re-interpret the classical Marxist idea of *economic determination in the last instance*. The former was always problematic because the capitalist mode of production lacks

the autonomy (as a cause without cause) to be fully determinant in the first, medium, or last instance. But a theory of internal relations cannot explain the asymmetry entailed in the Marxist claim about the primacy of economic relations. An alternative is to suggest that capital is ecologically dominant insofar as the logic of accumulation tends to cause more problems for other systems than they cause for the expanded reproduction of capital. This does not exclude reciprocal influence from other systems as their operations and dynamic disturb, irritate, or disrupt the circuit of capital and thereby influence in turn its profit-oriented, market-mediated evolution. In turn, the resulting co-evolutionary structural drift in the shadow of ecological dominance (especially when reinforced by successful struggles over economic hegemony) can explain the nature of the *historical bloc* as a pattern of structured coherence between base and superstructure (Gramsci 1971).

Nonetheless, ecological dominance, insofar as it exists, is always contingent and historically variable. It depends on the specific properties of accumulation regimes and modes of regulation, the nature of other systems in its environment, and specific conjunctural features. Other systems and their actors will be more or less able to limit or resist commodification and to steer economic activities by imposing their own systemic priorities and modes of calculation on the economy. By way of illustration, consider the impact of a territorial state committed to an alternative principle of societalization and willing to accept the political costs of de-coupling from the world market.<sup>6</sup> Conversely, the rise or re-emergence of globalization, especially in its neo-liberal form, is important in enhancing the ecological dominance of capital by expanding the scope for accumulation to escape such constraints. In other words, the ecological dominance of capitalism is closely related to the extent to which its internal competition, internal complexity and loose coupling, capacity for reflexive self-reorganization, scope for time-space distantiation and compression, externalization of problems, and hegemonic capacities can be freed from confinement within limited ecological spaces policed by another system (such as a political system segmented into mutually exclusive sovereign territories). This is where globalization, especially in its neo-liberal form, promotes the relative ecological dominance of the capitalist economic system by expanding the scope for accumulation to escape such political constraints (Jessop 2000: 328-33). Yet this will also enhance the scope for the contradictions and dilemmas of a relatively unfettered (or disembedded) capitalism to shape the operation of other systems and may thereby undermine crucial extra-economic conditions for accumulation.

Moreover, even when conditions do favor the long-term ecological dominance of the capitalist economy, other systems may gain short-term primacy in response to crises elsewhere. For no individual system represents, or can substitute for, the whole. Each autopoietic system is both operationally autonomous and substantively interdependent with other systems. Even an ecologically dominant system depends on the socially adequate performance of other systems and a

6 To avoid any misunderstanding, this statement does not entail that the state and capital are fully autonomous entities and that the state is therefore able to intervene from a position wholly outside what is an exclusively economic circuit of capital to suspend what would otherwise be the full realization of its purely economic laws of motion. It is merely intended to emphasize that the reproduction of capitalism always depends on appropriate extra-economic conditions and that its tendencies are only fully realized to the extent that 'accumulation for the sake of accumulation' is established as the dominant principle of societalization.

normally subordinate system may become dominant in exceptional circumstances. This would occur to the extent that solving a non-economic crisis becomes the most pressing problem for the successful reproduction of all systems – including the capitalist economy. For example, during major wars or preparations for them, states may try to plan or guide the economy in the light of perceived military-political needs. This can also be seen in Cold War national security states (for example, Taiwan, South Korea). After such states of emergency have ended, however, the primacy of accumulation is likely to be re-asserted. This does not exclude path-dependent traces of such exceptional conditions in the normally dominant system (for example, the distinctive features of peacetime war economies or legacies of total war on post-war economic trajectories). But, even given such path-dependency, the *quasi-transcendental meta-code*<sup>7</sup> of the ecologically dominant system will still impact more on other systems' development in the multilateral process of structural coupling and co-evolution than they can on it.

## 8. The Ecological Dominance of Financial Capital over other Fractions of Capital

At the level of the world market, which is the crucial practical and analytical horizon of contemporary capitalism, these ideas can be applied to the contingent ecological dominance of financial capital within the capital relation, which is the ecologically dominant institutional order in world society. World market integration has enhanced the likelihood (without guaranteeing) of the ecological dominance of profit-oriented, market-mediated differential accumulation. This is not the same as claiming that the economic system is ecologically dominant. For, as Marx, Weber, Polanyi, and Luhmann in their different ways indicate, in pre-capitalist societies, economic activities are embedded in the wider social formation; and, at least in stable capitalist market economies, the market is embedded in market society. In this sense, what becomes ecologically dominant is a tightly coupled nexus of functional systems (minimally the economy, law, and politics) that, through structural coupling, blind co-evolution, structural drift, and strategic coordination, is organized around the logic of differential accumulation but is also shaped by legal and political calculation. Thus, when I talk of the ecological dominance of the economic system in world society, this is the initial sense of this statement. I want to add further that this ecological dominance is stronger, the more the world market is integrated in real time and the more that it is organized in the shadow of neo-liberalism. For neo-liberalism one-sidedly emphasizes the exchange-value over the use-value moments of the various forms of the capital relation and, thereby, one-sidedly promotes marketization and monetization over the elements that Polanyi would have considered under the rubric of substantive provisioning.

Neo-liberalism promotes the opening of the world market and reduces the frictions introduced by national *power containers*. It reinforces the dominance of the exchange-value moment of the various forms of the capital relation and frees money capital as the most abstract expression of the capital relation to move at will within the world market to maximize opportunities for profit (Jessop 2002).

7 This apt phrase comes from Blühdorn's commentary on Luhmann even though he does not acknowledge Luhmann's own contribution to the analysis of ecological dominance (2000: 351).

Liberalization, de-regulation, privatization, administrative commodification, internationalization, and the lowering of direct taxes all boost the scope for internal variation and selection in the profit-oriented, market-mediated economy. Neoliberalism seeks to open and extend the world market and reduce the frictions of national *power containers* and weaken capacities to resist accumulation from within (class struggle) and/or in terms of alternative 'Vergesellschaftungsprinzipien'. It reinforces the dominance of the exchange-value moment of the various forms of the capital relation (at the cost of wage-labor) and frees money capital as the most abstract expression of the capital relation to move relatively unhindered within the world market to maximize opportunities for profit (Jessop 2002). Combined with an emphasis on shareholder value, this particularly benefits hypermobile financial capital, which controls the most liquid, abstract, and generalized capitalist resource, reinforcing its competitiveness and ratcheting up its ability to displace and defer problems onto other economic actors and interests, other systems, and the natural environment. Yet this will also enhance the scope for the contradictions and dilemmas of a relatively unfettered (or disembedded) capitalism to shape the operation of other systems and may thereby undermine crucial extra-economic conditions for accumulation. Finance-dominated accumulation militates against the long-term structured coherence of accumulation regimes and their modes of regulation. It weakens the spatio-temporal fixes with which regimes based on the primacy of productive capital manage the contradictions between fixity and motion in order to produce zones of relative stability by deferring and displacing their effects. This can be seen in the impact of financialization not only in the circuits of Atlantic Fordism (including the Eurozone) but also in the export-oriented economies of East Asian and the viability of import-substitution industrialization in Latin America and Africa. The destructive impact of financialization in this regard is reinforced through the neo-liberal approach to accumulation through dispossession (especially the politically-licensed plundering of public assets and the intellectual commons) and the dynamic of uneven development (enabling financial capital to move on when the disastrous effects of financialization weaken those productive capitals that have to be valorized in particular times and places). It is also supported by the growing markets opened for the *symbionts and parasites* of the ecologically dominant fractions of capital in their heartlands – associated in turn with their own forms of uneven development on regional, national, and global scales.

Even though the global neo-liberal highpoint has passed in terms of elite consensus (let alone popular support), this has not reversed the ecological dominance of the logic of neo-liberalism within the context of capital accumulation on a world scale that is ecological dominant in relation to world society. This reflects the continuing ecological dominance of the American economy within the world market and the ecological dominance of this market within the overall development of world society. In other words, the pursuit of neo-liberalism on a global scale can cause more problems for other urban, regional, national, and supra-regional economies than other economic strategies can cause for neo-liberalism in a deregulated global economy; and the overall logic of the world market, organized in the shadow of neo-liberalism, causes more problems for other systems and the lifeworld than they can cause for the economy.

Yet the logic of financialization, especially the accumulation of fictitious capital, can only restrict the operation of economic determination in the first instance (i.e., the primacy of productive capital) in the short- to medium-term. Eventually the latter will trigger the forcible re-imposition of the unity of the circuit of capital through the destruction of fictitious capital, deleveraging, and deflation. Indeed, the longer financial capital is ecologically dominant in the circuits of capital (and their extension into social fields previously not subordinated to the logic of profit-oriented, market-mediated accumulation), the bigger the fall and the more negative the effects of its failure. Indeed, a key aspect of ecological dominance is the effects (which one could interpret as the duration, depth, and scope) of the failure of the ecologically dominant system. Five years into the global recession, these negative effects remain severe as capital's contradictions operate globally and produce contagion effects in other institutional orders in world society.

## 9. Rethinking Market Society – or the Limits of Marketization

Capital accumulation in its pure form occurs where the key inputs into capitalist production take the form of (perhaps fictitious) commodities; where there is effective capitalist control over labor-power in production; where the non-economic social and material environment is sufficiently stable to enable enterprises to orient their activities to opportunities for profit; and where profits can be realized and re-invested in a new round of capitalist production. But this does not mean capitalist societies involve no more than market relations. For the universal spread of the commodity form and the resulting dominance of market forces and profit-and-loss calculation throughout society has been (and regularly does prove) self-destructive.

For accumulation always and everywhere depends on a precarious balance between commodity relations and other forms of social organization. This dependence generates a complex, conflictual, and contradictory process involving recurrent shifts in the relative weight of commodification, decommodification, and recommodification (see Offe 1984). This raises the question of how far, and under what conditions, market forces (and their profit-seeking logic) can fully penetrate the social world.

There are four interrelated ways in which market forces and profit-seeking can come to dominate society – as opposed to being a secondary aspect of social relations. First, the commodity form and the logic of exchange can be extended to labor, land, and money (Polanyi 1957: 68-9) and then into new spheres of social life. Neo-liberalism, for example, (re-)commodifies political, educational, health, welfare, scientific, and other activities to organize them as businesses that exploit opportunities for profit without regard to possible extra-economic costs and benefits. Second, even domains or activities that, for whatever reason, retain a primarily non-commercial orientation can acquire a secondary economic coding. This occurs when choices among formally non-commercial activities are influenced by *profit-and-loss* or economic *cost-benefit* calculations. Polanyi noted this for nineteenth century liberalism (Polanyi 1957: 33-34) and the same tendency can be seen in neo-liberalism, where educational, health, scientific, and other



decision-makers are pressured to assess how their activities impact financially on the individual, organizational, and institutional levels and/or the (perceived or socially constructed) imperatives of a strong, internationally competitive economy. Third, the superior dynamism and reach of a globalizing capitalist economy may cause more problems substantively for other systems than they cause for it. In other words, in the multilateral structural coupling of systems, other systems adjust more to the logic of capital than the capitalist economy incurs costs in adjusting to them. This asymmetrical interdependence among institutional orders is rooted in capital's greater capacity to escape the constraints and controls of other systems. This can occur through its own internal operations in time (discounting, insurance, risk management, futures, etc.) or space (capital flight, relocation, extra-territoriality, etc.) or through attempts to corrupt or commodify these systems. Fourth, a successful hegemonic project may establish accumulation as the dominant principle of societal organization. This is seen in the increasing demand to accept that global competition requires wholesale restructuring of any economic or *extra-economic* organizations and institutions that may affect competitiveness.

These tendencies have their own particular bases and may even partly counteract each other. The first is rooted in the search to establish and extend the bases of a self-regulating market economy and find new sources of valorization; the second in attempts to impose the economizing, profit-seeking logic of accumulation on other systems that are not (or cannot be) fully integrated into the market economy; the third in the evolutionary logic of structural coupling or co-evolution; and the fourth in struggles for hegemony and/or in asymmetric interactions between capitalism and other orders. When all four tendencies are mutually reinforcing, the market economy can be consolidated in a market society. Thus, as Polanyi puts it, consolidating the market mechanism "means no less than the running of society as an adjunct to the market" such that "society must be shaped in such a manner as to allow that system to function according to its own laws" (Polanyi 1957: 57).

Approaching capitalist societalization in these terms enables us to identify sources of resistance to capitalist dominance, domination and hegemony. Each tendency has its own limits and counter-tendencies and is linked to its own form(s) of resistance. First, insofar as valorization dominates different domains, class struggles proper can develop. This happens not only in the capitalist economy narrowly seen – the main field of the economic class struggle between capital and labor – but also in various extra-economic contexts linked to capitalist exploitation. Moreover, if commodification is pushed beyond certain limits, *market failure* will threaten capital accumulation as a whole. Second, where another system code or non-class identities remain primary, the imposition of profitability as a secondary code may be resisted. For institutional orders and social relations outside the immediate logic of valorization typically have their own values and norms, bases of social inclusion or exclusion, their own forms of structured conflict, and so forth. This tendency is also structurally limited by market failures (e.g., the continuing limits to the commodification of information and knowledge) and the repercussions of the market economy on social cohesion. Third, attempts to establish capitalist hegemony often provoke counter-struggles to resist the

claim that accumulation is the key precondition for realizing other social goals. This takes us well beyond actions to modify or challenge system logics to include the lifeworld, which, with its wide range of identities, values and interests, can be a major source of resistance to (as well as site for struggles to establish) bourgeois hegemony. This argument can be taken further not only by noting the different economic and political programs and ethico-political visions into which economic liberalism is articulated but also by considering the range of counter-hegemonic projects that can be developed to resist the onward march of liberalism. For, if society's fightback is to move beyond dispersed, disorganized, and mutually contradictory struggles, attention must be paid to the ways in which *society* acquires a relative unity and cohesion in resisting capital's unhampered logic. For the reaction of society to the destructive impact of liberal market forces is not conducted merely in terms of sectional interests but in the name of the general interest of society as a whole.

The remaining sites and stakes of resistance to capitalism are less suited to a simple class analysis (see Table 3). They often involve conflicts over the very principle of accumulation itself rather than over class interests within capitalism. They involve both the extension of the logic of capital to other spheres and attempts to establish bourgeois hegemony over society as a whole. Such conflicts often mobilize popular movements organized around issues of social exclusion and marginalization and/or *elite* social movements concerned to realign diverse institutional orders, identities and interests. *Civil society* can become a major stake in many of these conflicts. It is the site both of colonizing struggles to integrate civil society more effectively into the service of one or another specific institutional order (for example, through commodification, juridification, scientization, the rise of the *learning society*, politicization, militarization, etc.) and also of struggles to resist and roll back such colonization attempts in defense of identities and interests that lie outside and/or cross-cut them (for example, class, gender, sexual orientation, “race”, nation, stage in the life-course, disability, citizenship, human rights, or the environment). In this sense, popular or elite movements organized around extra-economic institutional orders, with their own modes of domination and exclusion and their own politics of identity and difference, have no necessary class belonging (Laclau 1977). But they still have a conjuncturally determined – thus hard to calculate and provisional – class relevance.

The opposite problem occurs as ostensibly non-class movements (such as feminism or anti-racist movements) seek to calculate the strategic or tactical value of alliances with class-based or primarily class-relevant movements. All such struggles involve serious strategic dilemmas. These include the relative weight to be attached to different bases of mobilization in broad coalitions; and the risks of political fragmentation when there are no attempts to build lasting coalitions by linking many such bases (Poulantzas 1978). The struggle to establish accumulation as a dominant/hegemonic principle of societalization typically extends well beyond class struggles, even broadly understood.

**Table 3: Bases of Capitalist Societalization and Resistance Thereto**

<b>Base of Bourgeois Societalization</b>	<b>Mode of Resistance</b>	<b>Typical Actors Mobilized For or Against this Basis</b>
Development of market  <i>Fictitious</i> commodification and imposition of the value form in economic relations	Class struggles in their proper sense — including struggles against extra-economic conditions for the dominance of value forms	a) Individuals and/or collectivities with class identities b) Other social forces whose struggles are relevant to consolidation of this basis
Imposition of <i>economizing</i> logic in non-economic areas	Struggles for the primacy of other modes of calculation	Various social categories identified with and/or supportive of other values and modes of calculation
Ecological dominance of capitalist economy	Struggles to privilege the operational logic of some other system or systems	Advocates of other logics (e.g., legality, military security, health, religion)
Economic hegemony of a given accumulation strategy	Struggles to consolidate a counter-hegemonic project that prioritizes values other than the logic of permanent capitalist expansion	Forces based in 'lifeworld' allied with social categories from non-economic systems and with subordinate social classes.  Such struggles may become the basis for a new hegemonic bloc, i.e., a durable alliance based on alternative hegemonic project

Source: Jessop (2002)

## 10. Conclusions

Even though the global neo-liberal highpoint has passed in terms of elite consensus (let alone popular support), this has not reversed the ecological dominance of the logic of neo-liberalism within the context of capital accumulation on a world scale that is ecologically dominant in relation to world society. This reflects the continuing ecological dominance – which should not be confused with economic, political, or intellectual hegemony – of the American economy (and its pathological co-dependence with China) within the world market and the ecological dominance of this market within the overall development of world society. In other words, the pursuit of neo-liberalism on a global scale can cause more problems for other urban, regional, national, and supra-regional economies than other economic strategies can cause for neo-liberalism in a deregulated global economy; and the overall logic of the world market, organized in the shadow of neo-liberalism, causes more problems for other systems and the lifeworld than they can cause for the economy.

István Mészáros expands on this incisively:

[...] capital is not a "material entity" – let alone a rationally controllable "mechanism" [...] – but an *ultimately uncontrollable mode of social metabolic control*. [...] One cannot think of a more inexorably all-engulfing – and in that important sense "*totalitarian*" – system of control than the globally dominant capital system. For the latter blindly subjects to the same imperatives health care no less than commerce, education no less than agriculture, art no less than manufacturing industry, ruthless superimposing its own criteria of visibility on everything, from the smallest units of its "microcosm" to the most gigantic transnational enterprises, and from the most intimate personal relations to the most complex decision-making processes of industry-wide monopolies, favoring always the strong against the weak. [...] the price that must be paid for this incommensurable totalizing dynamism is, paradoxically, the *loss of control* over the decision-making processes (Mészáros 1995: 41).

This presentation has introduced a new vocabulary and theoretical approach to dealing with issues of economic determination and has highlighted the potential of the notion of ecological dominance in exploring aspects of economization and marketization and to interpreting the impact of neo-liberalism. I have suggested that the logic of roll-back neo-liberalism is still ecologically dominant at the level of the world market even though it is in retreat at other levels (with the significant exception of the USA) in favor of a roll-forward neo-liberalism flanked and supported by other mechanisms to maintain and reinvigorate the momentum of neo-liberal restructuring in the subset of neo-liberal regimes. Given the nature of ecological dominance, I suspect that it will be far more difficult to *roll-back* neo-liberalism on a world scale and/or to tame it through new forms of roll-forward neo-liberalism on a world scale than has been the case to date in particular national states where mechanisms of political accountability through normal forms of bourgeois politics still operate. Indeed, it should be a major concern that the ecological dominance of neo-liberalism may be ended by the ecological dominance of the natural environment in a period of growing environmental crisis. To use Polanyi's language, it is not only *society* that is fighting back – *nature* also appears to be mobilizing against neo-liberalism and the more general logic of capital accumulation. As yet, however, there is no unified struggle against neo-liberalism or the logic of accumulation on a world scale; and there is no common global space for a unified struggle.

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Uwe Schimank & Ute Volkmann

## **Economizing and Marketization in a Functionally Differentiated Capitalist Society – A Theoretical Conceptualization<sup>1</sup>**

The marketization of contemporary society, especially of non-economic sub-systems such as health care, education, art, or science, has been a hot topic of public debates as well as a subject of many empirical studies. Some of the relevant keywords of political discussions are *liberalization*, *deregulation*, *privatization*, *managerialism*, *new public management*, *entrepreneurialism* and, above all, *neoliberalism* (Mudge 2008). These phrases do not all mean the same but have considerable overlaps, and their common denominator appears to be marketization. Since the market as a basic governance mechanism is primarily associated with the economic sub-system of modern society, marketization can be seen as the means by which other societal sub-systems are subjected to a deliberate policy of economizing. In other words, economizing can be understood as an increasing importance of economic considerations for financial profits and costs in particular societal sub-systems or even society-wide; and the major mechanism which exerts a corresponding pressure on service providers is to expose them to market forces.<sup>2</sup>

From the perspective of a Marxist theory of modern society marketization and economizing are not at all surprising. Because the capitalist economy is the center of society which dominates all other sub-systems it seems to be only natural that it extends its influence to the rest of society. *Commodification* is the Marxist term for this basic dynamic of capitalism. To be sure, Marxist theory knows that a totalization of *commodification* would ultimately bring about the breakdown of capitalism because this societal formation depends for its very survival on certain crucial non-capitalist elements (Offe 1972). As is well known, the *anarchy* of ego-centered capitalist actors needs a corrective by the state which has to act as the representative of the capitalists' collective needs ('ideeller Gesamtkapitalist'), thereby in effect saving capitalism from itself. The enforcement of legal rules of economic transactions as well as the implementation of social policy to counterbalance an over-exploitation of workers are two of these critical pre-conditions of the sustainability of capitalism which cannot be produced by capitalist actors themselves but, on the contrary, must continually be rescued from their attacks. That rigorous apologists of capitalism such as Friedrich von Hayek, Milton Friedman and other more recent *neoliberals* again and again demand to abandon with social policy and even seriously consider to hand over law enforcement to profit-seeking firms is one prominent expression of this hybrid of the spirit of capitalism which has to be subjugated by *beneficial constraints* (Streeck 1998). So on the one hand, the state serves as the final rescuer of capitalist actors from their self-destructive impulse. On the other hand, within these limits it disciplines the rest of society to avoid or stop doing anything which

1 This is a revised version of a paper presented at the SASE meeting 2011 in Madrid.

2 We do not deal here with the economizing of the person which is discussed as the "entrepreneurial self" (Bröckling 2007 – authors' translation). This is a topic of its own, although strongly related to our topic here.

might disturb or severely hinder profit-making activities. Here it is where economizing pressures fit into the Marxist perspective. Social policy, for instance, although functionally necessary, is not supposed to eat up too much money from the capitalists' profits; on the contrary, social policy should be made available as a new field of profit-making, for instance for financial market speculations of pension funds. Without going into more details we admit that there are a number of important and correct observations in such an analysis of marketization and economizing. However, in addition to quite a few dubious theoretical premises and refuted predictions of Marxism as a theory of society which have been exposed by its critical discussion for a long time and which we do not share there is another reason for looking for a different theoretical perspective. Exactly because it is so easy and quickly done to explain marketization by a Marxist perspective this perspective misses essential points of this phenomenon. In a sense, we go analytically to the other extreme and choose the theory of societal differentiation because in this analytical framework marketization has no place reserved for it a priori. On the contrary, a proper theoretical understanding of marketization in a functionally differentiated society is difficult to reach; but the gains from an effort to take on this burden are worth it as we will try to show in this paper.

The paper is divided into four parts. In the first part we introduce an understanding of modern society as functionally differentiated and show how economizing pressure on its non-economic sub-systems can arise. In the second part, we conceive a scale of economizing pressure which rests on service providers in non-economic sub-systems and shapes their performance. In the third part, we distinguish basic means of economizing – with marketization prominent among them – and explore, mainly referring to the German case, how important they are or have recently become in the different non-economic societal sub-systems. Finally, in the fourth part of the paper we explore the effects of economizing on the performance of the non-economic societal sub-systems and present, just as a starting point, an inductive catalogue of both diverse dysfunctions and functions.

As this exposition already shows this paper is an attempt of building a general theory of economizing and marketization dynamics in functionally differentiated modern society. As things are now, empirical material serves only for illustrative purposes; a systematic overview of existing research as well as further research will be necessary. But we hope that the perspective we elaborate can be fruitfully used to systematize already existing empirical findings and stimulate further empirical work.

## 1. Functional Differentiation and Economizing Pressure

The theory of economizing and marketization presented here is based on an understanding of modern society as functionally differentiated. Our variant of this theoretical perspective has two important features which we make explicit at the outset to avoid any misunderstandings (Schimank 2005). First of all, our analytical focus is the level of *sub-system differentiation*, not the level of role differentiation prominent in the works of Emile Durkheim or Georg Simmel. We are interested in role differentiation only where it is part of the differentiation of sub-systems or, as Max Weber (1919: 43) calls them, *value spheres*. Secondly, although we use

several concepts from Niklas Luhmann's (1997) version of differentiation theory our understanding of functional differentiation is decidedly not based on systems theory but *actor-based*. Accordingly, societal sub-systems are not entities capable of operating on their own; instead of possessing *moving, active* causal power, their causal force is actually based in their inertia. It consists of a *passive*, structural shaping of the action space of those persons or organizations acting within their domain and – highlighted by Pierre Bourdieu's (1992: 360-365) concept of 'illusio' – under their spell.<sup>3</sup>

As the notion of *value sphere* already suggests, a societal sub-system is the most general and supreme evaluative orientation of action, the 'summum bonum' within the sub-universe of meaning constituted by the respective value – such as truth in science, power in politics, love in intimate relations, or profit in the economy. In other words, an actor who acts within a particular sub-system knows without any doubt the direction into which all its striving is supposed to go; and as long as the actor does not leave this sub-system he knows that he can cultivate a *legitimate indifference* (Tyrell 1978: 183 – authors' translation) to any other concern even though it may be the 'summum bonum' in one of the other sub-systems. In this way, each sub-system is an autonomous universe of meaning. Its overriding general value is operationalized by more specific program structures which provide the actor with instructive evaluative, normative, and cognitive orientations. For instance, what pursuit of truth means in science is specified for each concrete research situation by relevant theories, methodologies, the existing stock of valid empirical data, etc.

As a whole, functionally differentiated modern society is a *poly-centric order* – Weber (1919: 27-28) spoke graphically of *polytheism* – which consists of about a dozen autonomous sub-systems constituted as self-referential *value spheres*: economy, politics, law, the military, religion, science, art, journalism, education, health care, sports, and intimate relations. This is no fixed list, as in Talcott Parsons' *AGIL* scheme, although until today none of these sub-systems which emerged at different times since the beginning of modernity disappeared. What does no longer exist in a functionally differentiated society is an all-encompassing society-wide one and only 'summum one', such as the religious ideas provided by Catholicism in the European Middle Ages. In this sense, modern society has no substantial identity; its paradoxical identity consists precisely in the irreducible plurality of sub-systemic partial identities each of which makes itself into an absolute.

Despite this profound mutual indifference between activities in the different sub-systems, there are strong mutual interdependencies as well as an overall dependence of individual members of society on all sub-systems' performance. This is a consequence of the rigorous specialization of action within each *value sphere*. For instance, the scientific search for truth takes for granted that it occurs in a societal context of peace guaranteed by the military and prosperity provided for by the economy; in addition, it needs the services of the educational and health care systems with respect to well-educated and healthy personnel. In turn, scientific truths are applied in all other sub-systems; indeed, the technological innovations on which economic growth or the improvements of medical care rest are impossible to realize

3 See more generally Elder-Vass (2010: 4) about these two kinds of causal powers.

without scientific progress. The same *give and take* could be shown for all other sub-systems. Thus, functional differentiation indeed establishes a very advanced *division of labor* among sub-systemic activities. These activities are in fact services which are provided by a sub-systems' individual and corporate actors – its service providers such as lawyers and courts in the legal system – to their users. The latter consists of, firstly, individual members of society in specific complementary roles such as complainant or witness with regard to the legal system or student vis-à-vis the educational system. In all of these roles individuals are the end-users of the sub-systems' services. The second group of users are service providers of other sub-systems who need specific services to produce their own, such as politicians who need journalists to tell them about public issues and political moods among their electorates.

The critical aspect of the sub-systemic division of labor consists in the fact that – as already explained – service providers are totally under the spell of their sub-system's guiding value and therefore have a decidedly one-sided view on this division of labor. From the point of view of any service provider of a particular sub-system, its counterparts in the other sub-systems should perform in a way which perfectly serves its own needs which are determined by its sub-system's guiding value. However, their counterparts want to pay attention only to their respective guiding values, too. To counter this universal reluctance to cooperate while cooperation of the others is demanded, each sub-system's program structure has – around its inner core of self-referential orientations guided by its own value – an outer circle of other-referential orientations. Thus, the scientific search for truth is not only oriented by self-produced theories and methodologies but also, among other things, by laws which prohibit research which is dangerous to the researchers' or their experimental subjects' health or by funding schemes which are incentives to do research on subjects of interest to industrial firms or the military. To repeat, caring for health or economic or military considerations would never voluntarily come to mind of a researcher totally identifying herself with the 'illusio' of science. As a consequence, such other-referential programs of sub-systemic performance have to be enforced upon its actors by pressures from the actors of the respective other sub-systems, or from individuals as end-users.

However, some of the service-producers of a sub-system are to a smaller or larger extent open to such external demands. As Bourdieu (1992) reminds us, the picture of functional differentiation drawn so far pays attention only to the service providers on the *autonomous pole* of a societal sub-system. But there is another, a *worldly pole* in each sub-system. Here actors make concessions to other-referential guiding values of their actions, for instance to application-oriented scientific research or to commercial art. The antagonism of *autonomous* and *worldly pole* produces continual tensions between which actors in the sub-system are torn; only exceptional figures such as the artist Pablo Picasso who belonged in his lifetime to the avant-garde and still earned a lot of money find a balance in-between both poles. Whereas service providers drawn towards the *autonomous pole* are respected by others for maintaining the *ethos* of their sub-system up to the point of being distinguished *true believers*, those who tend towards the *worldly pole* are typically gratified by applause from users and higher, or at least more secure, personal incomes.

The existence of the *worldly pole* – which is neglected by Luhmann as well as by Weber – already points to the special role of the economy in the ensemble of sub-systems of poly-centric modern society. To be sure, the other-referentiality of orientations might refer to any one of the other *value spheres* such as politics, or to values which do not constitute a *value sphere* of their own such as freedom or equality. But mainly economic considerations attract attention at the *worldly pole*. This is no coincidence due to the fact that the emergence of the capitalist economy established a specific society-wide predominance of its concerns.

To make a long, complicated argument about the *societal primacy of the capitalist economy* short (Schimank 2009), against Parsons' and Luhmann's insistence that it is just one sub-system of modern society among others, no more important than, for example, science or even sports it can be argued that the god of profit-making has structurally-anchored privileges in the polytheistic ensemble of modern society's sub-systems. In order to exorcise Marxism as a simplistic *kindergarten level*<sup>4</sup> of theories of modern society, Parsons and Luhmann declare all sub-systems to be equal and justify this assumption by the indispensability of each of them. Modern society is unthinkable without its legal system, or political system, or educational system, or science system, and none can be substituted by others. This is certainly true for almost all sub-systems;<sup>5</sup> but does it logically imply, as Parsons and Luhmann think, that none of them can dominate modern society?

A closer look reveals that with the functional differentiation of modern society there emerged one sub-system – the economy – whose inherent dynamics bring about a permanent irresistible pressure on all other sub-systems to subordinate their performance to its functional needs and, as a consequence, to its massive negative externalities as well. The economy's inherent dynamics are characterized by its very easy disruptability by all kinds of forces coming from inside and outside of it. This endemic lack of stability is due to the economy's central governance mechanism: the *market* (Czada 2007; Aspers & Beckert 2008). It has only a weak capacity of order-building, compared to other governance mechanisms such as hierarchy, community, or networks. While this is highly functional for many performance characteristics of the market such as responsiveness to demands, flexibility of supply and, above all, a competition-driven never-ending motivation to improve performance by innovations and other means. The other side of the coin is a mimosa-like nervousness of market actors which manifests itself in sudden market turbulences or fatal deviation amplifications such as inflations or downswings. In addition, even the normal workings of the capitalist economy bring about negative externalities such as ecological problems or a level of social inequality perceived as unjust and giving rise to various kinds of social unrest – problems which often worsen in times of economic crisis. To use an analogy, the role of the capitalist economy in the ensemble of societal sub-systems is similar to a father who is the chronically ill and troublesome bread-earner of his family and whose condition forces all other family members to great and anticipatory concessions and compensations.

4 That was Parsons' (1966: 174) expression.

5 Possible exceptions are sports and, perhaps, religion.

The medium by which the society-wide pressure of the economy is exerted is *money*. Contrary to what Parsons and Luhmann state, money is not just the generalized exchange medium of the economy but penetrates deeply all other societal sub-systems (Deutschmann 1999; Paul 2004). The structural asymmetry which constitutes the economy's dominant position within functionally differentiated society consists in the fact that money is needed in all sub-systems but is supplied only by the economy. In all other societal sub-systems performance is totally or to a very large extent based on factors of production bought for money, especially wage labor; and for the payment of these factors of production a continual inflow of money is required. The ultimate source of this money is the economy. Although, for instance, schools or museums are paid for by the state and partly by fees from their customers, both of these service providers get their money from economic actors. The state acquires its finances as taxes from firms and other traders, employees, and consumers; and individuals earn money as employees of firms and other employers and via transfer payments from the state, and they spend it as users of the various sub-systems' services – not just as consumers of the economy who pay the prices of goods but also, for example, as visitors of museums who pay the entrance fees or as clients of lawyers.

In this way, all money flows can be traced back to the economy. This corresponds to the fact that money, as a medium of social influence, is unmatched with regard to the generalization of its scope of use (Simmel 1900). Compared to legitimate power which is bound to territories, substantial issues, and authorized positions, money can be used much more freely. Scientific truths, as persuasive appeals, are strictly specified to their substantial realms. Another medium of influence, love, can demand almost everything from a lover – but only from her or him. In contrast, with money anyone can buy almost anything, at any time, from anyone else. This very high level of generalization is a precondition of the penetration of all other societal sub-systems by money – more accurately, of their dependence on money.

Thus, in general our perspective of differentiation theory comes to basically the same conclusion as Marxist theory: the functional needs of capitalist economy dominate modern society. However, we see not only a different mechanism at work but also a different balance of power between the economy and other societal sub-systems; and we see no inevitable dynamics in the direction of an ultimate crisis. Whereas the Marxist conception takes the societal dominance of the capitalist economy as its analytical starting-point and concedes then, in the second place, a *relative autonomy* (Poulantzas 1968) to other societal sub-systems, differentiation theory takes the opposite stand: functional differentiation means, first of all, each sub-system's principal autonomy so that economic orientations have their legitimate place within the economy and nowhere else. In particular, they have no legitimacy to push aside the 'summum bonum' of other sub-systems such as health care or science. Still, because performance in all of these sub-systems depends critically upon money and because this money comes, either directly or indirectly – as payments from the state or from clients – from the economy these sub-systems' service providers all are highly sensitive to the economy's overall state. When the business climate is good everything is quite well for hospitals, museums, or universities – but when there is an economic depression they all suffer from

pressures to economize; and the stronger these pressures become, the more they impede the orientation of the sub-system's service providers to its own 'summum bonum' and bend their activities towards economic considerations.

What Marxism cannot grasp, but what is an essential element of the account of these matters given by differentiation theory, is the profound illegitimacy of such occurrences of economizing in the eyes of the service providers of the non-economic societal sub-systems as well as the users of their services. Economizing pressures are not just annoyances which have to be endured like so many others – these pressures are special in the sense that they deny intrinsic values associated with modernity and fundamental rights based on them. According to modern society's self-understanding, economic considerations are, strictly speaking, forbidden when serious concerns of health care, scientific knowledge production, artistic creativity, or education are at stake. In other words, economic concerns should not dictate in the final instance what is possible or impossible in these matters. But although economizing is seen as a scandalous imposition by service providers in these other societal sub-systems, again and again they are confronted with it and have to cope with it somehow.

In addition to this there is a second major shortcoming of the Marxist approach to economizing. As we cannot spell out in detail in this paper but will at least illustrate by some of the examples we will use it makes a difference whether economizing pressures affect science, or the legal system, or religion, to name just these three sub-systems. In other words, there are specificities of each of these societal sub-systems related to the nature of their guiding value and the corresponding service they provide, and these specificities refer not only to the effects of economizing pressures but also to the goals and means of economizing and to the conditions under which economizing takes place. At least, to expect such differences of goals, means, and effects is a general heuristic idea from differentiation theory; moreover, by taking a closer look at the constitution of each sub-system this general conjecture could be specified to some extent. Marxism is unable to pay attention to this variety of sub-systems because it largely lacks any theoretical concepts with which to grasp the differences between, for example, art and science or journalism and education. In other words, it has a *one size fits all* approach to the non-economic parts of society which neglects important specificities.

A shorthand formulation of both advantages of differentiation theory over Marxism is that the latter is a theory of society which operates with an under-complex binary distinction of economic/non-economic; and in the non-economic sphere everything is lumped together without further distinctions drawn. Or more precisely, what there is of such further distinctions – between religion, for instance, and art, or science – is of second- or third-order importance for the theoretical framework of a Marxist understanding of modern society because, basically, it is the economy that matters, and nothing else. Differentiation theory, in contrast, starts with about a dozen distinctions as the essential ensemble which makes up functional differentiation; and this makes it possible to treat the special role of the economy and the situations of all other sub-systems shaped by this special role in a really differentiated manner.

Based on this general perspective on modern society, we proceed in our analysis by now taking a closer look at economizing.

## 2. Goals and Levels of Economizing

As the keywords mentioned at the beginning already suggest, there is no precise understanding of economizing in public debates. Many concrete phenomena are subsumed under this cloudy heading. Moreover, three rather different aspects of economizing – goals, means, and functions – are often not distinguished:

- Economizing stands for one of two goals which have to be reached by a particular activity such as the provision of health care services: either reduction of costs or increase of profits. Both goals can be formulated in a quite unequivocal, quantified manner.
- In principle, each of these goals might be reached by manifold means or combinations of means. A number of them, but not all of them, are measures of marketization. For instance, the installment of a strong hospital manager who enforces a new cost-consciousness among medical doctors does not rely on market mechanisms but on hierarchical power whereas salary increases for those heads of wards who achieve the most cost-reductions are a measure of marketization because they establish a market-like competition for financial incentives. The causal links between a specific means and the attainment of the respective goal of cost-reduction or profit-making are often quite uncertain although actors who implement these means usually are convinced of their effectiveness.
- Both goals are no ends in themselves but are meant to bring about several functional outcomes of the respective activity. Among other things, cost-reductions shall regain a new room to maneuver to a hospital with regard to the accomplishment of its mission of helping patients; and profit-making is supposed to make an organization more responsive to the articulated demands of its clients. In this way, quite a number of positive functions are postulated by the proponents of economizing whereas its opponents attribute predominantly dysfunctional effects to it. Again, the causal links between cost-reduction or profit-making, on the one hand, and the claimed functions and dysfunctions are frequently quite unclear.

As functions and means of economizing must be seen in relation to its goals we turn to them now and ask, in particular, how profits and costs related to each other.

To begin with, profits are incomes minus costs. In this sense, a stable income results in higher profits if costs are reduced. On the other hand, if costs exceed incomes, losses are made; in this situation, the first goal to be reached is to reduce losses by the reduction of costs or by a higher income. Having in mind these basic links between costs and incomes, on the one hand, and losses and profits, on the other, we find it useful for a more precise theoretical conceptualization to distinguish *five levels of economizing* which range from an avoidance of losses by cost-reductions to rigorous profit-making.<sup>6</sup>

6 For an earlier formulation of these levels see Schimank & Volkmann (2008: 385-386).



- On level 1, the service providers show no considerations for costs and losses, not to speak of profits. In the non-economic sub-systems of society, these actors are positioned at the autonomous pole. Whatever they perceive to be necessary in the name of health care, science, or art can somehow be financed. The money needed for an optimal performance is provided somehow. This may sound like the land of milk and honey; but those elder hospital doctors or social workers who had their jobs already twenty-five years before now still remember the times when they did not know and, moreover, did not care about what certain treatments of their patients or measures for their clients did cost, and whether there were less expensive alternatives. Thus, there were times when the economizing pressure on these other sub-systems amounted to zero or was at least so low that it was virtually not felt by those who decided in matters of sub-systemic performance. If more money was spent than was provided for in the budget, these losses were compensated afterwards by the respective financial backer, most often the state.
- On level 2, considerations for costs are moderately demanded. Typically, this happens if repeated significant losses occur which the financial backer is not willing to tolerate any longer. However, no compromises with respect to the sub-system's 'summum bonum' are called for. If the director of a state-financed museum, for example, insists on a very expensive exhibition of avant-garde art by pointing out its merits with respect to the art world this is accepted. So, if superior criteria of the respective value sphere are put forward, cost considerations are overruled. What is wanted from the service providers of the non-economic societal sub-systems is only that, if they have the alternative between two measures of equal effectiveness – for instance, two drugs given to a patient by a doctor – to reach the sub-systemic performance goals they should choose the less expensive one. In addition, they should reflect whether there are luxury measures they can do without. This is still a rather low level of economizing which does not hurt very much.
- On level 3, the avoidance of losses is a rigid other-referential restriction of action in the respective sub-system. Considerations for costs are not only an additional criterion but a must. They cannot be overruled: No losses are tolerated. Cost-reduction becomes the guiding principle of sub-systemic performance. It is at this point where the economizing pressure becomes increasingly painful to the service providers. When hospital doctors cannot give their patients what is necessary from a medical point of view because costs are too high, or theatres are closed down because their paying audience is too small and, as a consequence, their budget subsidies from the state are cut down the sub-system's performance suffers substantially. The service providers of the sub-system get the feeling that they get into the danger of betraying their ethos tied to the respective value sphere for the sake of money-saving.

- On level 4, beyond the imperative avoidance of losses profit-making on a moderate scale is demanded. This increases again the economizing pressure. It is not enough that costs do not exceed incomes or that the latter equal the former; incomes have to surpass costs. Thereby, the original aim of the sub-systematic performance will be pushed into the background even more. For example, the privatization of a city theatre can be associated with two different expectations: First, city government expects that the theatre will have to earn its costs so that there is no longer a necessity for subsidies. Secondly, the profits earned by the theatre can be an additional income of the city government – for instance, by demanding a rent for the building. The situation has completely changed: Now, the theatre must earn its own money with its art-production, and it contributes, at least to a small degree, to the financing of the city budget.
- On level 5, incomes from a service not just have to surpass costs but have to do that as much as possible. The maximization of profits is imperatively demanded. Service providers who follow, voluntarily or involuntarily, this orientation are positioned at the worldly pole of their sub-system. To them their contributions to the sub-system's performance is nothing but business. In a sense, one can speak here of a hostile takeover of, for example, health care as an arena for making money where the considerations of the respective value sphere are taken into account only to the extent that it is opportune for profit-making. Even more, as soon as other chances to make profits look more promising the money invested in a commercial hospital will be shifted as fast as possible in that direction. In other words, on that level of economizing pressure actors have no loyalty whatever the values governing other societal sub-systems are

It is important, though, that even on level 5 the sub-system's 'summum bonum' must not necessarily be sacrificed. There can be *win-win* situations where a maximization of profits goes along with high performance according to the sub-system's own criteria. One example are those artists who are commercially very successful but do this with works of art which are still taken seriously by other artists and art critics, perhaps even as avant-garde. As already mentioned, most of the career of Pablo Picasso is an illustration of such a quite harmonious coming together of artistic achievement and money-making; the latter was not of importance for his artistic style. In comparison, Andy Warhol can be seen as a type of artist who deliberately searched for a balance of both motivations (Zahner 2006). But this is certainly not the regular case. Most of the time economic considerations and the criteria of the *value sphere* collide; and the probability and intensity of such a collision increase from level 1 to level 5.

Now the two basic goals of economizing we already distinguished – cost-reduction and profit-making – can be located on this scale. The highest degree of pressures to reduce costs aims to reach level 3; this goal of economizing is accomplished if losses are avoided. So cost-reduction efforts take place on levels 1 to 3. In contrast, profit-making efforts happen on levels 3 to 5. This means that avoidance of losses – the highest degree of cost-reduction – is not more than the default point of profit-making, with level 5 as its highest degree. In other words,

the point of highest satisfaction for an actor under pressure of cost-reduction still is a point of profound dissatisfaction for an actor under pressure of profit-making.<sup>7</sup> Accordingly, two very different types of service providers are attached to these two goals. Whereas levels 1 to 3 make up the world of cost-reduction which belongs to *non-profit service providers*, levels 3 to 5 are the world of *profit-making service providers*. Most of the relevant service providers in both worlds are organizations, with public administrations, museums, sports clubs or universities on the non-profit side and business firms, commercial hospitals, or gyms on the profit-making side. Here we find, in addition, self-employed individuals such as many lawyers or medical practitioners, free-lance journalists, writers, or small shop-owners.

Only under exceptional circumstances do service providers change from one to the other world. When a profit-making provider turns into a non-profit provider this amounts to the oath of disclosure that this actor is unable to make profits any longer. Some nationalized industries such as mining in Germany and some other countries are examples of this trajectory. In turn, when a non-profit service provider moves into the world of profit-making it aspires to reach more than the avoidance of losses. Former state-owned telecommunication or public transport providers were privatized in many countries to earn money and even become stock market listed companies. As we will see, this opposite trajectory is one of the basic means of economizing.

### **3. Means and Degrees of Economizing and Marketization in Non-Economic Societal Sub-Systems**

Turning now to the means by which a particular level of economizing pressure is exerted on the actors of the non-economic societal sub-systems, we have to look at the sub-system's program structure – more precisely, to the outer circle of other-referential elements. We cannot give here an exhaustive list of such program elements which install economic principles of action, but especially three components of the program structure are relevant. First of all, there can be laws and other legal regulations which enforce attention of hospitals, universities, or museums to economic considerations. For example, budgetary requirements of the public sector can be changed so that a cross-subsidizing between different activities or units of an organization is prohibited. Secondly, funding programs, especially basic funds of yearly budgets, or third party funding such as the programs of agencies of research funding can be used to establish economizing pressure. The most obvious way how this is done is an increased competition by making the money available more scarce, either by reducing it or by inviting more competitors. Thirdly, since most of the service providers are organizations economic considerations can be built into their organizational structure. For example, requirements for the qualifications of a hospital director may be changed so that this position is no longer filled by a medical doctor but by a business manager; or the hospital installs a new communication routine according to which medical doctors get regular reports about the costs of their treatments in comparison to benchmarks. On the side of individual actors, the equivalents of

<sup>7</sup> But note that this kind of actor can even fall lower and be in the red. Then cost-reduction becomes the preliminary goal of this actor until it reaches level 3 again.

these elements of organizational structure are role expectations which mirror these requirements and an internalized professional ethos of being an *entrepreneurial self* (Bröckling 2007).

As already mentioned, the particular measures of economizing which are reported widely in empirical studies cover a broad spectrum which reaches beyond marketization. However, the various measures which serve to install or intensify market mechanisms in the non-economic societal sub-systems have a certain prominence because they appear as the *natural*, most obvious way to achieve the goals of cost-reductions or profit-making. For this reason we will pay special attention to marketization here by pointing out its two basic types: markets and quasi-markets.

As is well-known, markets are constellation of suppliers and sellers interested in the exchange of specific goods; the exchange is self-interested and voluntary, and it is based on mutual observation between all market actors and competition among sellers and/or buyers (Czada 2007; Aspers & Beckert 2008; Aspers 2011). In comparison, on quasi-markets<sup>8</sup> *the invisible hand mechanism* (Ullman-Margalit 1978) of the decentralized coordination of a multitude of market actors is replaced by the *visible hand* (Chandler 1977) of hierarchical leaders, usually political decision-makers, which tries to work as if it were the *invisible hand*. Quasi-markets are simulations of markets, and they are established where it is, for one reason or another, impossible to create markets. The *visible hand* of the quasi-market consists of the combination of two basic elements: performance evaluations and the allocation of resources, especially money, based on the results of these evaluations. Thus, hierarchical leaders install the simulation of a market because they perceive competition to be a more effective or efficient means to bring about the desired results than authoritative orders.

This working of a quasi-market implies that one actor – the hierarchical leaders who usually also have the power to allocate financial means – determines authoritatively the criteria of the buyers' side with respect to the offers of the sellers although this actor often is not even one of the sellers. For example, the ministry responsible for the universities establishes a performance-dependent scheme for the allocation of basic funds to the universities and measures the quality of university research by the amount of third party funding a university attains. This criterion, as any single yardstick or even a limited number of them, cannot adequately reflect the manifold and varying preferences of the multitude of users of research results – the respective scientific community, other disciplines, students, extra-scientific users such as industry or the military. Thus, quasi-markets always very strongly reduce the complexity of buyers' interests to a highly standardized formula which is imposed on the sellers. This inevitable feature has substantial consequences for the functionality of quasi-markets, as we will show later.

Based on this distinction of markets and quasi-markets, and with the distinction of cost-reduction and profit-making as the two principal goals of economizing in mind, we can identify three basic means by which economizing

8 A concept first used in passing by Williamson (1975: 8) and then worked out especially in reaction to the reforms of the British welfare state initiated by Margaret Thatcher (Le Grand & Bartlett 1993; Cutler & Wayne 1997; Bartlett et al. 1998).

pressure is exerted on service providers in the non-economic societal sub-systems: financial shortages, management principles, and privatization. In the following, we will describe each of these means and consider to what degree it is put to use in the different sub-systems.

### 1. *Financial shortages*

Almost any economizing dynamic starts with financial shortages. Here we have to distinguish three causes of increasingly scarce financial means for the performance of non-economic societal sub-systems:

- The most frequent and obvious cause are financial shortages of the state as a consequence of reduced tax income which, in turn, is due to a less prosperous economy. A societal sub-system is affected by these shortages to the degree that its performance is financed from the state budget.<sup>9</sup> Only one sub-system – the military – is almost totally dependent on money from the state. A number of other sub-systems are highly dependent on state money: the political system itself with regard to its public administration; the legal system with regard to courts, the police, and prisons; and large parts of the science system (universities, extra-university state-financed research institutes) and the educational system (from kindergartens to schools). A substantial dependence on state money exists in the art system (state-financed museums, theatres, operas etc.), the health care system (public hospitals and financial support to the mandatory health insurance) and the sports system (financial support for leisure sport in sports clubs and for top athletics). Finally, the system of intimate relations depends on significant transfer payments from the state – mostly for families, and with respect to some of these payments the more so the lower the family income.
- Service providers from three societal sub-systems are not financed by the state but state actors decide about the money these actors get from their users. It is a German peculiarity that the two big churches (Catholics and Protestants) which together make up the largest part of the system of religion are financed by a special tax their members have to pay. The mandatory health insurance of all citizens – the largest part of the financing of the health care system – is paid by contributions from the employees and the employers; the level of these contributions is decided by government. Finally, public radio and television stations which are the smaller but still a substantial part of the system of journalism are paid by fees from everybody who owns a radio or TV; again, the level of these fees is decided by government.
- Another source of money for service providers of most societal sub-systems are the users of their services or private supporters. Here we have, on the one hand, fees paid by the users of public administration and, sometimes, by parties in a law suit at the courts, by the users of public organizations of the

<sup>9</sup> In the following the German situation is the empirical point of reference, unless otherwise stated.

arts system and the educational system (kindergartens, sometimes study fees at universities), and by patients in the health care system. All these fees cover only a small part of the costs of the respective services – in contrast to the already mentioned fees paid by the users of public radio and television. On the other hand, in some sub-systems users pay prices for services which not only cover costs but allow for profit-making. With respect to their 'summum bonum', these services are embedded in the economic logic because their providers are economic actors.<sup>10</sup> Such commercial services are provided by newspapers and private radio and television stations and make up the major part of the performance of the system of journalism.<sup>11</sup> Commercial services are also offered by lawyers in the legal system, by private schools, universities, suppliers of continuing education and of educational media in the educational system, by the pharmaceutical industry and pharmacies in the health care system, by gyms and the sellers of all kinds of clothing and equipment in the sports system, and by scientific publishers in the science system.

In an initial phase it simply happened that financial means from these three sources became scarce. No deliberate decisions to that effect were made by state actors responsible for decisions about the allocation of state money and the level of taxes or fees, or by users. Since it is an unpleasant and unpopular task to demand more cost-reductions or higher profits from other actors nobody will do that voluntarily unless it becomes inevitable. However, without being able here to go into details for any of the sub-systems, the overall picture is very clear: for several decades now, starting in the mid-1970s, state finances have entered a fiscal regime of austerity (Streeck & Mertens 2010) in which mandatory spending, including debt payments, demands a growing share of the public budget – with the result that disposable money for new priorities such as an improvement of the teacher/pupil ratio in the educational system as a consequence of bad performance evaluations in the *PISA* ranking is lacking more and more. The enormous additional financial means needed by the state to save the banks and other EU countries after the worldwide financial crisis will make things even worse for the next few years.

As a consequence, the state cannot maintain the level of money allocated to the non-economic sub-systems in many respects; in fact, money from the state actually shrinks for most purposes, and sometimes dramatically. This is most visible on the local level, where, for example, public swimming pools or museums are simply closed to save at least costs for personnel and renovation. For some services, it is attempted to increase user fees as a partial compensation for declining state money. However, private incomes of many individuals and households suffer in a similar way from the economic instabilities as the fiscal income of the state. Therefore, many users have to reduce their expenditures as

10 See Schimank & Volkmann (2012) for a general theoretical conception of this embeddedness and an application to scientific publishers.

11 For newspapers and some private radio and television programs users have to pay a price. But the larger part of the money earned comes from on "cross-financing" (Kiefer 2011: 5 – our translation) where the media organization gets money from firms and other organizations for circulating their advertising.

well, and this may mean that they react to increasing fees – as well as to increasing prices of commercial services – by a decline of overall demand for the respective services, which makes things even worse for the service providers. Only for very few services such as art exhibitions a mobilization of private sponsoring is a realistic option to acquire at least some additional funds.<sup>12</sup> In sum, massive financial shortages have affected most state expenditures for non-economic societal sub-systems, and this could be compensated only to a small extent by increasing money from the users.

In most cases, the financial shortages were executed by the *visible hand* of state actors – however, as decisions which were dictated to them by the *invisible hand* of the market, most often the world economy. Marketization was no component of this first means of economizing. Instead, cutback decisions were ordered to the actors of the non-economic sub-systems by hierarchical power. If cutback decisions are specified for certain budget positions the affected service provider, for example an opera house or a school, has to make no further decisions. It can do nothing but comply with the economizing pressure. However, if a general budget cut leaves it to the organization's discretion where to reduce costs it has to specify itself the economizing pressure which lasts on it. Doing this is often highly explosive with respect to internal conflicts and conflicts with users.

This is the common scenario in those of the sub-systems' areas of performance which depend on state money. Those areas which rely mainly on money from the users are strongly affected, too, if services are optional so that users can do without, or with less of them to economize their expenditures. This might refer, among others, to the membership in a sports club, or theater-going, or attending seminars of continuing education. Here, a market-like competition of service providers for users already existed, and it just became stronger. It was partly a competition between alternative providers of the same service, such as sport clubs and fitness centers, and partly a competition with other needs on which the users might spend their money. For example, regular newspaper buyers had to be committed by the newspapers against motivations to save this money for spending it on seminars of continuing professional education. For some public services, such as the obligational renewal of one's identity card, fees can be raised without any chance of withdrawal. A citizen would make herself liable to prosecution if she tried to save this money.

An additional problem of financial shortages concerns the two big churches.<sup>13</sup> Not only that their special taxes whose level is tied to the general income tax paid by a wage-earner decline whenever the aggregate income declines, as in times of economic crisis – in addition the churches are struck by an increasing number of members leaving. This has many other causes which can be subsumed under a long-term tendency of secularization. Still, an immediate impulse to this exit decision is often the opportunity to save some money when the personal income stagnates or even shrinks.

12 Paul Di Maggio (1983) showed for the USA – a country with a much more developed culture of private sponsoring than Germany – how selectively this works even there and even in the arts, not to mention more urgent demands in other societal sub-systems.

13 For an extensive treatment of the causes and consequences of growing economizing pressure on the German Protestant Church, and of its diverse attempts to cope with that, see Schlamelcher (2012).

At first, financial shortages typically lead to ad hoc reactions which sometimes simply consist of nothing but a reduction of services. Users have to do with less quantity and/or quality of the sub-system's performance. This manifests itself in several kinds of phenomena of which some common ones are: users have to wait longer for services such as surgical treatment or a place in a kindergarten; services are rationed so that a particular user is entitled to a lower number of occasions of service deliverance than before, or the criteria a user has to fulfill for entitlement are set higher; an increasing number of users is served by one service person such as a medical doctors or a school teacher; self-service is introduced and extended which means that users have to take on a larger part of service provision themselves.<sup>14</sup> In addition, users often have to pay higher fees or prices. This leads to the double frustration of having to accept less quantity and quality of services in combination with higher personal costs.

This translation of financial shortages into service reductions can go on, and for optional services a new equilibrium of reduced services and reduced user demands may emerge after some time. This is how Niklas Luhmann (1981; 1983) expects how *less money* brings about a *deflation* of user expectations with regard to the services of many societal sub-systems after the previous *inflation of claims* induced by the service providers and politicians who wanted to attract voters by promising them benefits. Such a transformation of an *expansionist* into a *restrictive* policy-making is more difficult for those services the users cannot do without or which are obligatory.

However, even if initial ad hoc reactions turn into permanent practices to come to terms with financial shortages the reduction of available money in itself does not tell the actors affected how they should cope with it. They do so according to their own – sometimes quite idiosyncratic – perceptions, assessments, restrictions, and opportunities. Often they try to observe what others in comparable situations have done or are doing, and to imitate what seems to work elsewhere, with the result of a *mimetic isomorphism* (DiMaggio & Powell 1983) of practices in a certain field of services or even beyond. In this way, economic principles of action can become common in a particular organizational field, and then they arise from *bottom up*. But financial shortages themselves as a means to exert economizing pressure do not give the actors in the non-economic societal sub-systems specific advice or directives with regard to the ways how cost reduction or profit-making could or shall be achieved. Economizing pressure provides this additional message, wanted or unwanted by the actors affected, when financial shortages are accompanied by management principles.

## 2. Management principle

Management principles instruct service providers in the non-economic societal sub-systems how to go beyond a passive acceptance of financial shortages of the kind just described, and how to overcome self-made coping practices. The aim pursued with the transmission of management principles is to initiate an active handling of the financial shortages which ranges from making the best of them up

14 G. Günter Voß and Kerstin Rieder (2005) collected many examples of this tendency which they subsume under the heading of the *working customer*.



to attempts of using them to even improve performance. Indeed, doing better with less money is the explicit credo of *New Public Management* (NPM) which is the well-known version of these management principles for state-financed service providers (Hood 1991; OECD 1995). Comparable aspirations are triggered by all kinds of management consultants among commercial service providers such as private hospitals, gyms, or private television stations.

NPM has been introduced in Germany later than in most other West European countries – first in public administration on the local level, later in schools, hospitals, museums, universities, and finally in the courts and the military. Its basic idea is to increase the competitive pressure among providers of a specific service, as well as within service providing organizations, and to build up the competitiveness of service providers.<sup>15</sup> To the latter end, NPM puts an emphasis on deregulation because a too detailed regulation leaves actors no room to maneuver for competitive strategies; instead of regulation state actors turn to negotiated mission contracts with service providers which formulate general performance goals but again give the service providers an action space for their own strategies to reach these goals. In addition, NPM strengthens hierarchical leadership within organizations because strong leaders are seen as a prerequisite of a competitive corporate actor. The competitive pressure is installed by marketization – be it markets or, more often, quasi-markets. When, for example, study fees are introduced in the university system and become a significant part of a university's basic funds a proper market is established where universities compete for students. On the other hand, when parts of the basic funds are allocated to universities according to a formula which measures relative performance by indicators such as third party funding, number of students finishing their studies in due time, and number of publications in peer-reviewed journals, this is a quasi-market where performance measurement determines income. Wherever NPM operates on the basis of quasi-markets an *audit society* (Power 1997) emerges in which a systematic collection of performance data about service providers takes place and these data are not only given to state actors for their decisions of the allocation of funds but to users as well with the intention to direct their choice of providers.

NPM, just as similar management principles for commercial service providers, typically is implemented in a two-step approach. The starting point most of the time is coercion which stipulates the broad direction of change and sends service providers into higher competition. This first coercive step of NPM is done by state actors with hierarchical authority. Besides the authority to allocate basic funding to service providers which works very well in negotiations about mission contracts and in many minor issues of everyday business this often includes the authority of making laws and other regulations to which service providers have to comply. For instance, the participation of schools in performance tests was prescribed to them by the responsible ministry. Having been set on the competitive track service providers then are allowed to and, indeed must find their own way of re-organization and re-orientation of their work so that they can master successfully the competitive pressure. Most service providers being organizations, this second step usually amounts to complicated

15 See Schimank & Lange (2009) for an overview of NPM in the German university system.

micro-political battles among different interest groups within the organization including their allies outside, such as the users of their services.<sup>16</sup> Moreover, these battles are not predetermined by the first step but open-ended.

One front of resistance, however, is often predetermined. In quite a number of the non-economic societal sub-systems the dominating groups are well-established professions or at least semi-professions (Etzioni 1969): lawyers in the legal system, the military profession in the military system, theologians in the religious system, scientists in the science system, teachers in the educational system, medical doctors in the health care system, and journalists in the system of journalism. These professionals are often already outraged at the financial shortages imposed on their work. At this point they take a moral stand to defend their professional ethos and its demands against considerations for money. This protest already starts when the economizing pressure reaches level 2, and it becomes urgent on level 3 whenever economizing collides with professional standards. Still, this moral protest is harmless compared to the resistance of the professionals against NPM which crucially violates their professional interests in autonomy. This autonomy consists, at its core, of *occupational control*: the “[...] collective capability of members of an occupation to preserve unique authority in the definition, conduct, and evaluation of their work [...]” which goes along with the capability “[...] to determine the conditions of entry to and exit from practice within occupational parameters” (Child & Fulk 1982: 155). In other words, professionalized occupations have achieved social closure, and this “[...] monopoly is essential to professionalism, which directly opposes it to the logic of competition in a free market.” (Freidson 2001: 3) But NPM establishes markets or quasi-markets deliberately to do away with rent-seeking practices of professional groups. Whenever markets or quasi-markets are used to measure performance everybody who adopts the respective indicators of success can judge a professionals standing. No wonder they fight against its implementation – often with considerable power they are able to exert, not the least by mobilizing users as allies.

Of course, competitive pressure and marketization are no ends in themselves to NPM protagonists. As already mentioned, an increased competitive pressure by marketization is understood as a means to bring about a better performance of service providers – an assessment which we will turn to in the next section. Those managers who implement similar principles in their commercial newspapers, television stations, scientific publishing houses, or pharmaceutical firms have the same expectations. Last but not least, those self-employed individual professionals who work as lawyers, artists, journalists, or medical doctors and, in reaction to financial shortages, commit themselves to become *entrepreneurial selves* follow the same logic.

16 For two cases from the German university system which illustrate these constellations and dynamics of NPM reforms see Meier & Schimank (2010) and Schimank (2011).

### 3. Privatization

With regard to some of those services of non-economic societal sub-systems which were state-financed the moment may come when state actors decide to privatize them (Engartner 2007). On the one hand, this can be a measure of outsourcing when private suppliers of the respective services are cheaper; here state actors are driven by the goal of cost reduction. On the other hand, privatization may not only relieve the public budget but offer new investment and profit chances to economic actors. In this way, state actors hope to promote economic prosperity which again increases their tax incomes. Of course, any investors will only take over services if they can at least reach level 4. Private investors searching for high profits will press for privatization if they see chances to reach level 5.

Besides the privatization of a number of central infrastructural services of public administration – railways, air traffic control, highway construction, waterworks, energy supply, low income housing, postal service, and telecommunications – in Germany this has been only a minor means of economizing. The most important other instance was the admission of private radio and television stations at the end of the 1980s which radically changed this important segment of journalism. Other cases – in order of importance – have been the privatization of a number of public hospitals, the establishment of a few private universities and sporadic experiments with private prisons.<sup>17</sup>

In sum, privatization has happened mainly in the political system, in the system of journalism and – to a lesser degree – in the health care system whereas the other non-economic societal sub-systems have been only marginally affected. However, as already mentioned considerable parts of the services of most of these other sub-systems already have been delivered by commercial providers for a long time. Thus, any instance of privatization shifts the balance further in the direction of the embeddedness of the respective sub-system's 'summum bonum' in the economic logic of profit-making.

Privatization always means marketization – and not only by the establishment of quasi-markets but by making use of or creating markets in the proper sense. Even if a former state-owned service provider – for example, a city theatre – has a monopoly, so that there are no other local theatres to compete with, there will be a market. The now private-owned theatre wholly depends on the payments from its visitors, and it is up to them to decide whether they pay higher prices for the performance or not. That is to say, the necessity of self-financing leads to a competition with other cultural providers such as cinemas or bookshops. A comparatively low degree of privatization occurs – if only a peripheral part of a service is outsourced to commercial providers – for instance, if the cleaning of public hospitals or schools is no longer done by state-employed personnel but by commercial cleaning firms. A medium degree of privatization is reached if a certain share of central parts of service provision is outsourced – see as an example the admission of private radio and television stations. In this case the outsourcing serves the additional purpose of exposing the state-financed providers to the competition with commercial providers. The latter are used as

<sup>17</sup> For private prisons in Great Britain see Taylor & Cooper (2008). In the USA the outsourcing of military services to private firms has been another quite important case.

benchmarks with respect to the costs of service, and the former have to make an effort to reduce their costs. Finally, a high degree of privatization amounts to the total or almost total shift of a state-financed service to commercial providers as it happened with the privatization of railways.<sup>18</sup>

This rough overview of the three basic means of economizing – financial shortages, management principles, and privatization – shows that, taken together, they reach into all non-economic societal sub-systems and are by now nowhere only a marginal phenomenon. On the contrary, the economizing pressure is considerable in all of these sub-systems; it lasts even – because of reduced transfer payments – on many families in the system of intimate relations. The strongest economizing pressure exists in the health care system where all three means of economizing have been in combined use for quite a long time.<sup>19</sup> These overall assessments could be made more precise and reliable by a systematic secondary analysis of existing studies – and where these are lacking, by new studies which fill the gaps – not only for Germany but also for other countries.

#### 4. Functions and Dysfunctions of Economizing

A final step of analysis now has to turn to the effects of economizing. Here there is a clash of viewpoints. Whereas proponents of economizing, for instance those who have installed NPM in many organizations of the public sector, are convinced that significant efficiency and effectiveness gains are possible most of those directly affected in their work by such reforms see them as part of the *neoliberal* ideology which neglects the true mission of health care, the arts, or science. To overcome such an unproductive confrontation of vague hopes and fears it is necessary to take a closer look at a particular sub-system's and organization's performance – for instance, at scientific knowledge production in universities – and spell out in detail potential *functional* as well as *dysfunctional effects* which then have to be studied empirically. We cannot do this here in a comprehensive manner; we cannot even select one case and investigate it in detail as an illustrative example.<sup>20</sup> The only thing we can offer at the moment is a brief checklist of functions and dysfunctions which might be helpful for further studies as well as supplemented by them.

The reference point for an assessment of an effect as functional or dysfunctional is obviously the quality and quantity of the respective service provision and more generally the overall performance level of the societal sub-system. This can coincide with the interests of the users or of the service providers; but there might also be conflicts between these interests and the functional requirements of the service; in addition, the interests of users and service providers differ in certain respects.

18 Although even in this case the former state-owned railway company retains certain privileges the private providers do not have.

19 For this reason it is no coincidence that the loudest public debates about economizing and marketization deal with the health care system. There are also more empirical studies of this topic for this sub-system than for others.

20 See Enders et al. (2011) for some findings from an empirical study about the effects of NPM on certain characteristics of research at universities, and Gläser et al. (2008) and Meier & Schimank (2009) for more focussed investigations into specific characteristics.

To begin with, the question has to be raised whether economizing pressure does have any effect at all on services and sub-system's performance. Some observers have had the impression for quite a long time that NPM reforms, for example, do not make a significant difference for performance. According to this opinion, such measures of economizing are superficial changes which do not reach the *core technologies* (Thompson 1967) of a societal sub-system and its service providers. Depending on the point of view taken such an assessment may be expressed in an optimistic or a pessimistic tone.

To be sure, it certainly takes time until effects reach a magnitude that they become visible. It is also true that some measures remain *talk* and never become *action* (Brunsson 1989). This is especially the case when those actors which installed the measures do not mean them seriously but simply had to do something to demonstrate activity and determination by *symbolic politics* (Edelman 1964). However, by now in most countries and most societal sub-systems economizing pressures have existed for quite a number of years; moreover, state actors nowadays are really suffering from an *austerity regime* and have to find ways to reduce their expenditures and still maintain the performance level of the non-economic societal sub-systems. Therefore we assume that significant effects should be found in many cases.

With respect to functional effects first of all the promised *efficiency* gains must be checked: How great are they, and what determines their magnitude? For example, if medical doctors – as a consequence of financial shortages – prescribe less expensive medicines which have the same effectiveness this apparently is an efficiency gain without significant negative side effects. If the average size of school classes is increased by five pupils this efficiency gain surely has some costs to teachers, and perhaps the effectiveness of lessons is lowered a little bit; but this might be a reasonable prize for saving manpower and money.

On the other side, significant efficiency losses may occur as a paradoxical effect of measures which aim to increase efficiency. This can be especially the case if marketization leads to ruinous competition. For example, if research at universities is increasingly financed by separately budgeted funds from funding agencies means that more and more researchers have to write more and more applications for project money with less and less chances to be successful in this competition. And if quasi-markets are installed the time for reporting and monitoring activities which are needed for performance measurements may become so enormous that it may be doubtful whether this is justified by the efficiency gains reached.

Then several other functional effects related to the *effectiveness* of performance have to be examined. It is claimed that economizing pressure increases the *responsiveness* of service providers to their customers' needs, especially if they pay fees or even prices. For instance, the introduction of study fees in Germany – instead of an increase of basic funds from the state – was partly justified by this reasoning. Especially commercial art or popular journalism show that service providers at the *worldly pole* of a sub-system cannot succeed if they do not carefully monitor the preferences of the users of their services and, moreover, based on this monitoring try to influence these preferences to some degree. However, in other cases it may be that economizing pressure decreases

responsiveness. This dysfunctional effect occurs especially if financial shortages do no longer allow service providers to maintain the quality which they had before and which their users need or want, or if the quantity of services has to be reduced so that fewer users can be served.

Another effectiveness gain promised for a number of services is an improvement of *equity* by economizing pressure. Again, the argument is that service providers which need users, especially if they pay fees or prices, cannot afford to discriminate against certain user groups. For example, for a long time sport clubs were a domain of male athletes, female members being not formally forbidden but discouraged by many aspects of these organizations. When commercial gyms occurred on the scene they almost from the beginning made women a special target group which they wanted to attract, and did so quite successfully. This, in turn, worked as a pressure on sport clubs which then also changed their structures and practices so that now women are welcome there, too. Still, as with responsiveness some kinds and degrees of economizing lead to a dysfunctional reduction of equity. For instance, if museums increase their entrance fees as a consequence of cutbacks of state money especially lower income users are excluded from their services.

Finally, effectiveness refers to the *innovativeness* of a sub-system's performance. A German proverb states that necessity is the mother of invention. Indeed there are instances where economizing pressure brought about new and better ways in which certain services were produced and distributed. For example, a public hospital which is forced to reduce its costs may conceive a much more efficient work flow organization about which its staff never would have reflected if its finances had not become scarce. Another example could be the manager of a publicly financed music event who can no longer afford to pay highly reputed artists and therefore turns to promote promising younger artists who might be much more motivated to give their best than established stars who are already beyond their zenith. But again too much economizing pressure becomes dysfunctional in this respect as well. If scientists, for example, have to make do with second-best experimental designs because there is no money for optimal work, the quality of their research results can clearly suffer.

We already touched upon the dysfunctional side of the aspects discussed by now. To continue our list of potential dysfunctions, some further losses of effectiveness must be taken into consideration. Economizing may restrict a service provider's capacities for the necessary *renewal* of its factors of production, for example equipment or buildings. This renewal includes the continuing professional education of its personnel. If for financial reasons this is no longer affordable on an adequate level, the service provided sooner or later suffers considerably in many cases.

Another possible dysfunctional effect of economizing which is discussed a lot with regard to researchers is the *loss of intrinsic work motivation* of the personnel (Frey 1993; McMaster 1998). This is a problem wherever the personal engagement fuelled by identification with the work to be done is needed to do a good job. In particular, the innovative spirit of work may decline. In this respect, one effect of marketization could be simply that judges, or artists, or medical doctors become so annoyed by being exposed to increased competition, including

the reporting duties on quasi-markets, that they turn to a go-slow execution of their work. An opposite but also dysfunctional result of such pressures can be that the extrinsic incentives of competition crowd out intrinsic satisfaction as a motivation to work. This may not only be costly in the long run because of rising expectations but can also harm the quality of the services. From the perspective of principal-agent theory, a purely extrinsically motivated agent is more likely to cheat the principal, making believe that everything necessary is done while in fact only those things are done which are easily observable. Furthermore, a purely extrinsically motivated agent is liable to adapt its standards of work opportunistically to the principal's liking who, however, not always knows best what is optimal for him. For example, medical doctors might avoid therapies which are unpopular among their patients although they need them.

A particular dysfunctional effect of quasi-markets might be the *narrowing of attention* of service providers to those criteria by which their performance is measured. This has been observed for researchers as well as for medical doctors. As a consequence of indicator-based measurements of performance, service providers concentrate all their efforts on these indicators and neglect other aspects of their work. Especially if the indicators used are highly selective and do not represent all quality aspects of a service this might turn out to become rather problematic in the long run – for example, if medical doctors have in mind their performance evaluation and therefore animate patients to take an operation even if this is unnecessary from a medical point of view. Or if research productivity is measured by the amount of separately budgeted funds which were acquired, and by the number of publications in peer-reviewed journals, researchers have no incentive to do such kinds of research work which do not need the acquisition of project money, and they become susceptible to change their publication strategy to a '*Salami*' tactic by dividing a research result in as many *least publishable units* as possible. In addition, researchers are no longer inclined to take on other duties, especially if they concern the production of collective goods, which, however, have to be done to maintain the long-term overall performance of their university or the science system as a whole, such as organizing conferences, editing journals, or participating in appointment commissions for professorships. Even if the researchers themselves are still willing to do these jobs they may be prevented to do so by hierarchical order or moral pressure because from the point of view of their organization their scarce manpower seems to be better used where its particular strengths are visible. Thus, an excellent researcher might be kept from teaching because it distracts her attention from writing journal articles.

Finally, marketization is accompanied by some *market failures*. A frequent one concerns specialized small demands. They are often no longer adequately served as soon as the economizing pressure reaches a certain level because service providers then can no longer afford the luxury to pay attention to such unimportant user groups. Under such circumstances newspapers or radio and television stations tend to neglect the preferences of minorities, pharmaceutical firms give up research about *orphan diseases*, and at universities small disciplines which are found especially in the humanities – for instance, Scandinavian literature – run into difficulties because their study programs attract only a few students and their research activities do not acquire huge sums of project money.

All in all, even this brief catalogue of potential functions and dysfunctions shows that economizing is neither all good nor all bad but most of the time a mixed blessing to the performance of a specific societal sub-system. This assessment makes careful studies – especially comparisons between different services and sub-systems and between different countries – all the more necessary.

## 5. Conclusion

We hope that we have collected some important analytical building blocks of a theoretical perspective on the causes, manifestations, and effects of economizing pressure and marketization in contemporary society. Economizing is not a temporary feature of a functionally differentiated capitalist society. On the contrary, it is built into the constitution of this kind of society. This means that times when the economizing pressure is so low that it is practically not felt by service providers in the non-economic societal sub-systems are rare. Perhaps the high time of Fordism in the 1960's was such a period where actors indulged in "the short dream of everlasting prosperity" (Lutz 1984 – authors' translation). Now we know that was an exception, not the rule. The rule is what we have had to cope with for quite some time now, and will most probably be confronted with for a long time.

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Ingo Bode

## **Markets in Retirement Provision and Elderly Care: Two stories, One Cultural Struggle**

### **1. Introduction**

For some time now, the proliferation of *economized* social coordination extends to the field of formalized based social reproduction, that is, the provision of services and benefits deemed to enhance the welfare of the citizens by public action. While these services and benefits have long been a sole matter of the welfare state, they have become exposed to forces and logics rooted in the economic system more recently. In this context, economization chimes with *marketization* as a distinctive, though currently dominant, “organizational form for economic activities” (Caliskan & Callon 2010: 2) in Western society. Thus, addressing the economic system and about what is commonly referred to as *economization*, the emphasis should be placed on the proliferation of market structures and market relations within societal fields that had (originally) been based on other kinds of social coordination (Slater & Tonkiss 2001). This transformation is very obvious when looking at developments in social welfare provision internationally (see Gingrich 2011 or Frericks 2011).

The extension of market-based social coordination to social welfare provision has affected two areas at a very early stage and with notable impact world-wide: *retirement provision* and (residential as well as domiciliary) *elderly care*. True, these two areas of social welfare provision are different in kind. First of all, they do not play the same role regarding the human life course, as pensions are geared towards (almost) the entire population of a developed society whereas elderly care is often perceived as a response to accidents occurring potentially towards the end of one’s life. Secondly, both fields obey to different social logics: Retirement provision has grown as a (semi-) *statutory* arrangement by which a given society organizes the allocation of monetary resources from one generation to another (including by funded pensions plans) whereas elderly care has taken shape as an area for health-related human services, anchored in a societal sphere in which *family* obligations and – often church-related – *nonprofit* agency have long been dominant (with the state being a rather weak player). Pension provision has undergone a process of incremental privatization even as elderly care has seen a movement towards defamiliarization and extended professional service provision, including for-profit. Thus, the two areas exhibit different relations with the *economic sphere*: privatized pension provision overlaps with the commercial financial industry; elderly care has developed in a quasi-market loosely coupled with both family and local community provision. Concomitantly, over the past decades, both commercial agency and competitive interorganizational relations have become very salient in either area.

Exploring developments related to questions of *economization* in these two areas appears to be a promising undertaking including a comparative point of view, as, in most Western countries, these two fields are intriguing examples of the economizing of the non-economic. However, while there is a huge body of

literature looking at institutional change in the two areas and its wider material consequences (see JCSW 2012 or Gingrich 2011: 176ff), the overall movement towards the emergence and consolidation of what is now widely referred to as *welfare markets* (Taylor-Gooby 1999; Sanger 2003) has thus far merely been analyzed in a macro-sociological perspective, and even less by economic sociology. In particular, the *cultural embeddedness* of economization, understood here as an *embedded* intrusion of market references into a social sphere that has formerly been separated from the *world of business*, has barely been given consideration neither in the literature on social welfare provision nor in the wider sociological debate dealing with the relationship between economy and society. Regarding the latter, contemporary economic sociology does not seem to be interested very much in developments outside the conventional for-profit economy, since its focus lies on the social embeddedness of conventional markets. Likewise, the theory of society usually avoids getting down off its (high) horse and inspecting more closely seemingly technical matters in the organization of social welfare. This ignorance presents a serious lacuna if culture is being understood as an important factor in the shaping of social (and economic) life whatever the societal sector or sub-systems (Wildavsky 1996; Alexander 2003).

However, the two fields of theory making have a lot to contribute to the analysis of the afore-sketched movement. Regarding economic sociology, some of its key concepts are useful for understanding the social process(ing) of marketization, especially those concerning the socio-cognitive underpinnings of market action. As for the theory of society, a macro-sociological perspective on the dynamic relations between the economy and other social spheres (or systems) can help illuminate the very dynamic by which the division of labor between these spheres has evolved over the past decades, in light of those new arrangements that make business values pervade the *non-economic*.

In addition, the two areas of theory making provide tools for exploring how the economization of the non-economic is in itself culturally embedded. Indeed, as we shall see later on, while market values become salient in contemporary social welfare provision, references from *non-market* spheres constitute a normative framework in which these market values settle and take effect. Economization in social welfare provision not only implies the transfer of values from economic to non-economic spheres, but it is framed by elements constitutive of the sphere they are pervading. This twofold process of cultural conditioning is empirically reflected in new patterns of collective sense-making around social welfare provision, as represented, among other things, by streams of communication in the public media. As will be argued below, an analysis of these streams of communication in the quality press suggests that, rather than indicating a society-wide supremacy of the market (competitive, for-profit) economy, the organization of both retirement provision and elderly care becomes subject to a nervous *cultural struggle*. This struggle has an *impact on the institutional design* of welfare markets; more precisely, it triggers permanent dis- and re-organization in the two areas of social welfare provision under study here. In terms of theory, this reflects a more dynamic interplay of the economic subsystem with other, non-economic, subsystems. This overall leads us into a *post-neo-Parsonian* configuration featuring an *asymmetrical* interpenetration of subsystems.

The paper falls into three sections. It starts with a brief review of marketization processes in the two aforementioned areas of social welfare provision, including with a focus on intersectoral differences regarding those processes. Using evidence from a four-country-study on the cultural framing of welfare markets, the focus will be international although it will be impossible here to deal with cross-country variety otherwise than by giving some examples. In a second section, a range of theoretical observations will be developed, with a particular eye on perspectives that help us understand the observed developments from a macro-sociological point of view. The conclusion will discuss wider prospects of social welfare provision against the background of the presented findings.

## 2. The Marketization of Retirement and Care Provision

Welfare markets can be conceived of as publicly regulated, competitive spheres of collective action, embracing the allocation and the management of benefits or services designed to improve a person's social situation. Roughly speaking, two types of welfare markets can be distinguished. One pattern has emerged with welfare states that, after having ensured (more) inclusive social insurance coverage in the past, support citizens who take steps to protect themselves against social risks. Mostly organized via tax incentives or public subsidies, this creates a *subsidized welfare market*. Retirement provision is a case in point. Inspired by the idea of making welfare recipients self-conscious customers (Mann 2006), Western welfare states have awarded material advantages to citizens who purchase products from an open market for private saving, with insurance companies and further financial institutions operating as key suppliers. While some pension systems resort to this mechanism almost by tradition, continental European countries have long used it as a residualistic device on top of public pension schemes. The so-called 'Riester-Pension' scheme in Germany is a good example for a voluntaristic approach to make the residualistic more universal; it has entailed a shift of old age provision from a bureaucratic to a semi-commercial arrangement.

Importantly, in the current pension landscape, the welfare state remains strongly involved. Besides the considerable amount of direct subsidies granted to holders of private saving plans, it regulates (more or less) the contents of these plans according to norms derived from political considerations (e.g. the idea that the poorer sections of the population deserve a helping hand). Internationally, such regulation has contributed to *adapting private pensions to public purposes* (Whiteside 2006). Market mechanisms nevertheless exert a strong influence on pension outcomes. In subsidized welfare markets, the decision on whether, and how, to ensure protection against the *risk* of old age is laid in the hands of the individual *market consumer* while the outcome of private saving widely depends on what the financial markets delivers (and this is insecure and volatile, as we have known for some time now).

While this is not the place to depict the technical arrangements underlying this international movement in greater detail (see Ebbinghaus 2011; JCSW 2012), the distinctive cultural references that are framing this movement shall be awarded some more attention. These references come to the fore as collective

sense-making within what can be labeled the *official culture* of a given society. This culture is reflected by communication of major collective stakeholders and non-political opinion leaders (in the case of pensions: the financial industry, socio-political organizations, experts, think tanks, key journalists) taking center stage in the mass media. Representatives of the political system (parties, government) are important too, yet it can be argued that only if further societal actors adhere to new values, the latter become entrenched in the wider public sphere. True, culture is certainly more than communication handled by the public media; however, latent patterns of societal sense-making that are not communicated publicly have a very limited influence on formal institutional developments in the welfare state. Therefore, the analysis of communications of non-political collective actors in the public media helps discover the *official* lines of societal collective sense-making around processes of marketization.

Using an extensive quality press review based on a qualitative content analysis (stretching over a period from 2002 to 2006), a study was conducted in order to map these processes for four Western welfare states, including: Germany, France, the UK and Canada (see Bode 2008, including for methodological issues). This media analysis suggested that the more traditional representations were at least partially predicated on the idea of pensions being a *citizen's wage* (Snell 1990) during later life. In contrast, the novel readings emphasized values such as cleverness, consumer autonomy, individual responsibility, and (cost-) efficient management. The *cleverness norm* implies high value accorded to smart saving decisions; according to this norm, citizens deserve good pensions (beyond basic public provision) if they have been ingenious market players and if individual responsibility has been assumed properly. The novel readings also praise schemes for retirement provision that are cost-efficient from a micro-economic perspective, with maximum return on investment being awarded greater social value than guaranteed outputs, regardless of a lower material performance *on average*. In a nutshell, the cultural dynamics to be observed here reflects a transition from one model to another, that is, *from the citizen's wage to self-made pensions* (Bode 2007).

Apparently, the marketization of pensions goes alongside the spread of cultural references from a social sphere that in former times was marginal in the field of retirement provision. Nowadays, retirement provision overlaps with the *ordinary* competitive market economy for which both individual risk-taking and insecurity in outcomes are viewed as being *normal*. True, prior to recent change, public pension systems already exhibited an economic dimension and were predicated on the performance of conventional markets (as pensions depended on what happened on the labor market and in the broader economy). Still, the very mechanism of social coordination underpinning these systems was different from the current situation, as were the cultural references major stakeholders were drawing on when making sense of evolving models of old age provision.

However, the process of marketization in retirement provision has been embedded in, and moderated by, *non-market* values internationally. This is a clear insight from the public debate. Even for those speakers sympathetic with marketization, the transition to private saving schemes is meant to be premised on some conditions being met. Most importantly, (publicly organized) financial education is often viewed as a *must* for welfare markets to work properly. In



addition, as regards communications salient in the quality press, cultural references stemming from the post-war settlement are evoked at many instances; even in liberal welfare regimes, the novel readings have been questioned in the media. It is obvious that, up to our days, the public debate about how to regulate the new pension market embraces values such as social deservedness and human dignity, both deemed to entitle citizens to *secure* incomes in later life. These are values established prior to the marketization process; they have now embedded the process of economization, albeit without preventing the market logic from becoming a major reference in the pension area. Overall, then, traditional patterns of collective sense-making around social welfare provision coexist nervously with novel, more or less market-friendly, readings of how the latter can and should work.

Things are not very different in the second area under review here, that is, *elderly care*. In this area, however, the emergence of welfare markets affects *service* provision rather than the marketing and administration of saving plans. This is a field addressed by the wider literature as *quasi-markets* (Le Grand & Bartlett 1993; Brandsen 2004) and *managed care* (Sparer 2003). It represents a second variety of market-based arrangements of social welfare provision which one can label *managed welfare markets*.

Marketization affects both residential care and domiciliary services but it is most salient in the latter on which the following will concentrate. In some countries, quasi-markets in elderly care dwell on a purchaser-provider split and involve public tenders. In this case, public authorities operate through fixed-term contracts with selected suppliers and apply different modes of performance-related payments (per capita reimbursement, fee-for-service funding, etc.). Elsewhere, like in Germany, care markets have been based on direct payments and free choice of supply. Here the model of the managed welfare market overlaps with the subsidized one. Users receive subsidies from quasi-public bodies to be employed individually for the purchase of services with competing providers. Here, the *managed care* dimension resides with the fact that beneficiaries of social care insurance are entitled only to those services that are included in a distinctive care package agreed by the social partners, that is, (quasi-)public funding bodies and associations of providers. Moreover, the market is *managed* insofar it is based on fixed prices, professional need assessments and public inspection of suppliers.

In many countries, elderly care schemes have seen a growing role left to private firms, replacing in-house units of local authorities or nonprofit organizations as service providers. In former times, non-commercial providers were the predominant, if not exclusive, non-statutory actor in the respective field. They were part of an input-based partnership with public bodies (Katz & Sachße 1996) that was run by arm's length funding and with a liberal, retrospective statutory oversight. In contrast, present-day care providers, whatever their legal form, are entrepreneurial undertakings carrying the bulk of the economic risk and being exposed to detailed accountability requirements. Financial compensation for expenses related to unforeseen contingencies is not on offer any longer. Hence, even non-profit providers must manage to break even at any moment and to build a reserve for an unknown future in economic terms. Against this backdrop, *making money* has become a key orientation throughout the sector internationally (Bode et al. 2011).

The cultural agenda behind marketization in this field appears similar to, but not congruent with, the one observed in the area of retirement provision. The aforementioned analysis of communications in the quality press, embracing a similar class of speakers, has brought to the fore that the rise of care markets has been endorsed by stakeholders expressing sympathy with the idea that users (and/or their relatives) should become smart consumers taking individual responsibility for the organization of care provision. Many want greater discretion being awarded to users when it comes to the design of services, with the basic idea consisting of giving citizens the opportunity for 'buying independence' (Glendinning et al. 2000). This chimes, here as well, with novel readings regarding the organizational arrangement of welfare provision. A strong expectation consists of service providers being cost-efficient in micro-economic terms, with managerial excellence in the field becoming more important than policies geared towards *guaranteeing* a certain level of service provision to all frail citizens in need. Throughout the public sphere (of various countries), provider competition has been viewed as an important tool for increasing cost-efficiency. Where (public) case managers have been involved in the process of selecting services or a personal assistant, statutory authorities are understood as a proxy consumer. Hence the execution of the market logic is felt in this case as well.

As in the case of retirement provision, however, speakers in the public sphere have expressed some reservations about the virtues of marketization. Many of those endorsing the latter as a matter of principle have claimed resolute statutory inspection of the activities of independent welfare providers. Users resorting to the latter have been meant to be enabled to take informed decisions on how and when professional support is to be provided. In the same vein, there has been a strong emphasis placed on senior citizens deserving protection and decent care *at any instance*, with human dignity in old age being viewed as an indispensable universal value. In all countries under review here, poor quality and mistreatment of the elderly has been deemed scandalous, with the onus of taking measures against that lying with public authorities. Not only active consumer empowerment, but also encompassing output inspection by (quasi-)statutory agencies has been advocated strongly by most speakers. Thus, public responsibility and the expectation of decent care being guaranteed to all still prove a key point of reference. Altogether, in the case of elderly care as well, those references typical of the non-market era seem to persist in the culture of the new welfare markets, *in parallel* with new market values pervading the area under study.

Unlike retirement provision, however, elderly care exhibits a socio-cognitive element rooted in *familialism*. At least in some European countries (especially in Germany), a strong expectation on the responsibility of family members remains enshrined in the cultural arrangement endemic to the care arrangement. Even in countries with a less familiaristic tradition, relatives continue to be expected to be passionate caregivers accomplishing *labor of love* (Graham 1983) during the time professional services are not available. As regards the living arrangement for the frail elderly, staying at home while being dependent has become the norm, whatever the institutional (national) context. However, even in the privatized care settings of many Western

societies, the market logic penetrates the cultural universe of families in so far as the latter have become exposed to situations of *buy or make* decisions. Purchasing care implies the internalization of the market consumer role even as providers involved in a sometimes harsh competition engage users and their families with a permanent market game.

### 3. Making Sense of Marketization from a Theoretical Perspective

From a sociological point of view, marketization can be seen as a mechanism by which a given non-economic societal sphere (sub-system, societal sector) is adopting patterns of social coordination typical of private business, with the latter being driven by both the idea of *making money* and competitive entrepreneurial agency. Welfare markets are an obvious case for economic, or more precisely, commercial references penetrating a formerly non-economic, or non-commercial, universe. Maybe to the surprise of many contemporary academics involved in sociological theory building, the vocabulary of classical functionalist *old* systems theory proves instructive when the endeavor is to assess this movement in theoretical terms. In contrast, more recent theory programs in line with this tradition prove less suitable to deal with this phenomenon. Thus, it appears troublesome to apply the theoretical concept of Niklas Luhmann to it, with the main reason being that marketization implies a given social subsystem being *substantially* challenged by references or codes external to it (which is a constellation this concept would deny after all).

*Culture* is a critical issue if the endeavor is to make theoretical sense of marketization in the area of social welfare provision. As the latter is subject to deliberate (political or contractual) operations of institutional design, the role of (explicit) normative references underlying distinctive forms of social welfare provision cannot be underestimated. Yet culture matters even in the more profane world of the conventional market economy. The very fact that economic action is infused with non-economic orientations has been a key insight not only of classical sociological theory but also in more recent accounts from economic sociology (Fligstein 2001; Beckert 2006; Zafirovski 2006; Caliskan & Callon 2009). The non-economic face of economic action materializes in *soft elements* such as social identity or ideational concepts around market operations, besides *harder* social structures (e.g. power) shaping the architecture of markets. Through this lens, it is clear that market operations are embedded in a non-market environment, with major elements in the profile of a particular market being *non-economic* in kind. This insight should also be applied to the analysis of *welfare* markets. For instance, the activity of saving for later life is often embedded in a life course model based on long-term expectations. Likewise, the provision of care services connects with a moral perspective on the family, the human being, or society at large. Thus, if economic action is socially embedded as a matter of principle, this cannot be different with processes of *economization*, including in areas of social welfare provision.

Furthermore, the theoretical understanding of economization in this and other societal sectors is facilitated when the social organization of *society* is taken into the picture. In what follows, a post-neo-Parsonian perspective on such processes is developed. As will become discernible, the *ritual criticism* (J. Turner,

cited in Moss & Savchenko 2006: XIV) or even *disdain* (*ibid*) from contemporary sociology vis-à-vis the work of Talcott Parsons and those *neo-Parsonians* who build their theory on his heritage, appears to some extent misplaced in our context. True, functionalism presents serious difficulties when the task is to engage with emerging social facts and paradigmatic social change; consequently the *reasons and dynamics behind* the emergence of welfare markets lie beyond what this school of thought can elucidate. However, *good-old* functionalist (systems) theory provides us with a mind-map through which the economization of the non-economical can be assessed with an eye on both the relation between social subsystems and the role of culture. It offers a sound conceptual framework although it does not help explain the asymmetric character of contemporary *inter-system relations* as will be argued in what follows.

It is well-known that Parsons (1951), as well as Parsons & Smelser (1956), have viewed culture as being an important *filter* of economic action throughout modern society. This certainly pertains to the economic subsystem, but also to any other place in society where economic issues are at stake. Neo-Parsonian thinkers (such as Alexander 2003) have even gone beyond Parsons in conceptualizing culture as a *driving force* of societal development. In terms of (neo-)Parsonian theory, the cultural *currency* of social subsystems is referred to as (specific) symbolic media. What happens in the two areas of social welfare provision explored above is that the media of one subsystem impinge on a social sphere from which, at earlier stages of societal development, these media have been absent or where they were ancillary to other symbolic orientations. In our case, money-based exchange within a competitive social order driven by motives of profit-seeking or return-on-investment challenges traditional cultural references associated with social welfare provision, such as: securing social solidarity, providing support according to (pre-defined) needs, or achieving a normative goal such as (greater) social equality across society. The operationalization of such goals (the provision of *extra-economic* revenue; professional support according to perceived social needs) can exhibit an economic character but the very nature of these goals is non-economic in kind.

True, it appears delicate to equate the areas of our study with one of the social subsystems addressed by classical sociological functionalism. The typical array of subsystems in (neo-)functionalist (or systems) theory does not offer a well-entrenched place for the transfer of monetary resources *outside* the market economy, nor can the provision of human services be attributed to a clear-cut category of social subsystem. This however is not a problem *per se* as functionalist and systems theory provide abstract *addresses* for real-life processes, so that concrete organizational devices or activities can be located in zones where several subsystems overlap.

In the remainder of this paper, the concept of *quasi-systems*, and theoretical problems associated with it, will not be discussed further. Rather, the two areas under study will be treated as subsystems in their own right, regardless of the fact that they are not congruent with those subsystems dealt with in sociological systems theory. In a provisional manner, then, one could situate elderly care provision in a *quasi-system* where the political system intersects with the community system, in the terms used in Parsonian theory. Likewise, retirement provision can be situated at the intersection of the political, the

communitarian and the economic subsystem because it has grown on a statutory power base, with a symbolic orientation towards social solidarity (the intergenerational contract) and by resorting extensively to the media of the economic subsystem (money). Cultural references entrenched in the (market) economic system were long ancillary to the ones inhabiting these quasi-systems.

As already noted, one of the basic messages of the Parsonian approach to economic action is to highlight its embeddedness in distinctive sets of collective meaning through which it adopts a specific character. From this one can infer that *economization* exhibits such embeddedness as well. Moreover, the *mechanisms* through which embeddedness is operated are of critical importance. Regarding these mechanisms, *neo*-Parsonian accounts have provided insights by exploring possibilities for merging Parson's work with other *classics* in sociological theory. In particular, they have focused *conflicts* between sub-systems as well as the *interactional* foundations of a social system through which conflicts can be mediated (Beart & Carreira da Silva 2010: 52-87). According to this line of thinking, once the symbolic media of one subsystem is challenging the media originating in another one, a *dynamic interplay* of cultural references can be expected, with these (concurring) references being reflected by collective sense-making including in public communication. Looking at social welfare provision as discussed above, market values apparently challenge non-market goals and references. Yet within a given *quasi-system*, the now concurrent references (symbolic media) tend to be projected on each other and this may entail the generation of new, mixed world-views (for instance, the idea of the *dignity* of social welfare *consumers* appears as a new pattern of sense-making in a welfare market).

Regarding our concerns, however, the most essential contribution of Parsons' theory of society is the idea of *interpenetration*. This concept is prominent in both the theory of social systems and the theory of action, with the latter laying the grounds for the former (Münch 1987: 33-42, 65-76). Taking this perspective, the movement towards welfare markets can be nicely depicted in theoretical terms. With social systems being viewed as based on dynamics of interaction, and with society seen as being composed of various *interlinked* social subsystems, interpenetration is the key mechanism by which one social sphere is *dealing* with references from other spheres. According to the (neo-)Parsonian framework, within a given social subsystem, references inhabiting other areas contribute to this subsystem meeting its distinctive ends. The intruding values may however also be in conflict with references from the core of the subsystem; thus, marketization sits uneasy with the aim of *universal* service provision as market competition creates *unequal* delivery almost automatically.

Against this backdrop, the rise of market references within non-economic subsystems can be read as an outcome of interpenetration following almost *automatically* from processes of social modernization. (Neo-)Parsonians posit that interpenetration materializing in media that cut across subsystems makes the latter to enhance their performance. Moreover, interpenetration may create "solidarity between the systems" (Münch 1987: 36) and is therefore prone to pacify ongoing societal differentiation. With subsystems internalizing references of other subsystems *to some extent*, tensions arising from these subsystems being too *autocentric* can be sublimated. In the case of welfare markets, there seems to be a kernel of truth in this conjecture, although in a more subtle way.

The sublimation of conflict is less a result of market values *travelling* to other subsystems for being adopted there as ancillary references which enhance the performance of the invaded sphere. Rather, it comes from the fact that there is a two-fold process of market values penetrating a non-economic subsystem, on the one hand, and this penetration being simultaneously embedded in (and mediated by) *non-market* references, on the other. The *new* takes center stage while the *old* is surviving, albeit in a new role.

It should be noted that the Parsonian perspective on intersystem-relations appears more adequate than the Luhmannian one when examining our case. In Parsonian terms, “elements of one system can become elements of the other” (Münch 1987: 35), in the sense of ending up as *effective* social forces within all subsystems. Regarding the two areas of social welfare provision under study here, marketization has been effective in the transformation of retirement provision and elderly care, both in cultural and in material terms. Apparently, self-reference did not prevent new references from taking center stage in a given *quasi-system*. Thus, economization in social welfare provision appears as a process during which references (or media) that initially appear as being alien to a given subsystem tend, after having settled in the latter, to become *substantial* elements of it. A Luhmannian approach stressing the self-referential character of social subsystems therefore appears inadequate here – unless one wants to dive into its circular set of arguments meant to immunize the idea of *autopoiesis* against the observation of structural (paradigmatic) change occurring in some social subsystems of contemporary society, such as the political system in its relation to social welfare provision.

And still: When the endeavor is to understand current movements of marketization from a macro-sociological perspective, there are problems with the traditional Parsonian approach – although these problems do *not* reside in those flaws Luhmann (e.g. 1983) addressed decades ago when claiming a Post-Parsonian framework. Rather, the need for a *post*-(neo-)Parsonian understanding of economization comes from an apparent shortcoming in the concept of interpenetration. This shortcoming consists of the conjecture of this process being *symmetric* over the long term. Parsons’ framework posits that limits are set to an *alien* cultural element becoming dominant in a given subsystem so that those references critical to that subsystem cannot be corrupted. For our case, it is highly debatable however whether the infusion of a given subsystem with novel organizational forms and institutional arrangement occurs without the invading values changing the rules of the game substantially. When welfare recipients become consumers, and when outcomes in terms of delivered welfare depend on market dynamics (rather than political or social norms being enacted publicly), these rules do change. At least, the new references remold the corridor in which the *old* references unfold their social meaning. While the twofold process of *embedded marketization* sets limits to the radius of the invading set of references and may tame social dynamics triggered by the latter, the center of gravity shifts towards this new set and changes institutional arrangements markedly. Thus, welfare markets are (more or less) based on *public* subsidies, but welfare provision becomes contingent on *market* forces nonetheless.

One could even assume that, as regards contemporary pension and elderly care schemes, the adoption of these – formerly alien – references were necessary for the respective *subsystem* (area of social welfare) to survive at all. *Market pressures* proved very high in the political system during the 1990s, so their translation into the field of old age provision may have been the precondition for the latter persisting as an area subject to political control. This survival goes alongside an incremental erosion of the *pole position* those non-economic symbolic media were awarded when the areas under study here were established or consolidated. The lead references in these areas had been social *security* and *need-oriented* service provision; nowadays, these references are challenged seriously by orientations which are *structurally* different. While the (Neo-)Parsonian idea of symbolic media becoming ever more influential *across* social-subsystems seems to apply to our field, it is cultural references of *one* distinctive social subsystem (and not from other ones) that turn out to be the most pervasive force. Hence, the economization of social welfare provision is indicative of an *asymmetric process of interpenetration*. As a result, there is a missing link in the available versions of social systems theory.

To be sure, asymmetric penetration does *not* imply full colonization in the sense of Jürgen Habermas (1987), who, as should be noted, applied this term to a different societal process, that is, one of bureaucratic and managerial orientations dominating the (more unconstrained) life world of citizens. As the above-sketched study suggests, the rise of welfare markets goes alongside a twofold process of market values becoming salient in social welfare provision, on the one hand, *and* references from non-market spheres forming a cultural framework for these market orientations, on the other. *Full* colonization is impossible under these conditions. Hence, the key observation is that the rise of welfare markets can be understood as asymmetric, but not total, invasion of values from the economic system, with this configuration provoking a new kind of cultural *struggles* in the two areas of social welfare provision.

#### 4. Conclusion

The marketization of retirement provision and elderly care is indicative of basic institutional elements from the economic system becoming a substantial issue within subsystems in which these elements have not been a significant social force before. While economization is a matter of fact here, it triggers a multidimensional process of cultural change. Economic action is socially embedded, and as modern society has evolved via processes of interpenetration, market values in non-economic systems are processed within particular cultural frameworks. These frameworks introduce market values into the new sphere but also take recourse to *non-economic* symbolic media (in Parsonian terms). The combination of market-*developing* elements and market-*embedding* norms within the two areas of social welfare provision under study in this paper suggests that markets can be *winners* of interpenetration but do not *take it all*.

Hence the rise of welfare markets (in these areas) is not a simple translation of the (competitive, for-profit) economy becoming the only reference throughout contemporary Western society. Rather, with commercial references becoming a substantial part of the mind-map governing these markets, both

retirement provision and elderly care become subject to a *cultural struggle* in which *new* and *old* lead orientations confront each other. Values engrained in non-economic spheres (family, community, state), are now facing an *open-ended* cultural confrontation with market-based references. While the former may have lost their imperative nature within the subsystem of which they have once been constitutive, the *old* references are not *banished* from the socio-cognitive repertoire relevant to this subsystem. New, sometimes ephemeral, combinations of cultural references arise here, feeding into complex regulatory arrangements in the fields under study (for instance: public subsidies and regulations for pension plans; quality inspection in elderly care).

Notably, there are some *intersectoral differences* regarding the twofold process of economization and market-embedding. Thus, the *currencies* used in this cultural struggle are not identical in retirement provision and elderly care. In the latter, the *non-economic* seems to remain the ultimate end of those *market means* employed for the organization of the service schemes. This possibly stems from two reasons: First, the culture of the *managed* (elderly) care market embraces an overarching societal commitment to preserve human dignity in old age by employing universal control instruments under state control. Second, families remain key players in this area, and despite their involvement being shifted to a consumer role to some extent, they are expected to *take care* whatever the outcome of the market game. In contrast, decent retirement provision is increasingly seen as being predicated on individual thrift, despite the helping hand of the state. Despite the recent financial crisis, the (financial) market is now widely acknowledged as an institutional force impacting on the material well-being of the average citizen during old age. Seen through this lens, we have to write two different stories of the economization of social welfare provision.

Overall, however, there is one *general reconfiguration* shining through the evidence. While, during high modernity (the 20th century), the two areas under study here had both been shaped by specific value hierarchies (featuring non-economic lead references), it can be easily discerned that, with the process of *marketization*, this hierarchy is becoming precarious. While the intrusion of economic references into non-economic social subsystems of modern society may be read as a permanent and increasing interpenetration typical of societal modernization, this process appears *asymmetric* in kind. In our days, market values can be on an equal footing or even become *lead* references in spheres they had been ancillary to other orientations before. Those arguing that the economic sphere has seen the reverse, that is, the penetration of non-economic values as well – which would endorse the Parsonian idea of ongoing *symmetric* interpenetration – will have problems to demonstrate that the cultural and material impact this movement has on the respective subsystem is equally strong in material terms, e.g. regarding effects such as social redistribution or life course security. At least, one can say that, over the past decades, the capitalist economy has been *much less substantially* affected by the intrusion of non-capitalistic references (corporate social responsibility and the like) than all those non-economic spheres that have ever more to cope with capitalistic values.



Consequently, while market values do not fully rule out other values relevant to social welfare provision, the *impact of economization* is substantial in terms of *institutional signals* triggered by it. Social rights to pension and care provision are still an issue, yet the public pledge for them is becoming less authoritative even as there is a rough consensus about the actual level (or quality) of benefits and services becoming flexible – that is, less reliable. Moreover, while human dignity is still awarded great attention as a non-market value, a strong emphasis is now placed on *consumer dignity*, that is, rights to equal opportunity and fair information in the face of a competitive supply structure. Also, statutory enactment of social welfare provision is still on demand, yet the role of the state is permanently challenged by pleas for greater individual responsibility. Here, the fuzzy compromise says that public bodies, apart from providing basic provision, should concentrate on context steering rather than direct intervention. Public agency, then, is widely accepted to become less imperative. Finally, there is a new understanding of what is to be seen as sound management of welfare provision, with micro-economic cost-efficiency confronting social expectations towards secure provision. The compromise here is *best value* arrangements that are viewed as a satisfying, and operational, approach to the management of welfare provision. They are deemed to ensure measurable outcomes beyond mere (average-)cost-efficiency – for instance, through public inspection imposed on commercial care providers, or through limits set to the tradability of retirement plans on the equity market – but there is no longer a symbolic priority on guaranteeing a given outcome by (re-)adjusting budgets or regulations to emerging needs.

The *material consequence* of the twofold process of economization and their non-economic embedding is a permanent dis- and re-organization in the two areas examined. First, the outcome of the aforementioned *cultural struggle* is insecure: sometimes the invading market rationale appears to be translated into the value hierarchy of the invaded sphere. A good example for this is commercial care providers, transforming citizens in customers, being deemed to do a better job, *all other things being and remaining equal* (e.g. service quality). Elsewhere, social welfare provision is transformed more profoundly, e.g. where making money becomes legitimate as the *endpoint* of organizational action. This seems to be the dominant pattern in the contemporary (private) pension industry. Secondly, there is a lot of volatility in the temporal dimension. The rise of market values has gone alongside the dismantling of pre-existing institutional structures, yet the persistence of non-market references permanently prompts pressures to counteract their effects and induces regulatory recalibration. At the same time, welfare markets permanently generate problems regarding the fulfillment of their mission. For instance, market-driven providers of saving plans or elderly care are systematically incited to defect from formal agreements undercover. This, in turn, may trigger political protest and lead regulators or managing bodies to re-specify regulations (e.g. contract policies). As a result, the practical use of welfare markets is prone to create “its own new political and organizational dynamic, producing more diversification [...] and [ever] new regulations” (Smith 2002: 95). As for Germany, recent examples of recalibration include the strengthening of public oversight in the care sector, new legal provisions meant to control misselling strategies of the pension industry and policies to improve the level of public provision altogether (regarding minimum pensions, for instance).

Concerning the *prospects of theory making* around the economization of social welfare provision, finally, both new economic sociology and the neo-functional theory of society provide us with some clues for understanding better what is going on. The economization of social welfare provision is a complex process which can be assessed by using (neo-)Parsonian theory, except with regard to the asymmetric character of the interpenetration movement becoming salient in this process. We are left with a pre-Luhmannian understanding of social subsystems becoming *more than irritated* by other subsystems, but also with the fact that a (neo-)Parsonian reading does not tell us the full story. So we need to take some steps beyond: Marketization is also *market building*, based on distinctive “forces that set markets in motion” (Caliskan & Callon 2010: 8) and give shape to them. Therefore, the relative *power* of market-building social forces may be important when examining the economization of social welfare provision. Thus, a dose of *good old* political economy will help to understand what happens to the affected societal sectors. For the moment, however, a sophisticated, culture-sensitive and pluralistic approach to economization in the field of social welfare provision, and probably beyond, does not seem to be on offer.

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Marino Regini

## A Marketization of European Universities?

### The Role of External Demand and Internal Actors<sup>1</sup>

#### 1. Introduction

In this paper, I will ask to what extent and how have European universities increased their openness to the outside environment and especially to the economic system in the last twenty years or so. More specifically, the paper focuses on variation between higher education (HE) systems in the size and forms of such generalized change. The guiding principle to interpret both variation and change is the different degrees (and different forms) to which a market logic of action, as well as entrepreneurial and managerial concepts, have penetrated the actual working of European HE systems and institutions.

To deal with the questions above, the paper draws on a comparative research carried out in six countries (UK, Germany, France, Italy, Spain and The Netherlands) by a research team directed by this author (Regini 2011). To reduce the influence of external variables, we decided to compare tertiary institutions in relatively similar areas of these countries from the point of view of both their economic systems and the structure of their HE systems. England's North West, Hesse, Rhône-Alpes, Lombardy and Catalonia are among the most economically advanced and diversified regions of their respective countries, they are large and contain a major European city that is not, however, a national capital (respectively Manchester, Frankfurt, Lyon, Milano and Barcelona). The Netherlands conversely, given its smaller size, was considered in its entirety and compared with these regions. Also from the point of view of the structure of their HE systems, these regions are relatively similar to each other, having diversified systems that include large multi-disciplinary universities and other smaller specialized ones.

The sample of tertiary institutions studied in each of these regions or countries includes both universities and other tertiary institutions where a vocational track is significant (Germany, The Netherlands, France), and both public and private universities where this distinction is relevant (Spain, Italy)<sup>2</sup> The next section will discuss some generalizations drawn from the case studies conducted within this comparative research.

- 1 This paper is drawn from the book edited by M. Regini (2011), *European Universities and the Challenge of the Market. A Comparative Analysis*, Cheltenham, Edward Elgar.
- 2 The universities and other tertiary institutions on which this study was conducted were the following: In North West England, two civic universities (University of Manchester and University of Liverpool) and two ex-polytechnics (Manchester Metropolitan University and Liverpool John Moores University); *in Germany*, three universities in Hesse (Technische Universität Darmstadt, Universität Gesamthochschule Kassel and Goethe Universität Frankfurt) and two Fachhochschulen (FH Wiesbaden e FH Fresenius); *in France* Rhône-Alpes, the universities of Lyon (Claude Bernard, Louis Lumière, Jean Moulin) and Grenoble (Joseph Fourier, Pierre-Mendès-France, Stendhal) and a few *grandes écoles* in these two cities: *in Spain*, five Catalan universities: Barcelona, Pompeu Fabra, Autònoma de Barcelona, Girona, Politècnica de Catalunya; *in The Netherlands*, four tertiary institutions: University of Amsterdam, University of Leiden, Delft Polytechnic and Amsterdam Hogeschool; *in Lombardy*, the three state universities (Università degli studi di Milano, Università di Milano-Bicocca, Politecnico) and the four private ones (Cattolica, Bocconi, IULM, S. Raffaele) in the Milan area.

The last section will present a short conclusion addressing a more theoretical question, namely, under what conditions can a market logic of action prevail over the traditional bureaucratic, oligarchic or political logics of action in HE systems.

## **2. To What Extent and How Have European Universities Increased Their *Openness* to the Economic System?**

The overall direction and significance of change in European HE systems in the last twenty years or so has been their gradual opening up to the outside environment, and especially to the economic system. Up to a few decades ago, contacts between universities and business were sporadic and rather infrequent, at least in continental Europe. They were two separate worlds with regard to objectives, values, organizational models; and both were firmly convinced that this was the way it should be.

In fact, as long as universities defined their mission as educating the national élites by socializing them to the values of high culture and the knowledge produced by free research, their inward-looking approach seemed completely justifiable. The professor-scientists were the ones who defined a given field of knowledge, decided how to transmit it and consequently how to organize the institutions where that knowledge was produced and taught.

As to the university graduates, they would eventually become part of the economic, professional and cultural élites and usually had no major problems of *employability* – a problem that the universities did not remotely consider their domain, anyway.

Similarly, as long as Fordist production systems prevailed in most advanced economies (but not dissimilar was the situation in small-firm areas), recruiting university graduates with suitable qualifications was not the main concern of enterprises. With the exception of some executives and highly-skilled engineers, most of the workforce needed only a minimum level of general education and was trained on the job, while technical white-collar workers were usually required to have no more than a secondary school diploma. Applied research was done more in the laboratories of large companies than in partnerships with universities.

In short, universities and companies could legitimately ignore each other, or almost: the fact that one knew very little about the other inevitably led to mutual prejudices, stereotypes and clichés.

Our comparative study has shown that, at least in Continental Europe, this scenario has radically changed in the last twenty years and, especially, in most recent ones. This may come as no surprise. In fact, when an “élite university system” is transformed into a “generalized access system” (Trow 1974), as it has been the case in all the EU countries in the recent decades, the urge to look beyond the academic world and especially to the business world becomes quite strong. Universities can no longer wash their hands of the *employability* of their university graduates. The emphasis changes from securing the autonomy of teaching to verifying the learning outcomes. Everywhere, student orientation and

placement services have been introduced to help graduates make the transition from the academic world to the labor market. Everywhere, universities that were once inward-looking ivory towers, dominated by powerful academic oligarchies, now have to take a step back in the face of the demand for greater efficiency, autonomy and assessment of outcomes.

With regard to business, on the other hand, we are familiar with the crisis of the Fordist production that began in the late 1970s and led to the transformation of the European economies into post-industrial service economies and eventually, in response to globalization, into economies that have to base their competitiveness on knowledge, as solemnly stated in the Lisbon strategy. Universities and companies can therefore no longer ignore each other, as they have in the past, but are now forced to work together and cooperate.

In general, we can say that the changes in the relationships between universities and the economic world have been remarkable everywhere, but their course and their consequences should not be exaggerated. No doubt some forms of “marketization of HE” (Jongbloed 2003) are in action. The marketing of some activities (life-long learning, professionally-oriented masters, commissioned research, etc.) and the attempt to respond to social demand are on the increase everywhere, while the metaphor of the *ivory tower* seems to fit the reality of the European HE systems less and less. Equally, the consensual governance typical of the continental model is leaving the field to more or less open forms of managerialism in the governance of the tertiary institutions (Amaral et al. 2003).

Privatization and market regulation should not, however, be emphasized excessively. The increasing dependence of universities on private resources should not conceal the fact that most of the funds remain of public origin. The input of economic actors to the reformulation of the curricula has been altogether very limited. And also in commissioned research the input of public actors (local authorities, government organizations, semi-public agencies, etc.) is anything but negligible. These processes that take place throughout Europe – certainly cannot, in short, constitute the basis for theorizing a retreat of the state or a takeover by the market in the field of higher education. The comparative study on which this paper draws allows for three main generalizations from this point of view.

First, the market logic that has made its appearance in the European HE systems – to a different extent and in different ways – has not in the main been the result of the demand of external actors, as is generally believed. Market elements have been introduced instead by the state and sometimes by the individual universities that is by the internal actors of the HE systems. More generally, the intensification of the relationships between universities and economic system appears to be largely the result of governments’ incentives or pressures.

Second, not all the relationships of universities with the economic system, although growing strongly, have taken the form of market relationships. Often they have taken the form of cooperation or partnership relations. In other cases, they have been the result of autonomous attempts by the traditional internal actors to anticipate potential demand, obviously filtered by their own culture.

Finally, a third generalization allowed by the empirical findings is that, in the current service economy, this demand has become much more fragmented, volatile, difficult to plan than in the traditional industrial economies. Therefore, both the organization of curricula and the potential economic outcomes of scientific research have become more uncertain and subject to conflicting views. The greater opening of universities to the economic world and vice versa is not easily translated into unambiguous indications on how to structure their relationships.

## 2.1 A Market Largely Created by the State

That the market is not an institution that emerges spontaneously, as a result of uncoordinated actions of various actors, but must usually be *created* by institutions external to the market itself, is an argument with a long and noble tradition in economic sociology and economic history. Already Polanyi (1944) held that the organization itself of economic systems based on the market, as the chief resource-allocating mechanism, has historically had to be imposed by the state in order to overcome the anti-market resistances raised by pre-established interests.

Of the HE systems that we studied, all those belonging to continental Europe have known remarkable interventions of the state in the last thirty years to introduce market elements, and in general greater attention to the demands of the economic system, within them.

With regard, for instance, to the re-definition of curricula, a top-down push to involve the economic actors in its planning spread throughout all European countries beginning in the '80s. Even in the case of England, historically based on the autonomy of the universities, the *National Qualifications Framework* enacted at the beginning of the new millennium viewed the economic system as the true source of expertise and university professors were invited to consult such source.

As far as research is concerned, the impulse for greater attention to the technological transfer came everywhere from governments, in a move to increase the marketization of universities. Even when direct relationships are created between researchers and enterprises, as for instance in the science or technology parks, these are rarely the fruit of a spontaneous meeting between a demand (of services, research, graduates, etc.) and a supply following a market logic. In the background there are often considerable public incentives offered by the governments, which in a sense act as collectors and interpreters of the largely unexpressed demand that comes from the economic system, by stimulating universities and enterprises to cooperate.

As regards services to students, their development has been more the outcome of the process of European convergence on university reform (culminated in the Bologna process) than a result of pressures by the external economic environment.



Finally, with regard to financing, all European governments have increasingly tried to introduce a market logic into HE systems. Ms. Thatcher's government was among the first in the early '80s to openly declare it wanted to reduce the public expenditure in the field of higher education, an example partly followed in all European countries by governments regardless of their political orientation in the following years.

Nevertheless, the real ability and willingness of the external actors to influence the governance of universities remains modest everywhere, though it appears to be growing. In many tertiary institutions, managerial responsibility has been entrusted to the *secular members* as far as budgets are concerned; but these members, for lack of competences or for explicit regulations, hardly enter the core of the academic matters proper such as teaching or research. Contrary to expectations, the principal representatives in the universities, not to say promoters, of the demands of the productive system don't seem to have been as much the external actors, as the ministries or other public agencies responsible for funding. It has emerged in a clear enough way that the action of the state, far from being an obstacle to the penetration of a market logic inside the universities, has actually become a powerful stimulating factor.

The causes of governments' pressures on universities to intensify their relationships with the economic system are manifold, but two main reasons can be held responsible. The first well known factor has to do with the enormous increase in the costs necessary to finance what is by now a mass university system. Governments everywhere seek to externalize some of these costs, pushing for some form of partnership with enterprises. At the same time they often try to use the public funds to set the research agenda, directing it to areas considered of major economic-social interest.

The second factor is cultural. European public policies have incorporated ever more widely the principles of *New Public Management*, and more specifically of managerialism, performance measurement and privatization. These precepts are accompanied by the diffusion of more general values of transparency, accountability, autonomy followed by assessment. Accordingly, the governance of continental European HE systems, traditionally based on a detailed bureaucratic regulation of their operation, is transformed into a *steering from a distance model*, in which only some general rules are laid down while actors are encouraged to let market mechanisms work.

Nevertheless, these principles reveal clear limits when applied to the HE system. In this system, the limits to the market come from both the enterprises and the university administrations. The former soon become aware that the public goods produced by universities (highly qualified human capital and research results) can be transformed into private goods appropriable by economic actors only to a very limited extent; the risk being otherwise that the features that make such goods so valuable get lost. The latter can take the demands of the business world into account to a limited extent, when planning the production of these goods. In fact, these are very special goods, whose features can only be determined by their producers, not by the bureaucracy or the market. What the most promising directions for research are, from whom and in what ways is it most likely to get results, what knowledge is more appropriate

to transmit and with what methods: these are all choices which only the relevant scientific communities are competent to make, and university bureaucracies cannot but leave such choices to them. Therefore, both the enterprises and the university administrations, namely the actors most interested in introducing a market logic into their relationships of cooperation and exchange, meet structural limits in planning their relationships in this way, without taking account of the different logics of action of the academic communities (Whitley 2000).

## 2.2 Market Expansion vs. Autonomous Attempts to Anticipate Demand

A second general conclusion is that not all the relationships with the external world, and particularly with the economic system, have taken the form of market relationships. Often they have taken the form of cooperation or partnership relations.

This is evident, for instance, in the curricula co-designed by university and enterprises, even though this is not a very frequent form of reorganization of the curricula. Cooperation can well be only indirect and poorly structured. To quote an English interviewee, who summed up well what others have pointed out as regards the type of cooperation prevailing between university and economic system, "there are curricula supported by the economic actors, but they don't put up the money and they are not even started with the academicians planning them. What they do it is to supply a series of facilities to the students and opportunities to have internships and work experience."

Better examples of cooperative relationships are found in the area of scientific research. Our study effectively shows how one of the types of relationship between university and economic system is precisely a *cooperative model*. In this model, research is developed in partnership and the relationship between university and business is symmetrical since a specific buyer who awaits the research results furnished by universities is not always identifiable. This is a model proposed by public policies meant to foster cooperation, precisely because of the low propensity of economic actors to invest in academic research. This model is particularly relevant for the small and medium sized enterprises, that do not have time and knowledge, not to speak of financial resources, to act as market actors intending to find the university partners with which to enter relationships of exchange.

In other cases, the increased relationships of the universities with the external world have been the result of autonomous attempts by the traditional internal actors to anticipate potential demand, obviously filtered by their own culture. These attempts relate to the serious difficulties that companies seem to meet when they have to clearly identify their actual need for a highly skilled workforce. Case studies of hiring decisions by companies throughout advanced economies show that these difficulties are so serious as to question the usual approach to the issue, based on *matching supply to demand*; namely, on how universities can gear the supply of graduates to companies' demand for professional skills.

To put it bluntly, the problem is the following. To what extent do companies have instruments that can effectively anticipate their own needs for highly-skilled and competent human capital? Do they rely on the skills they actually use given the current organization of work, or can they anticipate the skills that would be useful to improve on such organization; namely, that would help it evolve towards more efficient models? To what extent do companies demand only skills and competences they can immediately use instead of those that could increase the firm's innovation capacity? To what extent, on the other hand, do they give priority to increasing and diversifying their store of internally available knowledge even if it exceeds their short-term needs, as a strategic element to make the company flexible and versatile, thereby enabling it to adjust more rapidly to volatile markets?

To summarize: the usual assumption is that the demand for skills, for the highly-trained human capital, should guide the supply of graduates. The whole debate on over-education is premised on this assumption. However, just how important may the size and the features of the available supply – namely the reservoir of human capital that is seen as over-supply or as a mismatch to existing demand in time zero ( $T_0$ ) – become instead as a prerequisite for the company's capacity to innovate, to reposition itself on the market, to enhance its competitiveness in time one ( $T_1$ )? In other words, to what extent can the existence of an over-supply in the economy become an incentive for the very demand for human capital to evolve?

If the problem is posed in this way, we can understand better why several experiments to redesign curricula or re-organize research, driven by explicit business demands, have hardly been successful. It is the case, for instance, of the *Foundation Degree* introduced in Great Britain as an answer to business demand, or of the short-cycle curricula set up in Italy under pressure from *Confindustria* before the start of the *Bologna Process*. And we can, on the other hand, understand the plurality of autonomous initiatives from the universities we studied to adjust to business demands and even more to anticipate them, as regards human capital formation, research, or services to students and enterprises.

These empirical findings run counter to the conventional wisdom that sees universities as basically reluctant partners, unwilling or slow to respond to market demand. This is for instance the view held by the European Commission (2006) and reiterated in its latest document on university-business dialogue: “[...] universities should develop structured partnership WITH the world of enterprise in order to become significant players in the economy, able *to respond better and faster to the demands of the market* [italics provided] and to develop partnerships which harness scientific and technological knowledge” (European Commission 2009: 2). Our case studies show a far more complex situation, one in which it is often the case that universities try to anticipate market demands by reshaping curricula and governance structures, organizing technological transfer of research outcomes, setting up placement services, while enterprises do not always *respond better and faster* to such attempts.

### **2.3 Fragmentation and volatility of the demand for HE in the service economy**

A third and final generalization that can be proposed on the basis of the case studies conducted is the following. In the current service economy the external demand, both for human capital and for research results, has become much more fragmented, volatile, not programmable than in the traditional industrial economies. Hence how to re-organize curricula or the technological transfer of research outcomes has become more uncertain and subject to conflicting evaluations. The opening of universities to the economic system and more generally to the external demand takes place in a phase in which such demand becomes more opaque, difficult to read when not contradictory.

Take, for instance, the type of training that enterprises would like the universities to provide. Very specialized or wide-range knowledge? Mainly technical or social and relational skills? The literature shows ample heterogeneity on what enterprises really want from the HE system. Employers' associations do not have convergent visions either among themselves or through time. In some cases during the '80s enterprises have been more interested in recruiting candidates holding a degree than in the content of the training provided by such degree. In other cases and especially in the '90s, the demand for technical ability independent of the educational level attained was far stronger (Kogan & Hanney 2000).

Basic technical skills are obviously the most important qualification that companies expect the ideal candidate to have and specialist skills are the ones that firms themselves plan to improve. However, compared to the past, relational skills are valued as increasingly important. Company size is probably the main determinant of the type of demand. For example, small enterprises tend to favor basic technical and work-oriented training. These companies tend, therefore, to prefer the vocational track of tertiary education over the academic track, where a binary system is strongly in place, like in Germany or The Netherlands (though this distinction is increasingly blurred). On the other hand, medium-large enterprises are usually satisfied with the technical knowledge provided by universities, since they can easily supplement it with firm-specific training, while they often complain about the lack of social and relational skills.

This is even truer of the service sector. Several studies have shown that, when entering the labor market, the biggest gaps that young European graduates have is not the lack of technical knowledge but the inability to transform the knowledge acquired into getting things done, and into congruent behavior at work more generally. Consequently, the skills that companies most demand from graduates include the ability to make decisions autonomously and program their own work, to process information, to manage interpersonal relations, to innovate, as well as to be proactive and open-minded.

However, as we have seen, there is strong variation among advanced economies in the mix of skills and competences that business would like university graduates to have. Such variation mainly depends on a set of institutional and organizational features of these economies and is likely to produce a variable impact on the structure of higher education systems. It also depends, however, on the degree to which services have become the predominant sector in European countries, the one most capable to orient demand.

Both those responsible for public policy and the economic and academic actors too often discuss the needs of the economy as if it were still predominantly industrial. The fact of the matter is, however, that services dominate any prospects of job growth. It is not the auto industry, but services, that must absorb most of Europe's unemployed, let alone coming generations. Unfortunately, the tertiary sector is much less understood, and less documented by hard data. It is also more complex, possibly more dualistic, because it combines highly professionalized production, especially in banking, finance and business services, with very routine, low-skilled jobs, especially in personal and some social services (Esping-Andersen & Regini 2000).

It is easier to understand in this light the otherwise hardly comprehensible dynamics of the relationships between the academic and the vocational tracks that is observed in the binary HE systems, on one hand; as well as the apparent irrationality of the distribution of university students in the various fields of study that should theoretically lead to a gigantic mismatch between demand and supply, while this is often not the case.

The former process is a genuine puzzle for many observers of HE systems and policy-makers. The vocational track typical of the countries with binary systems should prove a precious resource to deal with the constant increase in the access to tertiary education and with the acute problems of employability that this involves. One would therefore expect that this track were strengthened by these processes and that it stressed the value of its proximity to the world of work and of its ability to transmit the skills most required by the economic system.

But recent tendencies in Europe seem to go in the opposite direction. In Great Britain the binary system was formally abolished in 1992 with the granting of university status to the polytechnics, and since then there has been a kind of pursuit of the former by the latter, even in relation to involvement in the *RAE* that rewards basic rather than applied research. In Germany and in Holland, the once-clear distinction between 'Fachhochschulen' and 'Hogescholen' on one hand and universities on the other has become increasingly blurred, as the first type of institution has begun to venture into doctoral training and into research. And the distinction between universities and 'grandes écoles' in France has become far less sharp than it used to be, also due to the government policy to favor aggregations between them and with other research institutes. On the other hand, the traditional unitary systems such as the Italian and to some extent the Spanish have introduced so-called *professionalizing* curricula, without, however, clearly distinguishing them from the more academic ones and without such curricula meeting great success.

The most common explanation for these phenomena is that students, teachers and the tertiary institutions themselves are giving priority to higher reputation over better prospects of employability. This would induce irrational behavior from an economic point of view, but understandable in the perspective of competition for status. However, an alternative explanation can be found in the consequences of the advent of service economies. The vocational track in binary HE systems, as much as apprenticeship in dual VET systems, are institutional solutions particularly suitable to industrial economies, that require employees with specialist technical, potentially stable and firm-specific knowledge.

Economies based on services require instead to a much greater extent broad-based and multidisciplinary knowledge, versatility and social-relational skills. Not surprisingly does the already cited document of the European Commission (2009: 4) insist

[...] on the need for comprehensive change to curricula and learning methods and for the inclusion of transversal and transferable skills [...] curricula should be 'T-shaped': rooted in the specific academic disciplines while at the same time interacting and cooperating with partners in other disciplines and sectors.

Similar considerations can be advanced on the apparent irrationality of the distribution of university students in the various fields of study, that should lead to a gigantic mismatch between demand and supply, while this is often not the case. According to OECD data, the distribution of university graduates (Isced 5A and 6) in the different fields of study in 2006 shows a clear prevalence for Humanities and Social Sciences (including law and economics) compared to all the other fields: the former have risen to 58.4 percent in Spain, 60 percent in Italy, 60 percent in Germany, 62.1 percent in UK, 63.9 percent in France, 67 percent in Holland, up to 73.9 percent in USA (OECD 2008). Nevertheless, despite a lot of analyses and worries on the mismatch between supply and demand of graduates, the available analyses in the various countries on the employment rate of graduates at 3 or 5 years after graduation do not reveal enormous differences between the former and the latter. Also in this case, the advent of a service economy has probably made the traditional analyses on business demand for the competences needed obsolete or less solid.

### **3. Under What Conditions Can a Market Logic of Action Prevail Over the Traditional Oligarchic, Bureaucratic or Political Logics in HE Systems**

In the traditional type of university that characterized continental European countries up to 20-30 years ago, the concept of *market* had no actual room for application. This was not because universities in Europe were (and in large measure still are) public but because the market can only operate where the supply of goods or services is oriented towards a demand, and exchanges are based on prices determined by the interaction of such supply and demand. This was not the case in the traditional European university.

In that institution, the *goods supplied* were the production of culture and knowledge through research, and the transmission of this culture – and the values and lifestyles which accompanied it – to the national élites who could

access it and who had been socialized to it. The almost exclusive *producers* of this particular type of goods were (academic) communities which acted on the basis of norms and values shared among themselves. They were regulated by the state, which set the rules and standards for their recognition but delegated the definition of their objectives to them. The organization of the supply of such goods was thus left to the self-regulation of the academic communities, within limits and at *prices* fixed by the state.

Recalling the classic Polanyi's typology of the forms of regulation, we can say that the traditional European university was regulated by the criteria typical of communities and the state, while the market and exchange criteria played no role.

Furthermore, not only was the supply not organized in such a way to be oriented towards a demand; actually, no real demand existed, or at least it would be difficult to identify who the bearers were of such a demand, capable of orienting the supply and influencing the terms of trade.

First, a diffuse demand for higher education in the sense that is understood today did not exist. The very limited segment of the youth population who enrolled in the universities (usually less than 10 to 15 percent of the relevant age cohort) wanted to acquire the credentials to access the professions or the technical and managerial positions which required that level of education, and had little reason to worry about the consistency between the content of their studies and their future occupational roles. The families, like the enterprises, the public administrations and the professional associations focused on the credentials and thus on the status which could be acquired within the social stratification system, more than on the content and methods of education, set by the academic communities within a general regulatory framework provided by the state. Only in countries with a binary system – in which a vocational track existed alongside the academic track – was the situation a little different, in as much as the families and the enterprises were more attentive to the content and methods at least of the vocational track.

Secondly, such a limited student population and the little attention paid to the labor market did not help a specific demand for services to the students or to the enterprises to emerge. Internships were a limited reality in only some vocational sectors and were poorly regulated, while orientation, placement, and occupational monitoring services were almost unknown.

Thirdly, also the demand for *social appropriation* of the results of research carried out in the universities was very weak and dispersed. A Fordist production system like that prevailing in Europe based its competitiveness on the mass production of standard goods and on low labor costs, rather than on constant product and process innovation that depended in a crucial way on research. The laboratories of the large enterprises were mostly sufficient for their own needs, while university research did not respond, except in particular cases, to specific demands advanced by the production system.

To summarize, in the traditional HE systems, education and research were not quite conceived as specific goods *supplied* by an organization (the university) in response to an articulated *demand*, but rather as public goods whose production was financed and regulated by the state but entirely delegated to academic communities, that were the sole depositories of the know-how necessary to decide how to organize this production.

A market logic can become relevant in a HE system only to the extent that other actors besides the two traditional ones (the state and the academic community) are recognized as legitimate actors by the latter and hence acquire some degree of power or influence.

The first of such actors is the individual university (or other institute of higher education), as an organization endowed with its own interests distinct from those of the academic communities within it, and at the same time with enough autonomy from the state to pursue such interests, even in competition with each other. This condition, which appears to be taken for granted today, was what differentiated the HE systems of the Anglo-American world from those of continental Europe up to not very long ago. In the latter, it was only in the '80s to '90s that the granting by the state of some managerial autonomy – though often limited and partial – to the universities enabled them to become subjects with interests distinct from the academic corporations and from the state that financed and controlled them. This has made possible (though not necessarily effective) the adoption by their administrations of a logic of action different from the previous one, which was limited to agreements between the academic corporations and to the bureaucratic management of the funds provided and the rules dictated by the state. It is only at that point that a market logic has begun to spread in some universities, favored by governments that cut public funding and encouraged universities to compete for resources, that introduced the practice of external assessment of the results achieved, and that tried, more generally, to impose a market ideology in an academic world largely hostile to it.

Actually, reference is sometimes made to a *market* of the professorial appointments which characterizes the academic oligarchy, too, to indicate the presence of mechanisms of competition and exchange (e.g. Musselin 2009). No doubt competition and exchange were modes of action that involved even those “aggregations of academic corporations headed by a minister” that, according to an effective representation, were the traditional European universities. But this notion is too broad to be useful to grasp the most relevant changes that have taken place in HE systems. For a market logic to become relevant in a HE system, universities must, in the first place, acquire an identity and the ability to pursue their organizational interests autonomously.

However, this is not sufficient. It is also necessary that external actors be involved in an exchange relationship with universities and at the same time require them to implement an efficient and transparent resource management, i.e. aimed at satisfying their demand as users rather than the interests of internal actors (accountability).



The two main external actors that may acquire awareness of their collective identity as legitimate actors in a HE system, or that may be recognized such a role by the state in its attempt to introduce a market logic, are the potential students and their families on one hand, and enterprises on the other. Obviously, these external actors have always existed. But it is only when they start being conceived as bearers of interests in a HE system (stakeholders); only when they are invited to elaborate and articulate a coherent *demand* for the products and the functioning of such HE system; only at that point may universities be forced to enter an exchange relationship with them. It is in these situations that a market logic can become dominant both in the reorganization of the traditional functions of universities (teaching and research) and in their modes of operation and management (supplying services to students and enterprises, management of their funds, assessment mechanisms, governance structures).

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Ivonne Küsters

## Exploring the Marketization of Arts in Music Managers' Practices

### 1. Introduction: Non-Economic?

In reference to the conference title I start with some remarks on the notion of the arts being non-economic.

At the beginning of May 2012 one of four versions of Edvard Munch's painting "The Scream" was up for auction. Art critics described the painting as a minor attempt compared to the first version of "The Scream" from 1893 (Schjeldahl 2012). The painting sold for 120 million US Dollars, the highest sum that was ever paid for a *modern* painting. Obviously, the artistic value and the economic value are widely disconnected. The costs for the 79x59 cardboard surface and some high quality oil pastels would amount to approximately 60 euros. Such a remark sounds inappropriate or even barbaric to our ears. Obviously, in the case of paintings the material costs and the economic value are completely disconnected. But, what to us hardly seems worth mentioning was different in earlier periods. As Michael Baxandall (1972) showed in "Painting and Experience in 15th century Italy" a Renaissance painter priced his paintings in relation to his working hours and above all to the worth of the materials used, especially to the gold and blue gemstones. A contemporary buyer or viewer would have valued the artistic excellence of a painting based mainly on the quality and the quantity of the materials used.

Clearly, markets where paintings are commissioned, bought, sold, and resold are an old phenomenon within art. The markets change, but they have been there all the time. The difference is that, nowadays, the monetary economy based on the paintings is completely disconnected from the material costs of their production, a change that could be interpreted as a result of the differentiation of art. But this is only so in one art form (and not even true for related forms as sculpture or architecture). In the case of performing music, the actual costs of the production, i.e. the wages of the orchestra musicians, the fees of the soloists and conductors, the costs of the infrastructure of the music hall, the costs or the renting fees for sheet music, etc., are extremely relevant and constraining even to fully funded performances. Approaches such as Paul DiMaggio's in: "Can Culture Survive the Marketplace?" (1986) tend to neglect that art must struggle to survive in stately funded environments, too.

The arts – unlike healthcare or sports, for example – have never heretofore enjoyed a situation in which they were not economized, marketed and dependent on financiers – be it businessmen, politicians, aristocrats, or clerics. And compared to other sub-systems of society, the economy of the arts is the least uniform. Even if one looks only at one art form, there are various differences: over time, obviously; between different countries; between levels and ranges (exclusive art versus mass culture, avant-garde versus established canon, European versus non-European); and between the production of art works or their distribution, reception or presentation. And there is – as pointed out by Bourdieu (1996) – also the initially non-

monetary economy of reputation, critical acclaim, academic reception, general competition of ideas about art that cannot be captured in purely economic terms.

The heterogeneity of the economic structures within the arts is reflected in the sociological works on the topic. There is none that tackles the economy of the arts in general or even settles for mastering the interrelatedness of the economic structures of one art form. Most studies single out structural elements, but that nearly always causes random cut-outs. If one chooses one market within art as the supposed basic structure for a study (Beckert & Rössel 2004), one might accomplish a detailed study of this single market, yet fail to see the related and interfering, but differently organized market structures behind or next to it (Ullrich 2004). Bourdieu's "The Rules of Art" (1996) – the by far most ambitious attempt to cover more than just details, more than just single elements of the economic structure of arts – deals mainly with 19th century French literature, or even more specific: Parisian novelists, located at the – in Bourdieu's own words – *autonomous pole* of the literary field: the production aiming for a reception by other producers. And thus this study neglects or misapprehends for theoretical purposes other production levels, other recipients, the distribution, the performance, and other actors than the writers.

My point is this: the sphere of the arts may not be economic in any textbook-like way, but it definitely cannot at any one point be described as non-economic. The conclusion that it is merely an economy in a fetal state or a fake economy seems wrong to me, because that judgment subscribes too hastily to the idea of a general uniform economy of all social spheres and explains differences away as stages on a developmental scale towards more economy or more market – stages that can all be found in the arts simultaneously.

I suggest to explore further the idea of a field specific economy which causes the differences to other field specific economies and in which even the lack of a straightforward profit motive in greater parts can be conceptualized (Bourdieu 1996) – but, admittedly, a coherent social economy of the arts has yet to be provided. Accordingly, the marketization and economizing of a field specific economy will have a field specific shape that will not be like any textbook definition. An allegedly occurring marketization or economizing of the sphere of the arts cannot be operationalized as intrusion of market elements, increasing importance of financial considerations and cost awareness, introduction of a profit motive, because all of this existed beforehand. So, marketization will look different, too, and will most likely manifest itself in forms of changes in intensity, a changing legitimacy of economic considerations, through new ways of acting or even the occurrence of new actors (a phenomenon that will be pursued in this paper), and has to be reconstructed from empirical data of the actions, decisions, and views taken by field actors while they move through the structures.

## **2. Qualitative Interview Study on Arts Managers**

During the last twenty-five years, alongside arts managers a new group of actors made their entrance into the world of the arts. They did this either equipped with new competencies and responsibilities that did not exist before or were allocated in different roles. Of course, their actual novelty is debatable, since there have been several predecessors long before, but it is undisputable that at that time they made their appearance accompanied by great controversy and the accusation that they are primarily economically oriented and supposedly act out the marketization of art (Bendixen 1994). An accusation that is not far-fetched since the music managers have mostly been trained as business administrators, so they relate to the world of business and describe their work often in managerial and economical terms.

The underlying hypothesis of my study is that the installation of arts managers with both artistic and economic authority marks a crucial point in the field-specific economy and possibly also in a process of economizing. The idea is to tackle the present state of the economy and also the marketization of art by following this new set of actors through an examination of qualitative interview data covering the actions of these actors. Hereby, using actual practices of arts managers as data and interpreting them against their self-perceptions proved to be important because the installation of arts managers into the arts was accompanied by an industrious and still on-going production of (self-)stereotypes, both by public and academic discourse (Küsters 2010: 44).

The main direction of these stereotypes is to confirm that any influence of the arts manager on the art itself seems impossible. In this conceptualization, an arts manager is seen as someone who assists artists by taking care of all the financial and administrative tasks, but does not take part in the actual process of producing, presenting, and performing art works to the slightest degree. The arts manager is seen as an enabler of arts who ensures that projects stay within economically reasonable limits (Bendixen 1994; Heinze 2008). This summarizes the most common conceptualization of the role arts manager (Föhl 2008; Van den Berg 2007). Most of the sociological research (Peterson 1986; DiMaggio 1987; Chiapello 1998) on arts managers also relies on the assumption that the roles and functions in the artistic universe can be precisely separated, that the arts manager's role is limited to financing, and that an arts manager uses one orientation only. Bourdieu (1996) partially follows this perception when he characterizes publishers and gallery directors, i.e., similar roles to arts managers, with a biblical metaphor as "the 'merchants in the temple' of art" (Bourdieu 1996: 216). However, he recognizes a certain fusion of orientations as essential to these positions. But he conceptualizes this – prematurely, I think – as an act of infiltration, as an intrusion of an economic disposition into the arts, so that he sees pure exploitation.

In contrast, my empirical research reveals that the assumption of a separation into functional areas and of a complete non-involvement of arts managers in artistic matters is strongly contradicted by the practitioners themselves when describing their actual practice. The common perception of arts managers as limited to financial affairs, as a non-artistic complementary role to artists, has proved to be incorrect. In fact, a wide variety of actual artistic occupations, influences, and qualifications can be identified among their functions. The same has to be said about the self-perception of the arts

managers: although responsible for finance they associate themselves with the sphere of art. They even show a tendency to refer to themselves as artists, even when dealing with finance or administration. In contradiction to the current conceptualization, they accentuate their *dual nature* as their main characteristic. They make wide use of their potential to alternately impersonate an artist or a businessman – mostly to the then-opposite role. That means that they use their dual nature for the benefit of their tasks and their organization, so that the alternation between artist and businessman can even be seen as an essential part of their functional role. It is important to realize that the arts managers' impact on the performance and presentation of art works is huge because the artistic agenda is the arts manager's main leverage force used to influence the finances of the arts organization. Considering this, the widespread conceptualization of arts managers as mere assistants to artists or enablers of art has to be modified (Küsters 2010: 54-55)<sup>1</sup>.

My empirical research data are interviews with music managers of orchestras, concert halls and festivals in Germany: organizations that perform classical concert music, contemporary music and jazz. Thus, those musical genres least prone to mass marketing and, accordingly, with a huge requirement for state or private funding. The sampling of these arts managers took into account: the reputation (mostly top-level) and layout of the organization, and the position and competencies of the arts manager within this organization. Most of them have been trained as musicians or have mastered in musicology and hold additional degrees in business administration or arts management; and most of them started their careers as student trainees in core organizations of the field. These music managers are in highly visible positions. When some weeks ago the Royal Court Theatre made Vicky Featherstone, the former National Theatre of Scotland head, the first female artistic director, one of her predecessors said that this job is "like being England manager" (Dickson 2012). A similar description would apply to the arts managers interviewed for this study; they are managers of mayor concert halls, famous orchestras and international festivals and get their own share of prominence and media attention.

My research is based on semi-structured interviews expanded through use of the interviewing technique *Narratives Interview* (Küsters 2009). The narrative passages provide data of coherent action and decision making processes (Küsters 2012). For example, the arts managers were asked to recall and describe in detail their core activity, the planning and organizing process of his or her most recent concert season. This question generates mostly long and uninterrupted narrations covering several months, if not years of coherent action and decision-making processes and provides a lot of context information and highly detailed accounts.

During the examination of the empirical data the sociological concept of functional differentiation (using both Luhmann's and Bourdieu's theory) has been used as a tool to produce and elaborate analytic questions (Küsters 2010: 47-50). This macro-concept is especially helpful when applied to empirical data originating from the micro-level of society, because it then evokes questions "that do not present themselves to intuition" (Bourdieu 2005: 31).

1 See Küsters 2010: 50-54 for an extended analysis and results.

### 3. Data Analysis and Results for the Question of Marketization / Economizing

There are three results of my study that can contribute to the question of economizing and marketization of the arts:

- (1) The music managers' handling of different logics
- (2) The self-fabricated law the arts managers restrict themselves to
- (3) The manager-organization-relation

#### (1) *The Music Managers' Handling of Different Logics*

AM (manager of a concert hall): No, I simply cannot separate it. I think everything is really totally mixed up. The very same moment I'm thinking about possible programs for a recital I am able to write out the press release for you. Or I could tell you the required price of the tickets. Not up to the last cent but whether it will rather cost 15 or 25 euros. Or I can predict how many tickets we are likely to sell for this concert, 200 or 500 tickets. Thus, to me all this is very much inseparable.

For this manager of a concert hall all his activities go hand in hand. There is no separation of activities and even less of decisions or orientations for decisions. The more artistic question of an idea for a recital program, which needs a theme, an inner coherence, a message to the audience, is inseparable from its marketing and pricing. This is because he is the person to take all these decisions: he decides on the program as well as on the prices in the same thought. There is no discussion to be led, no argumentation to be prepared towards anyone else. And exactly that is the way of ensuring the consideration of both, artistic and financial reasoning: to let it be done by one single person. Instead of two people as was the traditional structure for artistic organizations: one artistic head and one administrative-financial head. So, the installation of arts managers with both competencies, wearing both hats, so to speak, is a liberation from any manifest conflict between possibly conflictive orientations.

But it is not a liberation from the conflict itself: the arts manager still has to consider both orientations, artistic as well as financial requirements, but the possible conflict remains unspoken. And, the more skilled and seasoned the arts manager is the less awareness he has for possible contradictions: he becomes able to deal with them simultaneously and to secure their connection and reconciliation within himself.

This sheds a different light on the idea of 'legitime Indifferenz' (Tyrell 1978), the idea that functional differentiation provides sub-systems and also all functional roles within a sub-system with the ability to reject the application of all other orientations and requirements than that of their own sub-system. If turned into a question: *Can this actor reject any orientations or requirements?*, the answer would be: No, he cannot reject any logic at all: he concerns himself with artistic considerations and at the same time recognizes widely the validity and necessity of economic reasoning. For him there is nothing like indifference.

(2) *The Self-Fabricated Law the Arts Managers Restrict Themselves to*

The next question is: What determines the degree to which artistic requirements are postponed after economic reasoning?

AM (manager of the arts funding department of a global company): True, our budget has somewhat melted over the years. [...] In the past our budget was a bit on the high side. So, now, we can still get by on our budget if we act cleverly. And this is without our audience noticing any difference.

All arts managers interviewed show a remarkable creativity in dealing with their budgets, especially in stretching the given budget. One goal of these activities is to produce more and new options for the artistic program. But the main goal is simply to stay within the given budget. This is accomplished by reducing the financial output, as well as by an improved financial resource management, especially when negotiating the artists' fees.

What is remarkable, however, is that the arts manager himself establishes a corrective principle for his spending and saving regimen: The audience must not by any means notice that the season schedule is restricted by a small or decreasing budget.

AM (manager of a symphony orchestra): What happens a lot is that we have designed a beautiful concert program we are keen to perform, but it doesn't meet the requirements of the impresarios or concert hall managers that might book us. Sometimes it doesn't fit into their schedule, sometimes it costs too much, and sometimes their stage is too small for the required instrumentation. But it is crucial for us to sell our concerts. So, we have to come to an agreement. For example, we play our program at the requested date and replace the big Mahler symphony with a symphonic piece of smaller instrumentation. The question remains always: How far can we go without losing our artistic credibility and endangering our artistic standards? And to what can we agree without losing money? Where are the limits? [...] The aim is to balance the artistic and the financial needs.

You can see how this orchestra manager constantly acts in a market situation, in several markets, actually.

A further improvement of the financial resource management can be reached through certain adjustments within the artistic program. This is the most cost effective parameter of all. Through optimizing and economizing the schedule of which and how many concert pieces are played, how often they are played for how many audiences, and for which fees, arts managers can save money and increase the concert output of the organization and optimize the financial input through ticket sales. But in doing so, they risk a certain uniformity in their programs and a potential decline of the artistic reputation and legitimacy of their art organization, which then might reflect badly on the financial side. Here, the arts manager himself establishes another corrective principle as a precaution – an invisible line he tries not to overstep and to which he later in the interview refers to as the “threshold of pain” (*Schmerzgrenze*). This line indicates the limit reached when the artistic quality and the reputation of the art organization are endangered through the financial regimen.



(3) *The Manager-Organization-Relation*

The next question to ask is: What aim are the arts managers trying to reach? Which goal coordinates this constant mixing of orientations?

AM (manager of a symphony orchestra): No, there is no actual reason for concern at the moment. But, I sometimes say, and I sometimes get the feeling and then speak this out loud, and without seeming too much of a narcissist, I hope, I say: I'm being paid for my vision here. And for my imagination of the future, and not for handling a more or less contingent present.

Having talked at length about his concerns and his actions taken to prevent problems, this arts manager is asked if there is any actual reason for all this. He answers with further detailing of his job description. Not with his official contractual job description, but his own idea what his job is about. It is about the future. The functional role he has developed for himself in his time on the job is: shaping the future of and for the orchestra.

This is the main task the arts managers commit themselves to: securing the further existence – and that means securing the financial welfare – of their art organization.

AM (manager of a symphony orchestra): The thing is, if I just start talking to the people at the point when my subsidies have already been cut, to the mayor and to politicians and to whoever there is, they are going to say: "Lorenz who? Who is this guy? We never heard of him, and now he is here and talks money. We never heard a concert, there was never anything in the papers, we didn't even know he existed. Now he is here and wants money." But, here I am, now, being something like "Mister Philharmonic" who is always here. Be it good, be it bad. And when it gets really bad, one day, then hopefully everyone will ask me: "Mister Lorenz, how can we help you? We've been together through so much, we played beautiful concerts, we gave a lot or a little money, we stuck through thick and thin together, [...] we don't want anything bad happening to the Philharmonic." At least, that's what I'm hoping for. If this is really what's going to happen, I don't know, but I believe that my mingling with the concert goes at the concert tonight is as important as the symphony itself. "Hello, Mister Lorenz", everyone.

One important way to do this, to secure the future of the orchestra, is to give the orchestra the face of a person, his own, to blend the orchestra and himself: into "Mister Philharmonic". This way he can act on behalf of the orchestra and develop and deploy all human relations between himself and the important financiers for future use for the benefit of the orchestra.

This fusion of the arts managers' person with the arts organization's interests gets taken quite far:

AM (manager of a music festival): After three months it became clear, that a couple of alternatives lay before me, and I also made it very clear to the city representatives here, that I will only take this position with a budget that is guaranteed over several years, and this budget is written into my contract, and when they start cutting, then I can act on that, forcefully and brutally.

I think it is safe to say that this is a demeanor unknown to other sub-systems of society: that a mere executive employee takes it upon himself to secure the financial future of the employing organization via his own working contract. But this fusion of person and economic existence of an organization seems to me to be an essential part of the field specific economy of the arts.

## 5. Conclusion: Marketization / Economizing?

It seems to me to be an essential part of the field specific marketization and economizing of performing classical music, as well.

My empirical reconstruction uncovers the following elements:

- The responsibility for the conflicting requirements (artistic and financial) is shifted into one executive role that decides over both, but cannot dismiss either one of these principles.
- The result is a constant alternation between and mixing of these orientations.
- This is only regulated by principles the arts managers establish themselves.
- They mainly refer to the reputation of the art organization as corrective principle.
- The main goal of the arts managers' actions is a future one: securing the further existence of their art organization.
- It is neither an art related nor a profit related goal.
- They try to reach this via blending their own person with the arts organization's interests.

All of this could be described as 'Subjektivierung' of the field specific economy and economizing, because it is installed at the actors' level, not at an institutional level or macro level. It has not to be accepted by public discourse or legitimized or monitored through society.

Bourdieu's verdict on gallery owners and publishers – "these double personages [...] are those through whom the logic of the *economy* penetrates to the heart of the universe of production for producers" (Bourdieu 1996: 216) – sounds fairly lopsided when compared to the results of my empirical reconstruction, because these 'double personages' are also and at the same time the ones who prevent the logic of the economy from penetrating.

And this leads to another art or music specific element of economizing: its degree depends not only on the execution of one functional role; its degree completely relies on the person who inhabits this role. This dependency on a person means: it can be reversed or intensified easily by replacing the person through someone else.

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Dominic Akyel

## **From Detraditionalization to Price-Consciousness: The Economization of Funeral Consumption in Germany<sup>1</sup>**

### **1. Introduction: Economization and Moral Values**

One distinctive feature of our current period of economic transformation is a strong trend towards the expansion of the market. Since the 1970s, markets have been liberalized and ownership of public enterprises has shifted to the private sector in many industrialized countries. These market-oriented reforms were accompanied by an increasing orientation towards efficiency, rationality, and profitability, with a view to making exchange relations among market actors more *economic* (see Djelic 2006; Höpner et al. 2009; Simmons, Dobbin & Garret 2006). The contemporary, sociological theory of economization explains this trend towards a market-based model of economic governance in terms of the interplay of two developments: first, modification of political and entrepreneurial goals; second, changes in economic conditions, generating adaptive pressures for entrepreneurs and policy-makers.<sup>2</sup>

The first causal factor refers to the reemergence of liberal ideas under the label of *neoliberalism*, whose advocates call for the free exchange of goods on markets and a radical limitation of state intervention. However, the actual implementation of neoliberal ideas in the second half of the twentieth century started against the background of economic crisis. It was especially the startling parallelism of economic depression and significant inflation during the 1970s that paved the way for market-oriented reforms in many countries (Djelic 2006: 53; Swedberg 2007: 14; Thorsen 2009). Some authors link the implementation of neoliberal ideas to more specific changes in socioeconomic conditions. Altmeyden (2008), Nissen (2006) and von Lucius (2005), for example, see a relationship between economization and the intensification of global competition as a result of a higher economic integration. Bogumil (2003: 212-213), Buestrich and Wohlfahrt (2008: 20-21), Harms and Reichard (2003: 14-15) as well as Schimank (2008: 627) in contrast held the high budget deficits in many industrialized countries partly responsible for economization. Djelic (2006), however, attributes the global diffusion of neoliberal ideas to the activities of pro-liberal think tanks that propagated a market-based model of economic governance (see Fourcade-Gourinchas & Babb 2002; Fulcher 2004: 47-55). In any case, neoliberalism has now become the dominant economic policy ideology in many industrialized countries.

1 This article is a revised and shortened excerpt from a larger research project about the economization of the funeral market in Germany (see Akyel 2012).

2 I distinguish in this paper between social values and institutional goals. Social values are emotionally deep-rooted ideas about the socially desirable that can be found on the individual and the group level. Institutional goals, however, are limited to social organizations. In contrast to social values, institutional goals also include strategies to achieve a certain goal (see Boudon & Bourricaud 1992: 355-362, 658-665; Krems 2011; Mecke 2011; Zak 2008: 261-263). The term *economic conditions* refers to all social, institutional, and economic factors that influence economic exchange on markets.

Although the current trend towards economization can properly be explained by the interplay of ideological and economic changes, this *standard* model of explanation favored by economization theorists has two significant theoretical drawbacks. First, existing studies look only at the firm level and at political regulation, while the consumer side is widely ignored. Second, most research does not pay sufficient attention to the role of moral and normative changes as a precondition for economization. This is astonishing given that the expansion of market relations manifests itself not only in political and entrepreneurial decisions, but also in purchase and consumption behavior (see Stehr 2007; 2008). Moreover, economization is often a conflict-prone process of moral evaluation in which the boundaries of market exchange are renegotiated and defined. For these reasons explaining economization also requires looking at moral and social changes on the consumer side. From this perspective it is not sufficient to focus on modifications of political and entrepreneurial goals as the current studies on economization do in order to explain economization.

This paper is aimed at correcting these conceptual deficits in economization theory. I argue that the contemporary trend towards economization can be fully understood only if socioeconomic and moral changes on the consumer side are considered as well. For that reason I will look at how changes in value orientations within society contribute to the emergence and trajectory of processes of economization. These interrelations can be studied best in areas in which economic action is strongly governed by social norms as it is the case in the funeral market. This market is deeply influenced by social taboos which cause many economic activities in this area to be denied legitimacy. Nevertheless, the German death care industry has recently shifted towards market-oriented reforms, while exchange relations among market actors have become more *economic*. Given the deep moral and cultural embeddedness of economic action in this market, it is likely that its economization was also linked to social and moral changes on the consumer side. Thus the funeral market is a very good example to test our hypothesis empirically.

Data for the analysis stem from 13 expert interviews with senior executives in the funeral business, participant observation at five industry events, 35 statistical documents, 160 policy and legal texts, as well as 362 press articles and other texts. All data were collected between September 2008 and May 2010 as part of a larger research project dealing with the current social and economic transformation of the German death care industry (see Akyel 2011; 2012). Independent of the data source, the sample units were selected according to the principle of “theoretical sampling” outlined by Glaser/Strauss (1967). The process of data analysis involved a combination of qualitative approaches for interview transcripts and field notes, as well as descriptive statistics for the statistical documents. The interviews were conducted in German and thus the quotations in this paper are translations. In order to improve readability, quotations have been tidied up to avoid verbal inconsistencies.

The empirical part of this paper is divided into three sections. First, I provide an overview of the restrictions on economic action that buyers face in the funeral market. Second, I look at the detraditionalization of the German funeral in recent decades. Third, I explain how cost–benefit calculation and price comparison in the event of death became legitimate. Finally, I offer a few remarks on the implications of this study for future research on economization.

## **2. The Moral Embeddedness of Economic Action in the Funeral Market**

From a sociological perspective, the funeral is a rite of passage in which the deceased individual symbolically exits from the world of the living and is transferred to the realm of the dead (van Gennep 2005 [1981]: 142). For a long time, what was needed to perform this transition was provided by members of the family and the community on the basis of solidarity. During the nineteenth century, however, death care services became increasingly commodified (see Akyel 2012: 56-64). In modern capitalist societies, funeral goods are produced by professionals for profit and are exchanged on markets.

Although funerals are costly, few people take measures to minimize expenses by prearranging death care while alive. Although preplanning is cheaper than post-mortal purchase and also emotionally relieves the bereaved at the event of death, less than ten percent of the German population make use of this opportunity (Interview 11: 8; TNS Infratest 2005). Instead, funerals are regularly purchased after death by family members. Zelizer (1983: 48-49) explains this irrational behavior on the part of funeral customers in terms of superstitious fears that planning one's death will hasten it and with the discomfort individuals experience when imagining their own burial. Most people, however, enter the market as buyers only once or twice in their life. Accordingly, more than two-thirds of Germans do not have any experience as customers on the market (TNS Emnid 2008).

The lack of expert knowledge on the part of buyers has far-reaching normative and economic implications. Individuals are often unsure of the relevant conventions, responsibilities, and expectations, as well as about the personal and social purposes the funeral should serve (Bern-Klug 2004: 32; Lichtner & Bläsius 2007: 19-21). Furthermore, customers are poorly informed about the market situation, product characteristics, quality markers, and legal necessities (see Kopp & Kemp 2007a: 326; 2007b: 164; TNS Emnid 2008). The already difficult purchase situation is further complicated by the fact that many freshly bereaved individuals are emotionally affected due to the acute loss of a close relative. In addition, decisions usually have to be taken within a short period of time, which makes the funeral a matter of constraint and urgency.

Besides these structural characteristics, economic activities in funeral markets are strongly governed by moral taboos and social expectations (see Kahl 2008; Nölle 2003; Trompette 2005; 2007). Buyers, for example, experience individual and social conflicts when they base their decision solely on cost-benefit calculations. Because burial goods are considered to be symbolic representations of the deceased, the amount spent on the funeral is taken to express the social and emotional value that is attributed to the dead person. As Zelizer (1983: 48) puts it: "When it comes to death, money transcends its

exchange value and incorporates symbolic meaning." A funeral that is chosen only for reasons of low cost devalues the deceased individual and violates the dignity of the dead. Social norms therefore prescribe that one not be stingy when buying a funeral (see Interview 10: 38).

Moral problems on the demand side emerge because the funeral purchase commingles contradictory value systems. Establishing a monetary equivalent of a person, as happens when buying a funeral, contradicts the long-established Judeo-Christian conception of the absolute value of Man (see Andre 1992; Zelizer 1978: 599-602; 1983: 42-48):

Christian doctrine is based on the idea that man has an absolute value. Over and above all the details, relativities, particular forces and expressions of his empirical being stands "man," as something unified and indivisible whose value cannot possibly be measured by any quantitative standard and cannot be compensated for merely by more or less of another value (Simmel 1978 [1900]: 360).

Due to the fact that human beings are considered incommensurable, the individual is sacred. The sacred and the profane, however, are perceived as being fundamentally opposed and this creates moral conflicts:

Because man's notion of the sacred is always and everywhere separated from his notion of the profane by a sort of logical gulf between the two, the mind radically rejects any mingling or even contact between the things that correspond to these realms. Such promiscuous mingling or even contact dangerously contradicts the state of dissociation in which these ideas are found in human consciousness. (Durkheim 2001 [1912]: 39)

Because buying a funeral means to put a price on something that is considered invaluable, the sacred and the profane necessarily come in contact with each other at the event of death. The monetary valuation of the deceased individual suggests commensurability and violates the sacrality and the uniqueness of the dead person. Buyers on the market react to these moral intricacies by avoiding or at least camouflaging radical cost-benefit calculations. As a result, comparison shopping and bargaining are uncommon among funeral customers (Interview 12 2009: 38).

While decision-making when buying a funeral was for a long time strongly influenced by religious traditions, the importance of social norms has declined sharply in recent decades. These changes have had a great impact on purchase behavior in the funeral market. I will now take a look at the causes that facilitated the detraditionalization of the funeral ritual during the second half of the twentieth century.

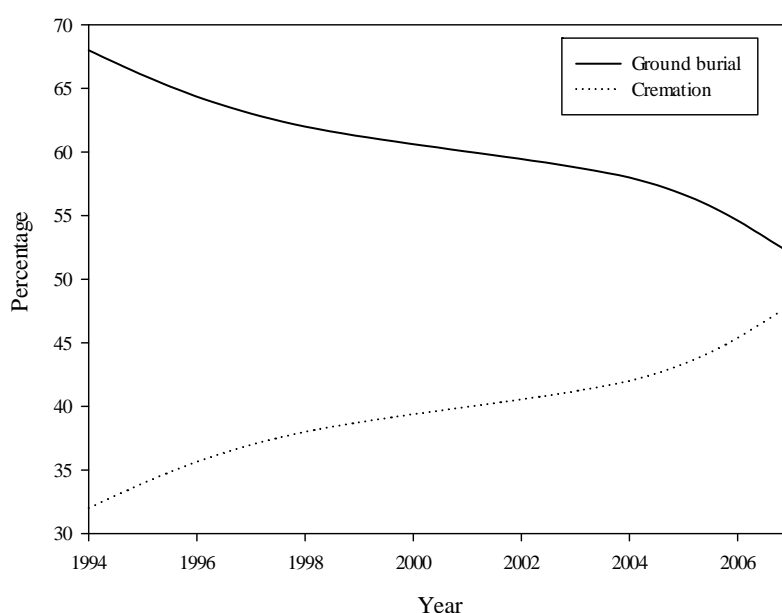
### **3. The Detraditionalization of the German Funeral**

For a long time, funerals were highly ritualized due to religious beliefs and superstitious fears. The decline of traditional Christian rituals in connection with the disposal of the dead started at the end of the nineteenth century when burial and mourning rituals became increasingly secular (Feldmann 2004: 54-55; see Sörries 2002: 183-184).



One manifestation of this development was the rising popularity of cremation. Although the first crematories were built at the end of the nineteenth century, cremation has become particularly popular since the 1990s (Fischer 2002: 58-61, 70-72; Habenstein/Lamers 1963: 425; Schiller 1991: 181; Sörries 2002: 181). Between 1990 and 2010 the share of cremations rose from approximately 20 to almost 50 percent. Moreover, there has been a sharp increase in cremations since 2004. This is attributable in particular to the fact that the German government abolished the death grant which has led to a higher cost awareness on the part of customers (Interview 8: 10). The rise of cremation and the corresponding decline in ground burials in recent decades are displayed in Figure 1.

**Figure 1: Burials in Germany, 1994-2007**



Source: Aeternitas Initiative Bestattungskultur e. V. (2007a)

In addition to burial rituals, mourning practices have changed as well. While obsequies usually had a strong public character in the past, many people nowadays prefer to celebrate the death of a beloved one in more private surroundings, with only few mourners. Instead of in chapels at public cemeteries funeral services are more often held on the premises of private funeral companies. This development was partly due to the fact that the number of mourners has steadily decreased in recent decades (Interview 5: 8, 16). Some customers even abandon the funeral celebration altogether for that reason (see Zeit Magazin 2009).

The move away from Christian traditions has also manifested itself in the design of graves and the choice of a particular place of burial. While the burial ritual included the marking of the location of the grave with a headstone in the past, buying an unmarked grave without a headstone and a name label has become much more common in recent years. This type of burial – which is often

labeled *anonymous burial*<sup>3</sup> – is especially popular in larger cities in northern and eastern Germany (Fischer 1997: 81-84; Happe 2003; Helmers 2004: 9-10). The trend towards anonymous burials is complemented by new expressions of social identity. Since the 1990s several collective urn graves for specific subcultures and social groups such as people dying from AIDS have been established (Fischer 2006: 8-9; Sörries 2003: 7). This indicates that the family has lost its status as the primary cultural reference system at the event of death. Instead, extra-familial affiliations have become increasingly important for decision-making at that time:

And there are cases in which the members of a bowling club decide to be buried together instead of being buried with their families. This shows that familial affiliations have lost their power and meaning, as well as their uniqueness (Interview 11: 14).

Concerning the choice of a particular place of burial there has been a moderate shift towards burials away from traditional cemeteries. In particular, burials in a natural environment, such as so-called *tree burials*, have become popular in Germany in recent years. In this type of burial the urn is placed at the bottom of a tree, which serves as a natural marker for the grave. While there were hardly more than a 100 tree burials performed in 2002, numbers had risen to 20,000 by 2009 (Wirtschaftswoche 2009).

Another symptom of the detraditionalization of burials was a change in customer preferences. Between 1998 and 2007 the share of individuals preferring a traditional coffin or urn grave dropped from 87 to 51 percent. At the same time, the share of people who would like to be buried anonymously or in a secular way rose from 7 to 14 percent and from 12 to 16 percent, respectively. Now more than half of the German population can envision being buried outside a traditional cemetery (Aeternitas e. V. 2007b; Institut für Demoskopie Allensbach 1998; TNS Emnid 2002; 2004; 2008; TNS Infratest 2007).

The changes in funeral rituals described above must be understood as social reactions to the socio-demographic and normative transformations of the twentieth century. The popularity of the anonymous funeral, for example, was caused partly by the increase in the number of individuals without children or a partner (Hullen 2004: 20-21; Peuckert 2008: 25, 47-61), since those people are more likely to opt for a cheap urn burial and a maintenance-free lawn grave (Aeternitas e. V. 2007a). The decreasing numbers of mourners guests and cemetery visitors, however, are rather an effect of higher spatial mobility (Bähr 2004: 299-313; Peuckert 2008: 305-307). Due to the high mobility in post-industrialist societies people more often live a long way away from relatives. This makes it more difficult for family members frequently to visit and to tend the grave:

3 The abandonment of grave markers with names was already propagated in the eighteenth century as a political statement of social equality. The politicization of anonymous burials continued until the twentieth century and found its strongest proponents in the socialist movement. The recent increase, however, is regarded by many economic and religious lobbyists as a sign of the moral and social decline of Western mourning and burial rituals (Fischer 1997: 84; Sörries 2003: 7).

It used to be customary for people to be buried where they lived, and the grave was tended by relatives living nearby. Today grave maintenance is a problem, because families often do not live at one place anymore. And many people do not want to impose the maintenance of the grave on their children. Thus, it is convenient to buy an anonymous urn grave. That is why there is a societal trend towards cheap and simple funerals (Interview 8: 10).

The most important thing is that increased mobility has changed attitudes within society. If a person will only be living in the area for a few years, why should he purchase a large grave? Why should I pay for an elaborate funeral if most of my friends and family members will not be able to come? These are developments that are imposed on us by changing life styles. Moreover, the frequency of cemetery visits declines significantly after 7 to 9 years. In villages, all the graves are magnificently decorated because families are still there who have lived there for generations. But in the cities it is totally different (Interview 5: 40).

Accordingly, the mobility pressure of modern working life was an important driving force behind the detraditionalization of the funeral. But demographic changes influenced burial traditions also in a different way. The high immigration to Germany since the 1960s (Bundesamt für Migration und Flüchtlinge 2008: 3-4) also contributed to the normative weakening of the Christian burial ritual by promotion of cultural pluralism within society.

In general, the decay of the traditional Christian burial is closely linked to the individualization and secularization of German society. The emancipation from religious traditions and informal rules and the emphasis of the uniqueness of the individual at the event of death (see Interview 10: 19-20) is in line with contemporary changes in value orientation from duty and acceptance towards self-development and satisfaction of individual interests (see Klages 2001: 328; Schubert & Klein 2006). As in other areas of society there has been a trend towards a stronger "sacralization of the self" (Knoblauch 1991: 31) in funeral rituals which manifests itself in grave design and purchase decisions, but also in funeral services and mourning practices, as the following quotation indicates:

We organized the burial of a harness racing driver, and his horse was brought to the cemetery. [...] Those kinds of gestures that reflect how the deceased lived his life are getting more important. Another example: we organized the burial of the chairman of the local Doberman club, and the members managed to bring the dogs along into the chapel, although this is usually strictly prohibited. Having the dogs right there in the chapel served as a symbol of the lifelong passion of the deceased (Interview 10: 44).

One funeral director told me about the funeral of a bachelor who was fond of drinking and frequently traveled to Mallorca to live it up. He made specific plans in advance for his burial stipulating that there should be no funeral music and that his friends should instead drink to his health at his grave. The funeral director then organized a beer cart which stood just outside the cemetery, and they drank to his health. Finally, they threw the beer glasses into the grave instead of flowers (Interview 8: 36).

These examples show that the pluralization of lifestyles which is taking place within society (see Hradil 1992; Hradil & Schiener 2001: 36-46, 437-442) has made its way into funeral culture in the form of a diversification of burial rituals.

The individualization of funerals has been further promoted by the spread of AIDS within the gay subculture since the 1990s. Those fairly young people dying from AIDS were confronted with their imminent passing away far in advance and therefore wanted to plan their burial by themselves. The traditional Christian rituals, however, had little scope for the expressive symbolism of the members of this subculture. This situation provided an ideal breeding ground for the emergence of innovative forms of mourning and remembrance (Fischer 1997: 88-89; Nölle 2003: 118-121; Welt-Online 2008):

The main driving force behind the individualization of the funeral was that suddenly some of the people sitting in those counseling interviews were even younger than I was at that time. These were people who had lost someone to AIDS. All of a sudden people in the prime of their life had to make specific plans for their death. [...] And some said: "I have two weeks to live and I have to think about how I am going to handle this." And they had very special wishes. For me this was the beginning of the individualization of the funeral ritual. We had people who wanted to build their own coffin and get it ready. They wanted it to be in the storage room waiting to be used some two weeks later. Suddenly everything was so urgent and so close. [...] Things opened up substantially, and taboos were broken (Interview 3: 20).

Media coverage of new burial rituals has also contributed to cultural innovations in the funeral sector. The media has influenced decision-making by, on the one hand, providing information on alternative forms of burial. On the other hand, they have contributed to the adoption of burial rituals from other countries through documentaries and television series (Interview 4: 18; 6: 48-49; 10: 42). While the spread of AIDS was an important driving force behind the detraditionalization of the Christian funeral in Germany, the media has contributed to the diffusion of new rituals to the mainstream.

The secularization of society (see Meulemann 2001) has manifested itself especially in changes of the ritualistic content of funerals. But although the religious symbolism of the Christian burial ceremony has partly been replaced by secular symbols and lifestyle-oriented choices, the traditional organizational structures of the ritual have been maintained:

With regard to rites and customs, there has been a dechristianization of the funeral. But the outer structures of the ritual have been maintained. The secular rites resemble the religious ones, but instead of a priest there is a secular funeral speaker, and instead of prayers poems are recited (Interview 6: 47).

Thus the interplay of urbanization, demographic changes, individualization, and secularization has been the main cause of the weakening of social norms and moral obligations with respect to the funeral ritual. The erosion of behavioral expectations has allowed for the development of new cultural scripts and individualistic funerals. In the following section, I look at how the detraditionalization of the burial contributed to the development of price-consciousness in the funeral market.

#### 4. The Rise of Price-Consciousness in the Funeral Market

Economic actors have probably always been inclined to acquire valuable goods on favorable terms. The extreme price sensitivity of many customers in recent years, however, is the result of a historical transformation of consumer culture. In the second half of the twentieth century individuals from the middle and upper class for the first time started to purchase consumer goods for their low price. This was astonishing given that the purchase of expensive products long served as an important signal of high social status. Whereas previously the purchase of cheap goods was a social stigma, within a few decades it has come to symbolize a sophisticated entrepreneurial spirit (Bosshart 2007; Fritz, Lorenz & Hauser 2007).

The development of price-consciousness in the funeral business started in the 1980s when the first funeral discounters were founded. While these firms could only acquire a few customers at that time, there has been a strong trend towards price and product comparison at the event of death since the turn of the millennium (Interview 8: 36; 5: 16; 12: 22-24; GBV Gesellschaft für Bestattungen und Vorsorge mbH 2011).

Customers started to actively obtain information on products and prices by themselves and to compare the services of different funeral providers. Their desire for higher cost transparency in the funeral market led to demands for cost estimates of funeral services. However, these changes in information behavior on the part of customers stand in sharp contrast to traditional ways of decision-making, characterized by moral taboos and financial liberality:

What has changed is how customers choose products. They look for the best price and then opt for a service provider. In the past it was unusual to bargain over a funeral or compare prices, because it was considered inappropriate. [...] No one would have asked for a discount or an itemized estimate like they do today (Interview 12: 38).

The higher price sensitivity is also mirrored in the spending of purchasers. Average turnover per customer fell from almost 1600 euros to approximately 1500 euros between 1994 and 2006 (Statistisches Bundesamt 2005; 2007; 2009; own calculation). However, it must be pointed out that these changes concerned only a small proportion of customers. In comparison to other economic sectors, price and product comparison still plays a minor role in funeral purchase decision-making (Interview 5: 16; 7: 33; 11: 33).

Nevertheless, the emergence of cost-benefit calculations at the end of life can be regarded as a significant change in consumer behavior. While service providers were long selected on the basis of personal experiences or recommendations of friends and family members, the price of products has nowadays become an equally important criterion for decision-making. Thus, the strong quality orientation in the funeral market which prevailed for several decades has been complemented by cost-benefit calculations. As a result, the traditional mechanisms of economic loyalty between entrepreneurs and customers have dissolved. People have even started to buy funeral goods from far distant places for the sake of better quality or prices, which was rare in the past. As in other economic areas the development of price-consciousness in the funeral market has hastened the decline of brand and firm loyalty among customers (see Fritz, Lorenz & Hauser 2007: 67).

The higher price sensitivity manifested itself not only in the purchase of consistently cheap product packages. In fact, there are signs of hybrid consumer behavior patterns (see Fritz, Lorenz & Hauser 2007: 69-71) that became especially evident in the purchase of status-inconsistent funeral goods. On the one hand, it became more legitimate to buy products that did not correspond to one's social status. On the other hand, there was a tendency to opt for product packages whose components are not in line with each other in terms of quality, as the following quotation indicates (Interview 10: 18):

There is no such thing as a standard middle-class funeral any more. Each funeral has elements of a middle-class, a lower-class and an upper-class funeral. For example: I am organizing a funeral and the customer says: "I don't want a big funeral service, and I want a cheap coffin, but please be sure to do up my wife really beautifully from head to toe, with an evening gown and everything – she should really look fabulous – and I want to see her one last time." Or: They want an average coffin and everything else from the medium price segment, but they want an elaborate obituary. Or: The viewing is terrifically important – maybe they'll bring in a band and have live music – but the coffin is really cheap. This would have been unthinkable in the past. You would have had an expensive coffin as well (Interview 3: 24).

The quotation indicates that the purchase of status-inconsistent products is closely linked to the detraditionalization of the funeral and the resulting erosion of social norms and informal obligations.

The emergence of price-consciousness in the funeral market is a far reaching transformative process that might be conceived as a transition from traditional/religious to a goal-instrumental/economic decision-making behavior (cf. Weber 2005 [1922]: 17-18). While the purchase involved passivity, low price sensitivity, a reputation-based provider choice, and status-consistent product buying in the past, customers nowadays display distinct information-seeking behavior, high price sensitivity, price/performance-based provider choice, and status-inconsistent product buying. Table 1 gives an overview of the characteristics of these two ideal-typical principles of decision-making in the funeral market:

**Table 1: Ideal-typical principles of decision-making in the funeral market**

	<b>Traditional / religious</b>	<b>Goal-instrumental/economic</b>
<b>Information behavior</b>	Passive	Active
<b>Price sensitivity</b>	Low	High
<b>Provider selection</b>	Reputation	Price/performance ratio
<b>Product choices</b>	Status-consistent	Status-inconsistent

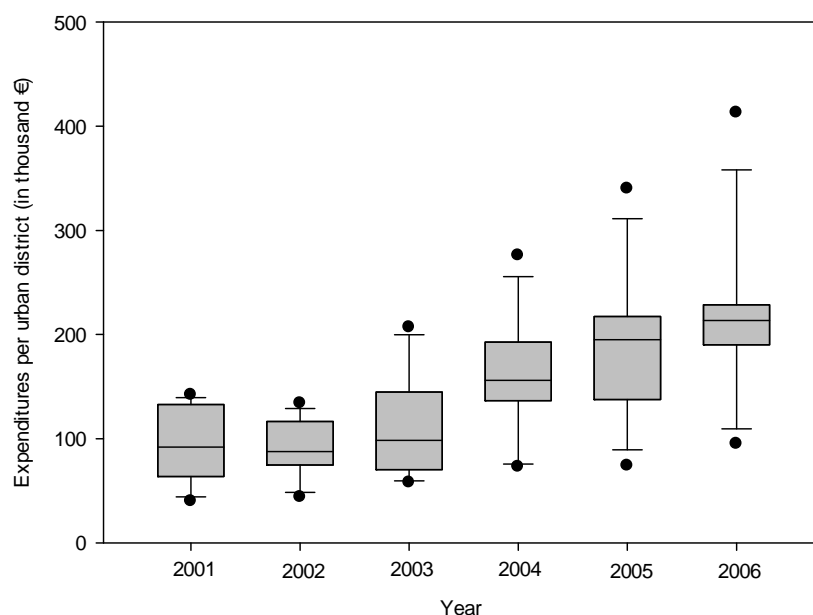
Source: Author's elaboration

In real life, however, both principles of decision-making complement each other. Depending on the situation, traditional/religious and goal-instrumental/economic actions are present in the funeral market to differing degrees. The significance of goal-instrumental/economic actions, however, has dramatically increased in recent years.

One important cause of the transition to goal-instrumental/economic decision-making was the shrinking of the commonly available financial resources for the funeral. With the reform of the statutory health care system in 2004 the German government also abolished death grants, a payment granted by the compulsory health insurance funds on the occasion of death in order to help bereaved families to deal with the financial burden of the funeral. While the amount paid at the event of death equaled 2100 euros in the 1960s, it was reduced at first to 1050 euros (1989) and then to 525 euros (2003) (Städtisches Bestattungswesen Krematorium Meißen 2010; Berliner Zeitung 2003). Despite this successive reduction the death grant was for a long time the financial basis for the funeral. Given that it often covered a considerable share of the overall costs, its abolition had a strong effect on purchasing behavior (Interview 4: 16; 7: 11; 9: 30; 12: 22, 38):

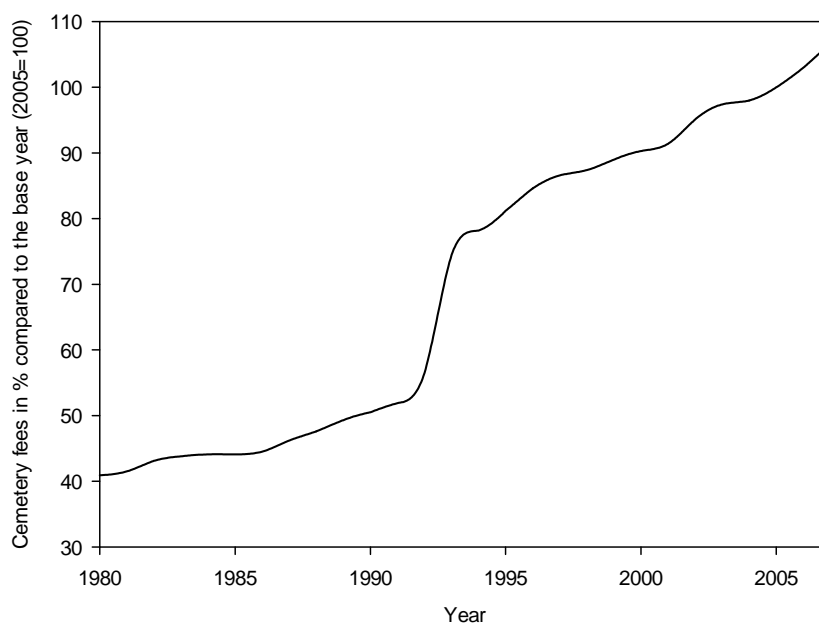
At that time, the compulsory health insurance funds granted an amount equaling 2100 euros when a person died. No one had to worry about the costs, and often some money was left for the bereaved. There was no such thing as competitive pricing or thinking about how to keep the costs of a funeral down (Interview 10: 32).

The abolition of the death grant not only increased the number of people unwilling to buy an expensive funeral but also the share of people unable to afford even a simple burial. This causal relationship was mirrored in the rise of welfare burials in recent years. Various sources indicate that social spending on funerals has increased in many federal states. A significant increase of expenditures can be observed especially in large German cities since 2004 (Aeternitas e. V. 2007d; 2008; 2009a; 2009b; Landesregierung von Schleswig-Holstein 2002; 2007; Senatsverwaltung für Integration 2007). The causal link between the abolition of the death grants and social spending on funerals can be shown with the example of the city of Berlin. While public expenditure on funerals varied around the average value of roughly 100,000 euros until 2003, they had almost doubled by 2006. By now, more than 10 percent of the deceased in Berlin are buried at public expense. The rising number of welfare burials in Berlin is shown in Figure 2.

**Figure 2: Welfare burials in Berlin, 2001-2006**

Source: Senatsverwaltung für Integration (2007); the 10., 25., 50., 75. and 90. percentiles are plotted.

While individuals have had less to spend, funeral costs and cemetery fees have increased. The main reasons for this are demographic changes – lower mortality – and the increase in cheap urn and anonymous burials. Because the latter type of burial requires less space, many cemeteries had to cope with overhang areas that did not generate income but still required maintenance costs (Aeternitas e. V. 2002; 2007c; 2010). These demographic and cultural changes have facilitated a constant rise in cemetery fees since the 1990s, as shown in Figure 3.

**Figure 3: Cemetery fees in Germany, 1980-2007**

Source: Statistisches Bundesamt (2008)



The erosion of social norms, the shrinking of commonly available financial resources, and the rise in costs promoted the removal of those moral barriers that long inhibited cost-benefit calculation at the end of life. The emergence of price-consciousness, however, also depended on several other developments. New forms of marketing of funeral companies, media coverage, the activities of consumer protection organizations, and the spread of digital media helped customers to get access to relevant information. These factors reduced the traditionally strong information asymmetries between buyers and sellers in this market and thus contributed to the modification of funeral customers' purchase decision-making (Interview 4: 18; 5: 30, 32; 10: 14, 34, 44; 12: 38).

Another factor was the higher visibility of death in the media and among the public (see Macho & Marek 2007), which might also have helped to overcome inhibitions about dealing with death-related issues. Accordingly, there was also a trend towards the buying of funerals for oneself while still alive. Since the moral taboos with regard to cost-benefit calculation do not apply under these circumstances, the spread of prearranged funerals additionally contributed to the legitimization of price and product comparisons (Interview 11: 6).

The emergence of price-consciousness in the funeral market was therefore a result of the interplay of various, partly independent factors. Although the rise of cost-benefit calculations in other economic areas was an important cognitive prerequisite, the transition from a traditional/religious to goal-instrumental/economic decision-making in the funeral market took place due to market-specific changes. In particular the abolition of the death grant created strong incentives and therefore had a great impact on decision-making. The general societal factors that are stated by different authors as causes of the diffusion of price-consciousness within society – such as the restructuring of expenditures, quality and image improvements on the part of discounters, and the information overload of customers (vgl. Fritz, Lorenz & Hauser 2007: 69-71) – have played only minor roles in the funeral market.

#### **4. Conclusion: Economization and the Detraditionalization of Economic Action**

The aim of this study is to correct an important conceptual deficit in economization theory. Existing sociological studies on economization only look at firms and political regulation, but leave out the moral and normative prerequisites for economization on the consumer side. Our analysis of the German funeral market shows that economization depends strongly on socioeconomic and moral transformations within society and therefore can be fully understood only if changes in social value orientations on the consumer side are considered as well.

In contrast to most other markets, funeral purchases were long governed by social norms that prohibited cost-benefit calculation at the event of death. The attitudes towards death and the decision-making of funeral customers have changed mainly as a result of secularization and individualization. In addition, political and economic changes have created incentives for price and product comparison. Thus, the economization of funeral consumption was a result of moral changes on the consumer side as well as on the firm and regulatory level. The interplay between these transformations has reduced moral taboos which

caused economic activities in this area to be denied legitimacy in the past and therefore allowed for the emergence of price-consciousness in this market. Thus the purchase behavior of funeral customers which was characterized by passivity and cognitive deficits in the past has grown a bit closer to the ideal type of modern consumption in capitalist societies (see Bocock 1993: 30-31).

What are the theoretical implications of these empirical findings for future research on economization? Although this single case study deals with a unique part of the economy, some general conclusions on the causes for economization processes can be drawn. The example of the funeral market shows, on the one hand, that economization can occur not only as a result of market reforms but also largely independent of legal changes. In this case the main driving force behind the expansion of the market and the intensification of economic actions in the funeral market were processes of modernization and detraditionalization. Market reforms played only a minor role (see Akyel 2012: 169-198); they were not the main cause of the emergence of price-consciousness.

On the other hand, the findings of this analysis point to the various normative and moral preconditions of economization. The example of the funeral market makes it clear that economization processes are moral phenomena that require social legitimacy. The legitimation of cost-benefit calculation at the event of death, for example, developed only as a result of religious, economic, and social transformations at the end of the twentieth century that modified the moral fabric of society.

Thus the example of funeral consumption has shown that economization theory also needs to explain the emergence of freedom of choice of buyers in a market in order to fully understand processes of economization. Especially in areas in which economic activities are strongly governed by social norms, detraditionalization, individualization, and secularization are important prerequisites of an intensification of economic action. This indicates that processes of economization are strongly linked to changes in religious, economic, and social conditions. Thus it has been made clear that the contemporary trend towards efficiency, rationality, and profitability in economic exchange and governance always needs to be interpreted against the background of the overall changes within society.

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