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SOCIAL STRUCTURE IN ECONOMIC THEORY

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Abstract

Much economic theory, especially the orthodox variety, keeps away from structural methods and makes little or no reference to social structure: the word 'structure' is used only rarely and casually, so that its sense remains unclear. This paper argues that economics might gain from a richer, more fluid treatment of social structure, as proposed in recent social theory. After considering the structural content of heterodox economics, the paper examines how current approaches might be developed to yield new structural concepts capable of accommodating economic diversity and change. An enhanced definition of social structure could provide a structural foundation for economics without denying human agency or historical evolution.

Keywords: social structure, economic theory, dualism, duality, structural change

Social structure is a core concept in most social sciences, but it has never quite had this status in economics. Much economic theory, especially the orthodox variety, keeps away from structural methods and makes little or no reference to social structure: the word *structure* is used only rarely and casually, so that its sense remains unclear. This puts economics out of step with other academic disciplines, which are more amenable to structural ideas, and broaches the issue of whether social structure has been unduly neglected in economic theory.

Orthodox economists, committed to methodological individualism, have been wary of social structure, lest it would undermine their individualistic stance and promote a “non-economic,” sociological outlook. Neoclassical economics begins with rational agents who have fixed preferences defined from the outset. Social structures either are absent or have a subordinate place as market imperfections that must be explained through individual behavior. Any structure bringing people together to form a larger whole will contradict the atomism of neoclassical thought. Heterodox economists, by contrast, have no such commitment to individualistic methods and should be comfortable with social structure. It does indeed feature in heterodox economics, but it often stays implicit and has less prominence than one might expect.

Modern concepts of structure are based on relationships among parts of a whole: for structural analysis to be relevant, the parts must be internally related such that they are necessary to the whole and each part could not exist without the others (Sayer 1992, chapter 3). If the parts have no interdependence and only external relationships, then the whole is at most an aggregate (perhaps not even that), and structural analysis ceases to be relevant. The hallmark of a structural method is its reliance on internal relations among parts making up a whole. Structural theory can sometimes turn into holism and give the whole precedence over the parts, yet the original aim of structural ideas—as against holistic ones—was to ensure that the whole could always be transformed, or else the whole-part relationship would be redundant. A structural method, if handled properly, should never congeal into structural wholes that overshadow their component parts.

The word *structure* has acquired unhelpful connotations from the analogy with physical structures. Comparison with a building suggests something hard, permanent, and complete, as if it were built from solid materials and to a predetermined plan. Social structure would

then enter economics as a rigid constraint that restricted human behavior. The static analogy is misleading and offers at best a partial view of structure. In its earliest English language uses, *structure* was a noun of process which referred to the act of building, not the end product; only later has structure become static (Williams 1983). Even when seen as a state rather than a process, structure still has a capacity for change.

This paper argues that economics might gain from a richer, more fluid treatment of social structure, as proposed in recent social theory. After considering the structural content of heterodox economics, the paper examines how current approaches might be developed to yield new structural concepts capable of accommodating economic diversity and change. An enhanced definition of social structure could provide a structural foundation for economics without denying human agency or historical evolution.

Social Structure in Heterodox Economics

Most heterodox economics—notably institutionalism, Post Keynesianism, and the Marxian/classical tradition—has shown awareness that economic behavior is embedded in social structure. This may be expressed indirectly, but it underlies the theoretical arguments being made and the rejection of methodological individualism; structural methods are at the heart of a heterodox approach.

The agreement that economics should have a structural aspect has not, however, brought a uniform definition of *social structure*, and the concept remains somewhat vague. Ambiguities about social structure affect all social sciences, not just economics, and do not necessarily imply careless theorizing—the varied meanings are symptoms of the subject’s complexity as much as the theorists’ failures. The diversity of structural theories at least demonstrates that heterodox economists are escaping any stale theoretical orthodoxy and producing new accounts of their object of study. More lucid terminology would still be welcome, though, as long as it did not foster oversimplified methods.

Particular problems arise over the link between people and social structures. Is a social structure made up of people, or does it comprise roles and positions distinct from the people who occupy them? The first alternative is a more humanistic view focused on personal relations and collective agency; the second is a more structural view keeping structure and agency apart. The two views are different but compatible: if roles are to influence behavior, then people must fill them, and so social structure can never be cut off from the individual members of society.

Among the many uses of the term *social structure*, the commonest stress roles and positions rather than people. In sociology, the conventional meaning of structure revolves around a society's systemic properties, as determined by formal institutions and normalized behavior. Textbook definitions of *social structure* incline toward the role-based view that distinguishes structural positions from the people who occupy them. This stems largely from the structural-functionalism of Talcott Parsons and his followers, which depicted societies as complex multilayered systems with their own functional prerequisites. Parsons himself did not clearly distinguish structures from people, and his theory can be interpreted variously, but his fondness for systemic arguments (especially in his later work) led to a systemic notion of social structure (1951). A role-based, structural approach has come to characterize sociological analysis in the same way that individualism characterizes neoclassical economics.

The systemic, Parsonian version of social structure is rare in economic theory, since economists have usually heeded the economics/sociology dichotomy and few have drawn their ideas from sociology. A role-based definition of *social structure* is, however, discernible in strands of heterodox economics that ground themselves in social theory. The critical realist research program, for example, situates economics within a more general, non-reductive theoretical framework for all social science (Lawson 1997; Jackson 1995). Following the usual sociological practice, critical realism has defined *social structure* as relations among roles and positions, although it is careful to leave space for human agency as well. The interdependence of distinct structure and agency concepts can guard against reductive social theory.

Other heterodox approaches, such as institutionalism, have made less use of role-based social structure. The work of Thorstein Veblen and John R. Commons deals extensively with structured and socialized behavior but allows for different types and levels of structured activity: there is no prior notion of structure. Veblen, for instance, located the regularities of economic behavior at the individual level through the concept of habit, in other words, the tendency to engage in previously adopted or acquired forms of action. When distributed among a population, habits will become formalized as institutions that involve codifiable procedures (Hodgson 1988, chapter 6). Social behavior takes on a layered quality, embracing the individual and the social, the personal and the impersonal, and the formal and the informal. A similar view pervades the work of Commons, who argued that collective behavior is governed by various levels of working rules, including laws, social conventions, and the customary practices in a specific workplace (Rutherford 1983). Layered accounts of behavior are widespread in the old institutional economics, but their stratified nature often remains unspoken.

A useful classification, in line with much institutionalism, divides behavioral regularities into three types: habits, routines, and institutions (Hodgson 1994). Habits are personal and individual—they are unique to specific people and not social structures as such, though they help to stabilize social structure. Routines are personal and social—they pertain to a specific group and will be part of larger social structures without having an official, legalized form. Institutions are impersonal and social—they are not tied to a specific group and may be codified through published rules and general social roles. This threefold classification implies that social structures should cover both the personal and impersonal elements in behavioral regularities.

Institutionalism acknowledges social wholes and is broadly structural, but it does not subscribe to a unified concept of social structure. Institutions and social structures are seen as existing on various levels. Walter Neale (1987), for instance, identified three aspects of an institution: personal relations, social rules and principles, and the ideas and beliefs that justify social practices. This yields a stratified outlook in which institutions have several interdependent levels and cannot be reduced to any one level alone. A full portrayal of institutions will require wide-ranging, non-reductive economic theory capable of representing the complex interplay among ideology, social rules, and personal relations. Role-based views

of social structure, on their own, would be too simple to accommodate this vision and would lose the richness of the institutionalist approach.

The Marxian tradition has also understood that social structures can exist on several levels. Of central importance here is the distinction, inspired by Marxian arguments, between system integration and social integration (Lockwood 1964; Mouzelis 1997). *System integration* refers to how institutions fit together to form a larger social system—it turns on roles and positions rather than people. *Social integration* refers to how people relate to each other and whether they come together to form social groups. Because Marxian theory has always been thoroughly stratified, via its base/superstructure distinction, it can readily handle both systemic and social matters. The two sorts of integration need not coincide, so systemic problems may exist in a socially cohesive society and social problems in a systemically well-ordered society. Even if some Marxian authors have pursued a systemic method (most obviously in the structural Marxism of Louis Althusser), the spirit of Marx's own work demands a recognition of social relationships as well. The case for non-reductive theory has been to the forefront of recent work in Marxian and radical economics, and this has brought out the resemblance between Marxian and old institutional approaches (Resnick and Wolff 1987; Sherman 1995; Dugger and Sherman 1994, 2000; Cullenberg 1999, 2000). As with institutional economics, Marxian writing has promoted a subtle, layered style of theory consistent with stratified social structure.

Heterodox economics has been too diverse to have converged on any single definition of social structure, despite the fact that structural ideas are crucial to heterodox thought. The resulting pluralism might be written off as terminological imprecision, yet it conveys the fluid, multiple character of social structure, which might not be evident from simpler, neater accounts. A formal definition of social structure, consonant with its use in heterodox economics, would have to depict it as existing on several interdependent levels. Recent social theory has moved in this direction and could clarify the theoretical background of heterodox economics.

The Meaning of Social Structure

Standard notions of social structure refer to relations among roles rather than among people. A social structure arises when roles have a necessary or internal relationship: one role cannot exist without the other, in the way that, say, a buyer cannot exist without a seller or a creditor without a debtor. Under this definition, social structure does not depend on the specific individuals occupying roles and would persist even if the entire cast of role occupants were changed. Structure is clearly distinguished from individual agents, in the familiar dualism of structure and agency. The conceptual gap between structure and agency can all too easily become an apparent conflict, with agents portrayed as being constricted by their social roles. It may thus be desirable to reassess structural concepts in order to reconcile them with human agency. Two attempts at reassessment are considered below: the proposal that agency-structure dualism should be replaced by a closer relation termed a *duality* and the belief that social structure should incorporate more personal modes of social interaction termed *figurations*.

Recent social theory has highlighted the interdependence of agency and structure and sought to avoid giving the impression that they are opposed to each other. Anthony Giddens (1979, 1984) referred to the “duality of structure,” whereby agency and structure are conceptually distinct but inseparable and thoroughly intertwined: human agents create and reproduce social structures, while a socially structured environment shapes human agents.

Social structures, in this view, enable as well as constrain human action; agency and structure are not in eternal conflict. The duality approach contrasts with agency-structure dualism, where the separation of agency and structure implies friction between them. Other social theory, in different language and terminology, has also queried dualism (Bourdieu 1977; Elias 1978, 1991; Bhaskar 1979; Alexander 1985; Munch and Smelser 1987). The trend of recent social theorizing has been to move away from a stark opposition of agency and structure toward a closer interaction.

There is no consensus on what social structure means. Giddens coined his own definition based on rules and resources exploited by human agents. The effect is to broaden social structure to include items such as linguistic rules and material resources and at the same time make structure conditional on agency. If structure exists only in so far that human agents can

exploit it, then it becomes internalized to agency and its objective, external existence is thrown into doubt. Giddens' critics feel that this goes against standard usage and represents a belittling of structure that may curtail its influence and tip the balance toward agency (Callinicos 1985; Layder 1987; Archer 1990). The desire to draw structure and agency closer together should not subordinate structure to agency (or vice versa); otherwise the theory may fall back into reductionism.

Roy Bhaskar (1979, 1983) has appealed to duality without redefining structure: his transformational model of social activity, which rests on a standard definition of social structure, views it as inherited from the past and given from the perspective of human agency. Agents experience pre-existing social structure as something external to them and may reproduce it through passivity or constraint as well as through action. Role-based social structure, as in Bhaskar, can retain structure's identity—external to the individual—but permit human agents to reproduce it. This would be well attuned to the accent on structural reproduction or transformation in non-neoclassical economics (Hollis and Nell 1975; Nell 1998, chapter 4). One can highlight agency-structure interdependence without discarding the standard definition of social structure.

Another response to agency-structure dualism is the figurational sociology of Elias (1978, 1991). A "figuration," or "figurational structure," consists of relations among people rather than roles and simultaneously embodies individual actors (agency) and their interdependence (structure). In a figurational approach, societies are built up from many interwoven chains of individuals whose behavior may or may not be normalized. Figurations take various forms, from direct personal contacts to indirect dealings with representatives of government or business. Individual agency does not exist, because figurational structures encapsulate all behavior and no one can be isolated from them. Social behavior will reflect the directness of the links within figurations: face-to-face contacts are mostly informal, while indirect contacts are formal and institutionalized. Roles as a separate concept become redundant, but the theory can still portray normalized behavior when personal contacts are distant and indirect. In place of the contrast between human agency and social roles, there are different degrees of directness within figurations. By merging agency and structure into figurations, figurational sociology claims to have transcended agency-structure dualism.

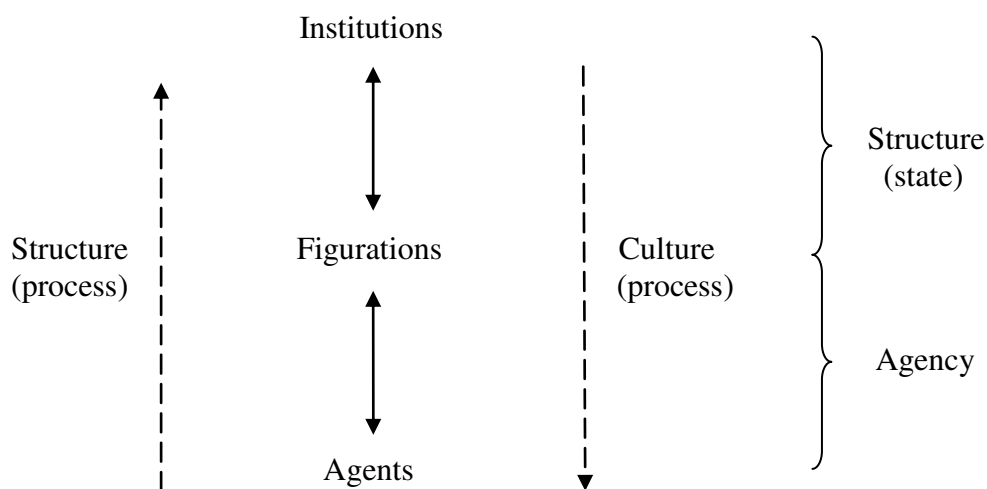
Figurations on their own, however, cannot resolve the agency-structure problem. Their chief drawback is that, in conflating agency and structure, they deny the theorist valuable concepts and discourage a stratified view (Layder 1994, chapter 7; Mouzelis 1995, chapter 4). Figural methods may well oversimplify things and degenerate into structural or individualistic reductionism depending on how the links among people are interpreted: strong links play down human agency and imply structurally dominated behavior; weak links imply a loose, unstructured aggregation of individuals. Instead of transcending agency-structure dualism, figural methods may slide toward one or the other pole.

A figural approach is akin to the interactive sociology advocated by Erving Goffman (1983). For Goffman, personal relations are distinct from the “institutional order” of impersonal roles and exist as a separate “interaction order.” This consists largely of face-to-face contacts among people known to each other, but it can also include less direct personal contacts, for example, by telephone, letter, or e-mail. Personal interactions go beyond roles to produce their own patterns of behavior and ways of working. Although Goffman’s sociological research dealt mainly with small-scale personal interactions among ordinary people, similar interactions take place among those with wider social power such as heads of state, senior politicians, and business leaders—the interaction order need not dictate a micro emphasis. Since the interaction order and institutional order coexist, an important issue is how they are related: Goffman saw the relation as a loose coupling, where the two orders influence one another but remain conceptually distinct. This contrasts with Elias’s figural sociology, which regards figurations as the only significant level of analysis. The allowance for institutions as a further level, in the manner of Goffman, can offer richer theory than a reliance on figurations alone.

Theoretical ideas such as figurations or the interaction order should augment rather than supplant the agency-structure approach (Mouzelis 1995). Figural structures among people can stand beside institutional structures among roles and positions. To assert that role playing exhausts the interdependence among individuals would be an exaggeration, since much social interaction occurs within the spaces left by incomplete roles. Figurations represent the residual human interaction not covered by role playing. It could be argued that all human behavior conforms to explicit or tacit social roles, but this would be implausible and stretch role playing too far. Likewise, a theory based solely on personal relations, such

as Elias's figurational sociology, would overstate the personal side of social structure and minimize the impersonal character of roles. Theories that recognize both institutional and figurational structures can provide a fuller picture of human behavior. Adding figurational structures to social theory will give a three-tier pattern, as in figure 1.

Figure 1. Institutional and Figurational Structures



Figurations provide the connecting tissue between individual agency and social institutions: they can be seen as either structured agency or agent-based structure. All social structures are created and reproduced by human agents, so one can revive structure's original meaning as a process to depict this: structure enters figure 1 as both a state (end product) and a process. Some social theorists (such as Giddens, 1979) employ the term *structuration* to denote the forming of structures, but structure itself can be a process and the new term is not strictly necessary. As well as human agents creating and reproducing social structures, the structural environment also molds human agents. Figure 1 shows this as culture, where culture too adheres to its original meaning as a process rather than a state (Williams 1983; Jackson 1993). Institutional and figurational wholes are linked to human agency through the

twin, simultaneous processes of structure and culture, which bring about duality, the generalized interdependence of agency and structure.

The crucial difference between the institutional and figurational tiers of figure 1 is that institutions are role based and exist independently of any particular role-occupants, whereas figurations are dependent on personal relations among human agents. The personal aspect of figurations might raise doubts as to whether they are genuine structures comprising necessary, internal relations. Necessity is appropriate here because social interaction hinges on the identities of the people concerned. With employment relations, for example, the incompleteness of contracts means that the actual way of working will depend on the rapport between a particular employer and employee. Figurations will be less general than institutions and more fragile, but they have a structural quality in that they require personal relations between specific people and vanish once these relations are broken.

Any role must to some extent be standardized and recorded, so that it can be passed on to the next role player. Not all the facets of a role have to be written down (an impossible task), but the core activities must be well defined if the role is to have substance. The analogy is with the roles in a play, which are established through the play's script, even though this does not delineate every last detail of a performance. Details missing from the script will be supplied by the actors, whose personal interaction will add a figurational layer to the scripted roles. Different casts can produce markedly different performances of the same play. Often roles will have a formal, legally sanctioned expression (as in formal employment), but this is not vital, and some roles may be founded on informal codes and customs; the role merely has to be transmissible, by whatever means, to the next role-occupant. Each role player will conform to the general requirements of the role, while having freedom to set up the particular personal relationships constituting figurational structures.

Figure 1 fits in with agency-structure duality, as envisaged by Bhaskar and Giddens, but the augmented social structure allows two versions of duality, at institutional and figurational levels. Human agency will relate to figurational as well as institutional structures. If social structure both enables and constrains human agents, as duality theory argues, then there may be perceived agency-structure opposition, in either institutional or figurational domains. One way to acknowledge that structures may constrain agents is to concede that duality and

dualism are not mutually exclusive and that people who feel restricted by their social surroundings will experience structure as external and solid (Mouzelis 1989; Jackson 1999). Agency-structure dualism, with regard to both institutions and figurations, can coexist with duality and it would therefore be wise to retain the concept of dualism (Mouzelis 1995). The figuration/institution and duality/dualism distinctions, when combined, can provide greater diversity in how agents relate to social structures, as shown in figure 2.

Figure 2. Duality and Dualism

		Type of social structure	
		Institutional	Figurational
Structure-agency relationship	Interaction and enabling	Institutional duality	Figurational duality
	Separation and constraint	Institutional dualism	Figurational dualism

On the institutional side of figure 2, people will normally identify with their roles and feel empowered by them: this will give institutional duality, where agency and structure interact closely and reinforce each other. In some cases, however, people may feel hampered by their roles and critical toward them, creating institutional dualism, a separation and tension between agents and institutional structures. The ability to stand outside roles will be greatest for people at the top of an organizational hierarchy, who will usually be less rule bound than those below them and better placed to rethink current working practices. Yet they are privileged and empowered by their senior roles and may have little reason to feel alienated or constrained. For those in junior positions the leeway for escaping roles is much narrower, as

they will often be following tightly specified rules and procedures; under normal circumstances they will accept their humble status and conform to what is required of them. Such passive behavior gives rise to institutional duality, even though the roles being fulfilled confer little prestige and few advantages. Paradoxically, institutional dualism is more likely to be observed among people near the top of an organizational hierarchy (rule makers) than among those near the bottom (rule followers).

On the figurational side of figure 2, people will normally feel involved in their social relationships and willing to sustain them: this will give figurational duality, a close and harmonious interdependence of agents and figurations. Duality cannot be taken for granted, though, and at times people may feel alienated and constrained by their personal relations—the separation and tension rules out duality and produces figurational dualism. Alienation is liable to occur among those at the bottom of a hierarchy, whose personal relations at work are confined largely to obeying their superiors. They will not on the whole have rewarding working relationships and may feel excluded from the collective ethos of the organization that employs them. As one moves up a hierarchy, alienation should decrease: people of senior rank will participate in decision making and have a personal attachment to the organization. While institutional duality could be negatively correlated with seniority, figurational duality should in most cases be positively correlated. Hence, the two forms of duality/dualism are distinct from each other and do not move in tandem.

In a stable society, many people must be happy with their roles and personal relations and prepared actively to reproduce them; institutional and figurational duality will predominate whenever a society or economy is secure and functioning smoothly. Cases of tension and dualism will also exist but will be diffused throughout the society and insufficient to cause rapid and large-scale social change. If agency-structure dualism ever did become dominant, then this would threaten existing institutions and encourage social change through top-down reform by people in senior positions and bottom-up protests by people in junior positions.

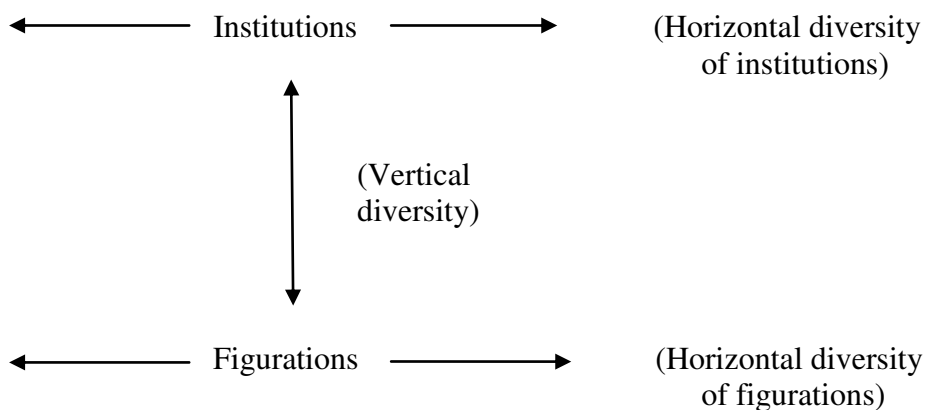
Periods of wholesale social change are quite rare, and duality should at most times outweigh dualism. This chimes with recent social theory, which holds that agency and structure display a generalized interdependence or duality. Such duality is, nevertheless, compatible with experiences of agency-structure dualism by some individuals and social groups.

Structural Diversity

A layered view of social structure has the advantage of being better able to depict structural diversity. Social structure can take figurational alongside institutional forms and is no longer limited to given roles and positions. Any gap in institutions need not be a structural void and may indicate a figurational structure. The gulf between structural and non-structural approaches will be reduced, and the range of behavior accessible to structural ideas will be widened. Permitting figurations should not dilute or weaken structural analysis but, on the contrary, enrich it and broaden its scope.

Two types of structural diversity can be distinguished, as shown in figure 3. Horizontal diversity occurs along the institutional and figurational tiers of figure 3, because no uniform social structure can span all human behavior. Institutional and figurational structures will overlap, with each person playing several roles and participating in many figurations. This subverts the idea that social structure is complete. Advanced societies contain myriad institutions and figurations in many spheres of activity; it is better to think of plural social structures rather than a single, monolithic structure.

Figure 3. Structural Diversity: Horizontal and Vertical



Vertical diversity occurs between the institutional and figurational tiers of figure 3 because roles do not perfectly match personal relations. Greater vertical diversity means a greater mismatch of institutions and figurations. Institutions can never merge with figurations, as roles cannot cover every aspect of behavior. Activities outside roles are usually put down to human agency, so that some behavior is socially structured while the rest is unstructured human action. This reaffirms agency-structure dualism and neglects the figurational structures that fill the gaps in social roles. Wherever roles are poorly matched with behavior, the space opens up for figurations, parallel but not identical to institutions. By extending beyond role-based behavior, figurations can compensate for incomplete roles.

Heterodox economics has long appreciated that social structure is diverse and layered. Institutionalists, Marxians, and other heterodox authors have argued that the contractual basis of market economies cannot cope with all economic activities: no contract is so complete that it covers every possibility and governs in all respects the behavior of its signatories (Hodgson 1988, chapter 7). Incompleteness of contracts raises significant issues for economic theory, such as loyalty, trust, work discipline, variable productivity, and the formation and organization of households. An incomplete contract will show up theoretically as the disjunction of institutional and figurational structures: formal contracts belong to the institutional tier, the items omitted from contracts to the figurational tier. Layered structural theory acknowledges that formal institutions do not and cannot encompass all economic relations.

Under these circumstances, economic transactions will vary with their institutional and figurational context. From an institutionalist viewpoint, markets are organized and institutionalized exchange (as opposed to the spontaneous, context-free exchange of neoclassical economics), and so the social background of transactions should be considered (Hodgson 1988, chapter 8). Much of this background has an impersonal, institutional form, as in the legal system establishing property rights transferable upon monetary payments. A defining feature of markets is the impersonal relation between buyer and seller (Lazonick 1991, chapter 2; Rosenbaum 2000). The agents in a market transaction have their own private interests and act independently. A buyer will seek the lowest price for a good and a seller the highest price, but this should be their only concern: the identity of the person with

whom they trade should be irrelevant. In this sense, a formal institutional structure of transferable property rights and advertised prices will be a prerequisite for competitive markets.

But economic transactions also depend on personal relationships and have a figurational as well as institutional side. Figurations will be more prominent in some cases than in others. Everyday purchases are conducted largely through the impersonal roles of buyer and seller, which leave little room for ongoing personal relationships. If transactions stretch out over longer periods and involve more complex, less standardized goods and services, then institutional roles will no longer be adequate and personal relations will come to the fore. With employment contracts, for example, incomplete job descriptions create space for a figurational component in work practices: any given job, however standardized it may appear, will be carried out in slightly different ways by different employees and employers (Simon 1951; Fox 1974; Rowlinson 1997, chapter 5). The actual methods of working will evolve, inside the contractual guidelines, from the personal relations between managers and workers and among the workers themselves. Another example is relational contracting, where a good or service is provided through periodic contractual arrangements subject to renegotiation: the need for continuous personal relationships, bolstered by trust and loyalty, will increase the significance of figurational structures (Macaulay 1963; Goldberg 1976, 1980; Macneil 1981). Structural diversity may engender a great variety of economic transactions.

Similar reasoning at a more general level suggests that economic systems are never complete or perfect. According to the impurity principle, there can be no pure economic system and all economies must possess structural diversity, with several coexisting modes of economic behavior (Hodgson 1984, 1999). Layered social structure gives rise to a distinction between horizontal and vertical impurity, on the same principle as the distinction between horizontal and vertical diversity in figure 3.

Horizontal impurity concerns the varied, unstandardized nature of economic institutions and figurations, which do not fit any single, pure scheme. Capitalist economies are mixed in the sense that they have diverse economic relations within an essentially capitalist frame. Even the market sector of the economy has no universal pattern of contractual relationships,

and contracts for sales, services, and employment take various forms. Administrative planning and personal cooperation impinge on what is ostensibly a competitive market-based society. Horizontal impurity is most tangible in the economic importance of non-market sectors of the economy, notably the public sector and the informal sector. The variety of institutions and figurations ensures that actual economies conform to no theoretical ideal, and alternative types of capitalism will emerge. A distinction is frequently made between the competitive, individualistic capitalism observed in the USA and UK and the more cooperative, social capitalism observed in Continental Europe and Japan (Albert 1993; Groenewegen 1997; Dore 2000). Both are horizontally impure, but the Anglo-American approach favors formal and impersonal institutions (short-termism, impersonal contracts), whereas the European-Japanese approach favors informal and personal figurations (long-term arrangements, relational contracting). Diversity among institutions and figurations will also produce diversity among economies.

Vertical impurity arises when institutions do not tally with economic behavior, causing institutional and figurational structures to be mismatched. At face value, goods and services are well defined and bought for fixed, standardized money payments: transactions seem to be contractual and complete. In all but the simplest cases, however, a good or service will be subject to uncertainty that creates gaps in any contractual agreement. For the transaction to proceed, some non-contractual elements will be required, such as trust or loyalty between the transactors, which go beyond institutional structures and yield impurities within the formal institutional setting. Vertical impurities are not confined to market economies. In a planned system, administrative procedures will be unable to cover every facet of a particular activity. The holes left in the rules will be filled by the employees, who will find their own ways of working. Again there will be figurations that extend beyond institutions and lead to vertical impurities. These will appear in any economic system, as it is unfeasible to produce formal and codified procedures for all economic activities.

Experience suggests that economies must have both horizontal and vertical impurity. The impossibility of a perfect economic system is demonstrated by the diversity of institutions and figurations (horizontal impurity) and by the mismatch between them (vertical impurity). Conceivably, a new society starting from scratch might begin with a blueprint for perfect institutions, in which case it would have horizontal and vertical purity at the outset. If this

happened, then vertical impurity would appear as soon as the flaws and gaps in formal arrangements were realized, followed by horizontal impurity from revised, imperfect institutions. Certain societies might be thought nearer to purity than others since they have less diverse institutions and stick more closely to a given institutional pattern: Anglo-American capitalism might, for instance, be viewed as being purer than the European-Japanese versions inasmuch as it conforms more thoroughly to competitive market conditions. True purity will be unattainable, though, and should not be upheld as an ideal; any attempt to achieve purity would produce a less plural and adaptable economy.

Structural diversity and social change have been emphasized in discussions of social and system integration. When social theory dwells on system integration, it implies that society is equated with the system of roles and positions and that systemic failure would endanger society itself. In practice, economic and social systems have withstood serious systemic failures without collapsing: capitalist economies, for example, have survived chronic depressions bringing a huge loss of employment, the main economic role. One way to explain this is to invoke alongside system integration the idea of social integration founded on personal relations. A society facing systemic problems may still hang together as long as its social integration remains intact and the loss of systemic roles is not translated into public protests and disorder. An understanding of social integration can shed light on social stability and the related issue of structural change.

Structural Change

Because structure hints at hardness, permanence, and completeness, structural methods are prone to criticism as being static. Fixed, rigid structures may seem to obstruct human agency or any other vehicle of change. Ironically, static arguments would go against the historical essence of structural thought: in the past, structure was about change rather than permanence. Structural and stratified theories have a long pedigree in philosophy, from the ancient Greeks onward, and in most cases the permanent layers were unstructured (Plato's Forms; God in medieval philosophy) while the mutable layers were structured (the everyday world of

material objects and people). An unstructured quality denoted timeless perfection, whereas a structured quality denoted imperfection and impermanence: to be composed of parts left open the prospect of being transformed. Structural methods have always been compatible with change, as is evident in structure's original meaning as a process.

Diverse structures can smoothen economic and social changes and prevent major upheavals. By the law of requisite variety, any system must have enough complexity and variety to cope with a changing external environment (Ashby 1968). In social sciences, the law can be generalized to allow for the internal environment as well, that is, the indeterminacy of human action (Hodgson 1988, chapter 11). Figurations can add extra variability to social structure and enable it to adapt to external or internal changes, as in new production methods, new resource discoveries, environmental problems, booms and slumps, and so forth. Changes may first be met through figurational structures, which act as a buffer between institutions and outside events or human behavior. This will have a stabilizing influence whenever a disturbance proves to be temporary or limited, as a few minor figurational adjustments will not amount to a change of economic or social system. If, on the other hand, the adjustments cause a prolonged misalignment of institutions and figurations, then more fundamental structural changes will ensue.

Institutions and figurations never coincide and never attain a perfect equilibrium, but at times they will converge and at other times diverge. Major changes in social structure will occur when institutions and figurations become discordant and roles no longer correspond to behavior. Either roles or behavior must be modified if the tensions are to be relieved: one kind of social structure must catch up with the other. Which changes first? Do roles adjust to behavior, or is it the other way round? On a priori grounds either case seems possible, and there is little reason to suppose that institutions always lag behind figurations or vice versa. The ordering of institutional and figurational changes will vary with the sources and character of social evolution.

Figurational changes should precede institutional ones when the driving force of history is material, based on technology, as in Marxian theories or the "softened materialism" of Veblen (O'Hara 2000, chapter 3). Recent examples of this argument can be found in the long-wave theories put forward by the Regulation School and the social structures of

accumulation approach (Boyer 1988; Perez 1983; Tylecote 1991; Gordon 1980). From a materialist angle, social transformation starts with new technologies and production methods that jar with institutional structures. The mismatch should eventually prompt institutional reforms which, if successful, will close the gap. Once the tensions are reduced, social structure should be stable until the next big technology comes along. The effects of technical change should emerge through figurations, as new ways of working arise that may not be accommodated by current institutions. Figurations may be seen as transmitting technical changes to the institutional sphere; they provide slackness in social structure, allowing short-term adaptation to new technology in advance of more radical institutional reform. Causal materialism suggests that figurations will normally change first and that institutions will in the longer term catch up with them.

According to the opposite, idealist view, permanent changes begin with ideas and then spread down to the social and material levels. Economic planning or social policies will usually subscribe, at least implicitly, to such a view, as will attempts to recast private firms or other organizations on theoretical principles. Laws aiming to enforce norms of acceptable behavior, such as the banning of discrimination, also seek to mould social relations to fit a desired conceptual pattern. If large-scale structural changes result from ideas, they will appear first as the reform of institutional structures by macro agents at the top of an organizational hierarchy (senior politicians, business leaders, and the like). For the reforms to bite, there must be an initial mismatch with figurations, followed by changes of behavior in line with the new institutional structures. Figurations can never coalesce with institutions, and the size of the ensuing discrepancy will decide the perceived success of the reforms. Too large a discrepancy would sap the reforms and provoke their withdrawal, but an acceptably small discrepancy would be deemed a successful outcome. Figurations provide a slackness in social structure that cushions the impact of new institutions.

During times of change, when institutions and figurations are misaligned, one would expect a distancing and tension between social structure and human agency. People will feel alienated from social structures and willing to support fundamental reforms. Within the scheme of figure 2, this would be classified as institutional or figural dualism. If, say, figurations are evolving and moving away from existing roles, then people are likely to feel restricted and hampered by institutional structures (institutional dualism); they may also

become estranged from their previous personal relations (figural dualism). Similar frictions are probable when institutional change outstrips current figurations and opens a gap; in this case the opponents of the reforms will experience institutional or figural dualism. Thus, a mismatch between institutions and figurations will be associated with structure-agency conflict, and institutional structures will seem to be constraining or directing human agency. Conversely, a period of stability or slow change—the normal state of affairs—should witness a closer alignment of institutions and figurations and the prevalence of institutional and figural duality.

As explanations of social change, causal materialism and causal idealism share the disadvantage of being reductive: they envisage only one direction of causality. Less reductive attitudes would site emergent causal powers at various structural levels and accept many potential sources of change. Cultural materialism, for example, is ontologically materialist, rooting human existence in material nature, but it is not causally materialist and does not require that all social change must stem from material production; changes might originate in ideas and influence social structure directly through institutional reform (Jackson 1996). Structural change may see complex relations between institutions and figurations, without one always leading the other.

The clearest present-day case of major structural change is the transition from socialist planning to capitalism in Russia, Eastern Europe, and China. Despite the common pattern of change, there are significant differences between Russia and China in the way that reform is being implemented (Kotz 2000). At the risk of oversimplifying matters, these differences can illustrate the possible types of structural change. In Russia, structural change has been pursued openly, as the post-1991 leadership has declared the country officially capitalist and carried out institutional reforms to create a market economy. The current economic difficulties in Russia point to an institutional/figural mismatch between new capitalist institutions and social relationships (figurations) still lodged in the planning era. The fate of the reforms will depend on whether the institutional/figural gap eventually narrows and social relations converge with capitalist economic institutions. In China, structural change has taken a different course, such that economic practices have shifted in a capitalist direction while the country's institutions and political system have stayed nominally unchanged. Figurations have been changing first, causing an institutional/figural mismatch and

pressure for institutions to catch up. One might expect China's capitalist status ultimately to be confirmed through institutional reforms, although this remains to be seen. A speculative view of the structural changes is that Russia is following an institution-led, idealist path and China a figuration-led, materialist path.

The less dramatic structural changes in the established capitalist economies are often summarized through the ideas of flexible specialization and post-Fordism (Piore and Sabel 1984; Lash and Urry 1987; Harvey 1990, part 2; Teague 1990). Among the distinguishing features of the new post-Fordist era are smaller-scale, more specialized production; differentiated products and components; flexible, decentralized work organization; and diverse and fragmented consumption patterns. A key theme here is a switch from corporate hierarchies to less formal and centralized arrangements that permit supple, flexible economic behavior and fully exploit information technology. This may entail new figurational structures no longer matched with institutions. Such figuration-led changes would accord with a materialist account of history, in which new technology first shows up in figurations and then stimulates institutional change. The distinctiveness of the new figurations may be only a temporary phase until matching institutions emerge: informal, decentralized arrangements may become institutionalized as a less hierarchical structure of impersonal roles. The post-Fordist developments, if they have substance, should become permanent once institutional structures adapt to figurational changes and the institution/figuration gap diminishes.

Doubts persist, however, as to whether these structural changes are driven by technology. Some decentralizing reforms in a post-Fordist vein have been imposed administratively from above and have little connection with prior changes in work patterns or the means of production. In this case, institutional reforms come first and figurations must adapt to the new institutional framework. Structural change cannot be an institutional response to spontaneous technical progress, and instead it owes more to top-down administrative decisions. Consider, for example, the quasi-market reforms introduced into public services in the UK and other European countries during the 1990s (Le Grand and Bartlett 1993; Flynn and Williams 1997). The tenor of these reforms is post-Fordist, as they aim to decentralize the public sector and promote flexibility: a public service is divided into self-managing units that supposedly interact in a competitive, market-like fashion. But the method of reform is

by administrative fiat, which stands at odds with the decentralizing goals and contradicts a bottom-up, technological account of change. The resistance aroused by quasi-market reform programs suggests that they were not a belated institutional adjustment to existing work practices and that the new institutions often collided with previous ways of working. One should therefore beware assuming that post-Fordism must be propelled by new technologies and working procedures. Figural changes may or may not precede institutional changes, and each case of structural reform has to be considered separately.

Layered social structure, with institutional and figural levels, need not be an impediment to change and can, in fact, assist economic and social transformations. In the short term, any disturbance or event will be met through adjustments at one level, while the other level stays unchanged. Unemployment, for instance, deprives people of employment roles (institutional level), but the disruptive effects will be reduced if personal relations remain relatively constant (figural level). In other cases, an external event might be met by adjusting figurations but leaving roles unchanged: producers might, for instance, meet a rise in demand for their products by raising the intensity of work (figural level) instead of recruiting new workers or revising employment contracts (institutional level). Stratified social structure provides slackness and flexibility that would not be present in a single-layered, purely institutional approach. If the disturbance is temporary, then the variable level will resume its original form, and the status quo will be restored: social structure has stabilized institutions. If the disturbance is permanent, then the institutional/figural mismatch will persist and generate pressures for the invariant level to adjust and catch up with the variable one: a misalignment of institutions and figurations provides the transitional period during which social structures can evolve without a crisis or collapse. Generally speaking, institutions and figurations will be mismatched during economic recessions and rematched during the later expansions. Stratified social structure exerts a stabilizing influence that helps economies to survive temporary problems and undergo continuous historical change.

Conclusion

Recent social theory has sought to broaden and “soften” social structure by adding ideas such as duality and figurations to the standard role-based approach. The new ideas chime with institutional and non-neoclassical economics, as in arguments about incomplete contracts and impure economic systems, but they have not yet been incorporated into economic theorizing. An enhanced treatment of social structure might have several benefits for institutional research.

Recognizing figurational structures would direct attention to the informal, personal side of economic behavior as well as to the formal, role-based side. Analysis of economic institutions should consider the personal interactions among those who occupy roles at any given time: it will never be enough to look only at systemic relations among roles or positions, a point that is acknowledged on a piecemeal basis in much institutional research but is often overlooked in heterodox theory.

A stratified structural method can also contribute to the portrayal of social change. Stratification permits tensions within social structure, between its institutional and figurational layers, and not just between structure and agency. This gives a less static view of structure, in which social structure may be a means of change and not just a barrier or obstacle. Such a view is implicit in some heterodox work, as when institutions (one layer of social structure) clash with technology (another layer), but an explicit account would require an augmented concept of social structure itself.

Institutionalism has suffered from the supposed contrast between structured rigidity and unstructured flexibility: orthodox economists have played upon the connotations of structure and made unfavorable comparisons between static institutions and dynamic *laissez-faire*. Although the contrast is false and misrepresents institutionalist arguments, the traditional image of social structure does suggest that structures are hard entities that may block human agency and slow down economic growth. A stratified method, adopted as a theoretical background to institutional economics, would dispel the apparent rigidity of social structure and allow for a more open, fluid perspective. It would confirm that all human behavior,

including market transactions, has a layered structural context and that this is entirely consistent with social change and economic flexibility.

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