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The Vision of *Foundations of Social Theory*

Abstract: Modern society has undergone a fundamental change to a society built around purposively established organizations. Social theory in this context can be a guide to social construction. *Foundations of Social Theory* is dedicated to this aim. Being oriented towards the design of social institutions it has to choose a voluntaristic, purposive theory of action and must make the behavior of social systems explainable in terms of the combination of individual actions. It has to deal with the emergence and maintenance of norms and rights, the concepts of authority, trust, law and legitimacy, the viability of organizations and the efficiency of social systems. But more important than the specific points is the vision of a new role for social theory in an increasingly constructed social environment. This vision is the motivation behind *Foundations of Social Theory*.

1. The Great Transformation

I write, in *Foundations of Social Theory* (*Foundations*) of 'corporate actors' as unitary actors, little different from natural persons as actors. This is certainly consistent with the way in which these entities are treated by the law, for in the eyes of the law, they are like persons except that they have a somewhat different bundle of rights. There are, of course, persons who in some fashion are part of a corporate actor. Those persons might be 'members', or 'agents', or 'employees' or 'managers' or 'shareholders' of the corporate actor, but none of them is substitutable for it as an actor. Indeed, in modern corporate actors, the structure is not composed of persons but of positions. Persons are only occupants.

It was not always true, however, that society was populated not only by natural persons, but by legally-recognized actors who were distinct from any natural person. Before the law recognized these corporate entities as actors, all action was seen to be traceable to individual persons as actors.

A great transformation has taken place, however, a social change that I regard as the most fundamental that society has undergone. This is a change in which these modern corporate actors have come to take their place alongside natural persons as social actors. Put differently, this can be seen as a change from a society with primordial institutions (the family, the community, the religious body) at its base to a society built around constructed organizations. These con-

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structed organizations are narrow purposive actors in society, not the diffuse, multifunctioned primordial bodies within which persons in traditional society were embedded.

It is this transformation of society that I discuss in Part IV of the book. The transformation began in the 13th century with the slow recognition of corporate actors (or 'persona ficta', as they were referred to by an Italian jurist in the 12th century). An important milestone of the transformation was the French Revolution, a product of the enlightenment, a revolt against the primordial institutions of the ancien regime, and a glorification of all that was regarded as rational in society (with introduction of a rationalized calendar, the metric system of weights and measures, and other 'rationalizing' changes). The transformation reached its take-off point in the second half of the 19th century, when the modern corporation began to proliferate, and factories began to replace family farms as the main productive enterprises of society. At the end of the 20th century, it is upon us in full force, as the family begins to fall apart, and as participation in constructed organizations occupies the lives of most persons, children and adults.

This transformation has as its central element the emergence of a social invention, the modern free-standing corporation, independent of any natural person.[1] The corporation is the prototypical corporate actor, and is the embodiment of Max Weber's vision of the rationalization of society. The social structure created by these modern corporate actors is peculiarly appropriate to the theory presented in *Foundations*, for at least two reasons: These narrow-purposed corporate actors have the properties of actors far more than did the broad and diffuse primordial institutions and organizations which they are supplanting; and second, these are *constructed* organizations, purposively established, not merely social bodies that grow by accretion or by the process of birth. As constructed organizations, they are more than objects of study; they are entities to be designed and brought into being, just like a skyscraper or a bridge. This establishes a role for social theory that goes beyond the classical role of explanation and prediction. Social theory in this context is a guide to social construction, no less than Newtonian mechanics is a guide to architecture and civil engineering. Social theory, with its more complex and inherently reactive subject matter, faces a much more difficult task. Nevertheless, formal organizations, which come to be new actors in the social system, are constructed every day. Social theory, appropriately developed, can be an aid to that construction.

If this perspective has overtones of the French Revolution, or the utopianism of Comte or of Marx, the reason is that it results from a similar vision: the vision

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[1] In many such corporations, natural persons are shareholders. They thus can be regarded as 'owners', in the sense that they are the residual claimants of the firm's assets; but they have lost many of the rights of ownership, as indicated in the discussion in *FST* (438) of codetermination in Germany. There are, in fact, some corporations which, like Andrew Hacker's "American Electric" (see, *FST*, 554) own themselves entirely.

that humankind is coming to be in a position where it shapes its own destiny. It may do so via blind trial and error, or with the aid of knowledge that can aid construction. *Foundations of Social Theory* is directed toward realization of the latter path rather than the former.

This vision is the motivation behind *Foundations*. Recognition that society has undergone, and is still undergoing, a massive change from primordial institutions to constructed organization gives a sense of the task ahead, but this is all that it does.

How, then, are we to proceed on the path toward constructed social organization? One important step on the path entails development of social theory adequate to the construction. It is to this task that *Foundations* is directed. I will try here to give a sense of how I approach the task.

2. Foundations

There is, of course, only one social science. Persons are not one type of creature in their social relations, another in their economic activities, and a third when they engage in politics. This implies that social theory which takes action as its elementary unit should be based on a single conception of action, whether that action be in an arena regarded as political, one regarded as economic, or outside either of these arenas.

To be sure, these are different arenas. What distinguishes them is not the kinds of actors which populate them, but the kinds of institutions which combine individuals' actions to produce systemic outcomes. There is in complex societies a distinguishable political system, just as there is a distinguishable economic system, and there is an encompassing social system which includes both of these but is not exhausted by them.

I suggest, then, that theory in any of the traditional social sciences will consist of a conception of action that is common across arenas, combined with what is particular to that arena, that is the institutions which combine these actions into systemic outcomes. There is, however, one additional constraint upon the conception of action. In each of the arenas of social science, common descriptions of what takes place involve not only the actions of individual human beings, but also of corporate actors: nation states, business firms, churches, towns, trade unions, consumer advocacy organizations, and many more. If the theory is to treat these corporate actors, which have rights and obligations before the law just as natural persons do, *as* actors in the theory, then the conception of action must also be able to encompass their actions.

The conception of action in social theory that comes closest to fulfilling these conditions is that which was first adopted in economics as the motive force for economic man, that is, rational action - equally well termed purposive action or goal-directed action. A major virtue of this conception of action is that once the goals are specified, then if something is known about efficient means to that

goal, the actor's actions can be predicted. Or alternatively, if actions are observed, the goals (or in economists' terms, preferences) can be inferred.

The principal weakness of this conception of action is that the theory contains no way of determining what the goals or preferences are (although there is a small body of work in economics on what is known as endogenous preferences). A secondary weakness is that it cannot account for either random or systematic deviations from rationality; and cognitive psychologists (Kahneman/Slovic/Tversky 1982; Thaler 1980; Loewenstein/Elster 1992) have taken as a major task the documentation of systematic deviations. Thus the conception of action based on economists' theory of rational action is both incomplete and inexact. It is, however, the only extant theory of action which both is comprehensive and provides predictive power. It is probably also true that any viable theory of action in the social sciences must use some variant of rational action, even if only as a baseline, for it corresponds to what we know as the logic of action, or logical action.[2]

The variant that I use in *Foundations* is isomorphic with the conception of rational action in economic theory, but specifies a particular form to the utility function. This was not, however, an intention. I arrived at this point by laying out a conceptual scheme as follows: The theory of action in the book contains two elements, actors and resources (the latter of two kinds, divisible or indivisible, which I term respectively resources and events), and two relations between them: Actors have control over resources (or events), and interests in resources (or events). They carry out social action through giving up resources in which they have less interest and getting in return resources in which they have more interest. What I regarded (and regard) as a first breakthrough for me in the intellectual developments that led to this book occurred when I conceived of two quantities at the system level defined in terms of the elements at the actor level: power of an actor, defined as the actor's control of resources or events that are of value; and value of a resource or an event, defined as the interest of power-holding actors in the resource or the event. These quantities, defined in terms of each other, and of the two actor-level quantities, interests in and control of resources, allowed for a transition between properties of actors and properties of the system of action. Along with this came a definition of a social equilibrium, consisting of a redistribution of resources, with each actor having a quantity of a resource equal to his interest in that resource modified by the ratio of his power to the value of the resource. All this is exposited mathematically in Chapter 25 of *Foundations*, and described verbally in Chapter 6.

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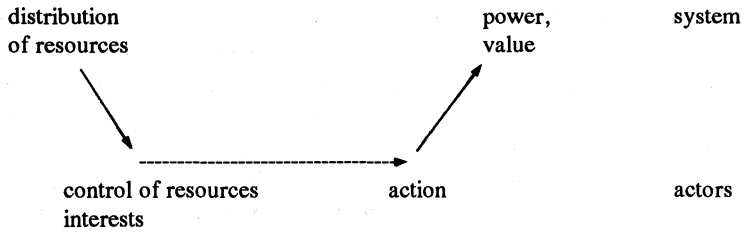
[2] This has been recognized by a number of authors. Taddaeus Kotarbinski, a Polish philosopher, began what he called praxiology, the science of logical action (Wolinski [ed.] 1990). Ludwig Von Mises titled a book, *Human Action*, very much in the same direction (1966). Raymond Boudon has written a book on rational action titled *The Logic of Social Action* (1981).

I later discovered with the aid of Gudmund Hernes, a former student, that this was formally identical to a neoclassical perfect market, in which all actors have a Cobb-Douglas utility function, in which 'interest' in a resource is the exponent on the quantity of that resource held. In the correspondence between this model and the economic one, 'power' is equivalent to wealth, and 'value' to price.

With the theoretical structure described in the preceding two paragraphs, the theory of action on which *Foundations* is based transcends the individual level. The conceptual structure can be illustrated by use of a diagram like that shown in Figure 1, which shows a relation at the level of actors, and two relations linking the level of the system to the level of actors.

Figure 1



At the actor level are the interests of the actor and the actor's control of resources. At the system level are the distribution of resources (as a starting-point), and power and value (as results of actions of social exchange.)

The isomorphism between this conceptual system and that of neoclassical economics made clear that the theory as it stood was appropriate to divisible resources without externalities (as is a perfect market model in economics), exchanged in a perfect market, with no institutional structure. Since that early period in my work (the late 1960s), the formal theory has been extended to deal with externalities and indivisibilities. It has far broader application throughout social science, as what I have termed in Part V "the linear system of action", than its narrow origins suggest. There remain, of course, serious deficiencies in the formal system. As just one example, the model is unable to mirror systems in which communication is less than complete, allowing transactions between some parties but not others, as in an incomplete social network.[3]

In its non-mathematical form, the conception of action I have described forms the core of this book. Actors have interests, they use the resources they control (sometimes through exchange of rights or resources, sometimes through unilateral action) to increase their realization of interests. But this conception must do battle with a competing conception held by many sociologists and anthropolo-

[3] Work has been done on this, however: See Braun 1992, and Marsden 1983.

gists, that action is taken in conformity with norms. This conception, which allows little or no room for human agency, nevertheless is descriptively accurate for much of behavior, especially in simple, relatively undifferentiated societies. Many persons' actions are, for most of the time, in conformity with norms. Only a minority of actions are in direct violation of norms. A major task of a book which has the theoretical aim of *Foundations* must be to provide a rational-action explanation of such norm-conforming action, and even to account for norms themselves as having their origins and perpetuation in rational action.

This I do in three chapters that are central to the book, Chapters 10, 11, and 30. But in doing that, two things became clear. First, it slowly became apparent that the emergence of a norm to constrain action or to encourage action could be seen as a transfer of a right (the right to carry out a certain set of actions) out of the hands of the actor who would carry out the action into the hands of others who have an interest in constraining it or encouraging it. Such a transfer of rights occurs through what I have termed a power-weighted consensus, and the move may potentially occur whenever the action under consideration has externalities, positive or negative. (In effect, 'power-weighted consensus' is an implicit collective decision in which the sum of the products of power and interest [as defined earlier] for those on one side are weighted against their counterpart on the other.)

Second, it became clear that there is a very close connection between norms and constitutions, as well as a connection between these and authority; and that rights to act - and where those rights are allocated - is the element which creates that connection.

One consequence of this for the book is that rights play a much more central role in it than I had foreseen when I began. They are examined explicitly in two chapters, 3 and 17, and pervade the content of several others. Nevertheless, I regard rights as not adequately treated in *Foundations*, and hope to extend my work in this direction. The term "right" is a system-level concept, and the question of how a right comes into being through individual actions or beliefs, or both, and how the existence and locus of a right affects beliefs and actions, are both difficult and important for social science.

In the foundations as I have described them in the paragraphs above, there is nothing about corporate actors. Yet as the first part of this essay, and Part IV of *Foundations* indicate, the invention and spread of a new kind of corporate actor is at the heart of the great transformation which society has undergone and continues to undergo. Thus the foundations of an appropriate social theory must include a component which treats the construction and functioning of purposively oriented corporate actors. Part III of the book makes a beginning toward doing this.

Part III begins with Chapter 13 on Constitutions and the Construction of Corporate Actors, and ends (except for Chapter 19 on "The Self") with a chapter (18) on the destruction of corporate actors through revolts and revolutions against a system of authority. Chapter 13 takes the work on rights and norms

from Parts I and II of the book and shows the relation of these to constitutions. Other chapters in Part III examine problems of action that are unique to corporate actors, in particular, two: the problem of collective decisions, that is, how corporate actors choose a course of action (Chapters 14, 15), and the problem of constructing a corporate actor so that it can take action (Chapter 16).

There are, however, conceptual problems in moving between levels of social organization. A major aim of *Foundations* is to make possible movement between levels, so that the behavior of a system of action is explainable in terms of the combinations of actions of actors (some of which may be corporate actors) within that system, and the actions of corporate actors in turn are explained by actions of the elementary actors, natural persons, who occupy positions in the corporate actor. This task involves treating corporate actors in two different ways. One of these is a system of action in which the behavior of the system is a resultant of the purposive actions of individuals who occupy its positions, and act subject to the incentives and constraints imposed on these positions. A second is as corporate actors, unitary entities which can be regarded as acting purposively. For some analytical purposes, corporate actors might be most usefully treated as a system of action; for others, they might be most usefully treated as unitary actors. In principle, their treatment in the latter way implies a prior analysis in the former way; only by doing that is it possible to discover what the effective interests are that the corporate actors, as actors, will pursue. A start toward doing this is provided by the linear system of action: As a system of action, resources within that system will have differing values, stemming from the interest and power of actors within the corporate actor. Promising as that potential for moving between levels may be, I did not carry it far in *Foundations*, and I will not do so in these comments - though I plan to carry it further in the future.

3. The Problematics of Sociology

Part IV of *Foundations* describes a major change in society which has taken place over a number of years, a change from a natural social environment to a 'built' social environment. It is a change from corporate actors that have their basis in the primordial relations of kinship to corporate actors of another form entirely. These latter corporate actors, freestanding and independent of particular persons, can be regarded as constructed rather than primordial, as narrow-purposed rather than multifunctioned.

This is not Toennies' Gemeinschaft-Gesellschaft distinction, nor Durkheim's mechanical vs. organic solidarity. It is a change with far more profound implications for the problematics of sociology. It is a change from a purely descriptive and analytical social science to one involving synthesis, a change from describing natural social processes to providing knowledge that aids in the construction of social organization.

Among the founders of sociology, some had this vision (prescient indeed in those days when the great transformation was in its early stages), and others did not. Comte certainly did, though his work was largely programmatic. Marx did as well, though he let his drive to bring about social change outrun the knowledge necessary for viable constructed social organization. Weber saw the change most clearly, in his vision of the inescapable rationalization of society, but did not take the next step of letting this vision dictate the problematics for his work in social theory.

This massive social change, which brings us into a new social world, has gone largely unremarked among modern social theorists, despite the expanding role of sociologists in the construction of society. It brings to social theory both opportunities and questions. It is a change, perhaps more than any other, that expands and partially transforms the problematics of sociology. It makes necessary a theory which does not merely describe the functioning of social institutions, but asks how they can be brought into being - or how they can be destroyed. It dictates the choice of a voluntaristic, purposive theory of action, for if one is engaged in the design of social institutions, some assumption is necessary about the kind of persons who will inhabit the institutions. It requires, however, that one not accept 'pure rationality' as the ultimate principle of action for these persons, but only as a provisional one, until the functioning of the self, and the way it generates actions, are better understood. Most of all, it is concerned with the ways in which actors' actions combine, through various social institutions as well as in spontaneous collective action, to produce system functioning.

I will indicate below, in eight points, how this reshaping of the problematics of sociology occurs in *Foundations*.

1. One focus of sociologists' work is explanation of the behavior of individuals. A second part is explanation of the behavior of social systems. For a world of constructed social organization, it is the latter knowledge that is essential. Organizational and institutional design depends on it. As indicated in Chapter 1, *Foundations* takes this second part of sociologists' work as its central focus. The problematics of social theory as seen in *Foundations*, are the problematics of social systems functioning.

2. A major instance of this focus can be seen in Chapter 13, "The Corporate Actor As A System Of Action". In that chapter, the principal focus is on the viability of the organization, and modes of viability. This focus is not new; among others, Chester Barnard and Herbert Simon have taken this perspective. Chapter 13 extends that work. This focus on modes of viability follows directly from the necessity to design a formal organization in such a way that it remains viable. It is a particular case of organizational design, hardly relevant for primordial or spontaneous organization, but necessary for the purposive construction of social organization.

3. The change from a natural social environment to a constructed one also directs attention to a set of new questions about norms. Much of classical sociological theory, and even neoclassical theory, takes norms as given, with only conformity to norms as problematic. The Dahrendorf quotation on p. 232 of *Foundations* ("the derivation suggested here has the advantage of leading back to presuppositions [the existence of norms and the necessity of sanctions] which at least in the context of social theory can be taken as axiomatic" (1968, 104)) expresses a broad consensus in the discipline. There are only a few deviations, such as that of Goode (1978), who refuses to take norms as given for a class of prescriptive norms, in his *The Celebration of Heroes*.

It is reasonable to take norms as given if one is engaged in understanding how a given and fixed social system, with norms firmly in place, functions. It is not reasonable to do so if one is engaged in understanding how certain social structures facilitate the growth of norms, while others inhibit their growth, and how the formal structure shapes the content of the norm. (For example, what determines the direction of the norms that will arise within what Goffman terms 'total institutions'?)

In *Foundations*, I do not take norms as given. The *existence* of a proscriptive or prescriptive norm, and the *effectiveness* of the norm are both taken as problematic. As Chapters 10 and 11 show, taking norms as problematic reaps several benefits in addition to the prediction of when norms will arise and when they will not. One is the grounding of norms in informal rights to act. This allows a linkage of norms to other important concepts: authority, trust, law, legitimacy. A second benefit is that a theory of the conditions under which norms emerge uncovers the role of power in establishing and maintaining a norm - and the different importance of power for two kinds of norms (which I label conjoint and disjoint). Another is the differential stability of conjoint and disjoint norms. Still another is the greater difficulty of maintaining effective sanctions for proscriptive norms than for prescriptive norms.

All these are the initial fruits of taking as problematic something that has characteristically been taken as given in social theory. I say 'initial fruits', because I believe that this constitutes an opening wedge for a much larger domain of problems that has been almost wholly ignored in social theory, the domain of rights. Norm emergence is an opening wedge: A norm proscribing or prescribing an action exists when the right to determine whether the action is carried out or not no longer resides with the actor. Because a 'right' is a property of a social system, and rights differ from one system to another, a social theory oriented to the design of social institutions must illuminate the conditions for emergence, maintenance, and destruction of rights. The understanding of how norms, authority systems, constitutions, are created depends on knowledge of how rights come into being and are maintained.

Another way in which this orientation to norms opens questions appropriate to a constructed social environment is in the border area between laws and

norms. By knowing the structural conditions under which norms can be effective, it becomes possible to see the conditions under which laws, with formally organized means of enforcement, are necessary for social control, and the conditions under which laws are superfluous or inimical to general welfare. There has in recent years arisen a literature which argues that informal norms endogenously generated have in many circumstances exercised social control more effectively than formal laws later imposed from outside (See Ellickson 1991, and Ostrom 1990). The questions about emergence and effectiveness of norms raised in *Foundations* are important if the demarcation between laws and norms (and the interactions between the two) are to be well understood.

4. Terms seldom found in social theory, though extensively used in *Foundations*, are 'efficiency', 'optimality', and others denoting proximity to some target state. The idea of 'proximity to a target state' suggests some single purpose, incompatible with the multi-purposed character of the theory of *Foundations*, driven by the plural purposive actions of individuals. But this illustrates the complexity of the theory: A given distribution of resources which is, in effect, the constitution - implicit or explicit - of the system, defines the target state by the relative power it accords to each actor. It is only relative to this distribution that efficiency is defined. The value of introducing this concept of efficiency into social theory is that it enlarges the theory's problematics. It allows asking - within a given distribution of resources - how well the social system is functioning. And it allows separating this question from another, concerning the merits of the given distribution of resources.

5. Again related to norms, the construction of social organization requires that we know when it is more efficient to depend on external sanctions, and when internalization of sanctions will be more efficient. In addition, when is it more efficient to bring about internalization of a norm concerning the specific action and when to bring about internalization of the will of the other, as a generalized conscience? (For example, if social theorists are engaged not merely in studying how parents raise children, but also in advising upon what actions caregivers should take in child socialization, this knowledge is important. Should a child's lie be simply punished, should the norm, "Do not lie", be inculcated, should a different norm, "Do not do what is wrong", be inculcated, or should the caregiver attempt to inculcate the desire to do only those things of which the caregiver would approve?) Chapter 11 raises these questions of relative efficiency.

6. Authority relations are treated in an unusual way in *Foundations* (in Chapters 4 and 7). What is taken as problematic is not the superordinate's exercise of authority but - again in the shadow of Chester Barnard - the potential subordinate's willingness to transfer rights of control over certain actions, by vesting authority in the potential superordinate, or by not divesting authority already vested.

This approach to authority relations is necessary if one is engaged in the design of authority systems rather than merely in their description. Such knowl-

edge is equally necessary when one is concerned with the design of a process (e.g., a social movement) that would lead to the revoking of authority. As theorists of revolution have noted (and as discussed in Chapter 18) the withdrawal of legitimacy by a large fraction of the population is a critical point in the overthrow of an authority system.

7. One area in which social (or more properly, political) theory is already oriented to constructed social organization is that of social choice or collective decisions. The questions addressed in this work concern the properties of various institutions for translating individual votes (or other expressions of preference) into collective outcomes. There is extensive work (much of it in the journal *Public Choice*) on the way various voting rules generate a collective decision from aggregation of individual votes. Somewhere along the way, however, the original question has been transformed into a more passive one, that is, why various voting rules are defective in this task. What *Foundations* attempts to do, in Chapters 14 and 15, is to reestablish the original problematics in this area, asking what institutional innovations in arriving at collective decisions through formal procedures can lead to social outcomes that are closer to optimality (as specifically defined).

8. Much of *Foundations* is concerned with what might be described as 'spontaneous' social organization, rather than formally constructed organization. This can be seen in chapters on authority relations, trust, collective behavior, norms, rights, and others. This focus might appear anomalous given the view of modern society expressed in Part IV, the view which animates *Foundations*. Not so; the essential knowledge necessary, if the design of constructed organization is to lead to viable social systems, is knowledge about spontaneous social processes. The design of organization that is not attentive to these processes is destined to be destroyed by them; and the design of organization that actively employs these processes will be especially robust.

These eight points show some of the ways *Foundations of Social Theory* attempts to expand and reshape the problematics of sociology. Perhaps more important than the specific points is the view of social change which generates and necessitates this view of the task of social theory. It is a view that sees the social world as one in which primordial organization is being increasingly replaced by constructed social organization that occupied only a minor place in societies of the past. This change brings with it both opportunities and dangers. It brings a role for social theory in the design of this increasingly built social environment, and a role in arming persons with knowledge that is itself a resource of value in that environment.

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