PERFORMATIVITY, NEOCLASSICAL THEORY AND ECONOMIC SOCIOLOGY[1]

Patrik Aspers
Stockholm University

patrik.aspers@sociology.su.se

Michel Callon's ideas about the economy (1998, 1999; Barry and Slater 2002a, 2002b), and especially the idea of performativity, have recently been debated in *Economy and Society* (see Vol. 3, Number 2, 2002). This debate has contributed to the interest in Callon's work, which is growing on both sides of the Atlantic. Moreover, his approach to the economy is used in empirical studies (Mackenzie and Millo 2003; Mackenzie 2004). Though one can criticize Callon's theory in general (cf. Fine 2003), I will here focus on what I see as his main contribution, which is perhaps also the most controversial aspect of his approach: the idea of performativity. I especially talk about performativity and markets, since this is the main topic of research in economic sociology, as well as the center of Callon's discussion.

There are two arguments and one remark in this short text. The first argument is that the debate on the subject matter of economic sociology misses a crucial distinction between two kinds of markets: exchange role markets, such as financial markets, and fixed role markets, such as producer markets for commodities (§1). My point is that the idea of performativity as Callon presents it, which apparently focuses on neoclassical theory, is empirically valid in exchange role markets, but not in fixed role markets. The second argument is that though the idea of performativity in exchange markets is empirically valid, it is not surprising. In fact, the neoclassical theory that Callon refers to is modeled on the type of markets studied with Callon's approach (§2). The remark is that the idea of performativity is not new in the social sciences (§3). Despite the critique, the debate generated by Callon's works has created a focus on the epistemological aspects of economic sociology, which should be embraced. I begin by briefly describing Callon's notion of performativity.

Performativity

The approach developed by Bruno Latour and Michel Callon for sociology of science studies, called Actor-Network-Theory, has been skillfully utilized in Callon's investigation of the economy. The word performativity refers to the interplay between theories of the economy and the economy. Callon says that his position "consists in maintaining that economics, in the broad sense of the term, performs, shapes and formats the economy, rather than observing how it functions" (1998:2).[2]

[1] I gratefully acknowledge the financial support by Axel and Margaret Ax:son Johnson Foundation, and comments by Caroline Dahlberg, Richard Swedberg, and Olav Velthuis.

[2] See also Mackenzie (2004) for an excellent discussion of the two poles of Callon's notion of performativity: the generic, which simply means that categories (such as gender) are not given by nature, but created by actors who perform them, and the "Austinian" (after J.L Austin), which refers to a relation between discourse (for example an economic theory or model) and practice. I fully agree with Mackenzie that the first is almost self-evident.
The Austinian form is more interesting, and refers to sociology of knowledge in a more problematic way: what is the relation between theories of the world and the world the theories are about?

Performativity means that economic actors, much like scientists who develop theories of the world, use these theories when interacting with the world, thereby shaping it according to the theories. In this way they are performing the economy, making the real economy more like the theories of it. One may then say that the theory is both part of the world at the same time as it is of the world, or as Callon puts it: "[the] economy is embedded not in society but in economics" (1998:30). Callon stresses the role of economics in explaining how the economy performs (Callon in Barry and Slater 2002b:286). A key idea of Callon is that the economy is produced in relation to increased codified economic knowledge. This knowledge includes neoclassical theory, but also accounting techniques as well as marketing (Callon 1998:28).

Given this position it is logical that Callon states: "Yes, *homo economicus* does exist, but is not an a-historical reality; he does not describe the hidden nature of the human being. He is the result of a process of configuration" (1998:22). Thus, only in relation to the set of tools and knowledge that has been added by human production is it possible to understand *homo economicus*; he is not born with these capacities.

How can the idea of performativity be evaluated? Mackenzie (2004) suggests that Callonian performativity can be evaluated according to the Popperian principle of verisimilitude. The scientist can study if there is an increased fit between the model and what the model is all about over time as a consequence of the introduction of the model. It follows from his approach that social researchers should study the economic profession, since the knowledge this profession has produced is what agents use when performing the economy (Callon 1998:30). Sociological studies, he says, should generate "not a more complex *homo economicus* but the comprehension of his simplicity and poverty" (Callon 1998:50). Callon is clearly critical of economic sociological attempts to either enrich or replace *homo economicus*.

1. Kinds of Markets

As mentioned, Callon argues that the focus should be on economics, which today is almost identical with neoclassical theory. However, the argument that economic sociology should be about the real economy (e.g., Miller 2002) is common among new economic sociologists; one leading new economic sociologist, Harrison White, argues that market theories should be phenomenologically correct. The latter demand essentially means that the way actors and firms operate in the "real" economy must be reflected in theories.

It is clear that new economic sociology, here viewed broad enough to include anthropological studies, has generated studies that give a good description of real markets (Swedberg 1994, 2004; Lie 1997; Aspers 2005b). Callon's approach has some, though less, empirical support (especially Mackenzie and Millo 2003, and the famous example of one strawberry market in France, analyzed by Marie-France Garcia-Parpet, though more work is about to be published). To make it simple, Callon argues that markets should be understood as consequences of theories, whereas most economic sociologists say that the theories must reflect the variety of real markets.

Mackenzie also comes up with an innovative notion, "counterperformativity", which means that widespread adoption of a model "can undermine the preconditions of its own empirical validity" (2004:306).

I think Callon may be correct when arguing that neoclassical economic theory is performed in some markets. In other markets neither neoclassical economic theory, nor any other theory is performed. Instead I claim that the approach which White has developed to study modern production markets, is a good account of what goes on in these markets. My point is that neoclassical theory is the best theory when it comes to explain what goes on in one type of markets - exchange role markets - and White's approach, is the best we have for fixed role markets (cf. Aspers 2005b). This argument hinges on a distinction between types of markets.

Let me first clarify this distinction, which separates markets according to different social structure and identification with roles over time (and not according to calculability, interest or different values). This, in addition to the culture of a market, is what generates different phenomenologies of markets.[3] In exchange role market economic actors, individuals and firms, do not hold permanent roles as buyers or sellers. Instead actors may switch roles so that one first is a buyer, and later a seller of the same, or another, item. Swap meetings, financial markets, and stock exchange markets are examples of exchange role markets, where actors switch roles and appear on both sides of the market interface.

Most real markets, however, are not exchange markets, but fixed role markets (Aspers 2005a), which means that the market identity of an actor is tied to only one side of the market (producer/seller or consumer/buyer). Thus, car manufactures have identities, a theoretical notion that covers the simplistic economic idea of brand names, as producers of cars; they do not also operate as consumers of cars. These roles are tied to production, and the identity is relative to other actors in the market. Each producer operates, however, as a buyer in many other business-to-business markets; buying commodities, such as steel, glue and numerous other components needed for the production of cars. These things are bought from other producers, typically called suppliers, who are located upstream in the production chain.

That the bulk of markets in the economy are role markets is reflected in the existing studies on markets. Hence, most studies are on various types of producer markets. This body of literature usually draws on the works of Harrison White (e.g., 1981, 2002). White himself credits Edward Chamberlin, and to some extent also Alfred Marshall, for initiating this stream of thought that acknowledges how markets function in the real economy (White 1992, cf. Azarian 2003). Although Callon refers to White's work on markets, he does not seem to recognize the major break with neoclassical theory that White's approach represents.

If a product can be disentangled from the identity of the producer, which typically is the case in markets where there are standardized products, such as the stock exchange market, or the market for crude oil, one may speak of an exchange role market. The actors are in principle free to operate on both sides of the market interface, and their identities are consequently not tied to one side (as they are in fixed role markets). In other words, if it is possible to disentangle the product from the producer, it may be possible to create a market according to principles of neoclassical economics.

[3] From this distinction follows that, for example, narratives binding identities over time differ in the two types of markets (cf. Aspers 2005b; White 1992, 2002). It is not possible to outline the phenomenological differences of the types of markets here; I can only refer to a number of studies that reflect the differences.

What, then, has this distinction between exchange and fixed role markets to do with Callon's notion of performativity? In so-called exchange role markets it is likely that Callon's approach may prove successful, but it will not be successful in fixed role markets. The reason is that the "economics" that Callon refers to has essentially developed a theory of exchange role markets; whereas the theories developed in new economic sociology is about fixed role markets. Moreover, it is my opinion that neoclassical economic theory has come up with a theory of exchange role markets that is superior to new economic sociology. It is also my opinion that new economic sociology has a better foundation than neoclassical economics for developing theories of fixed role markets.

Thus, despite the fact that some very good sociological and anthropological research has been done on financial markets (e.g., Smith 1981; Abolafia 1996; Knorr-Cetina and Bruegger 2002; Hasselström 2003), it is yet early to, for example, talk about a sociological theory of the core of exchange markets, which would include price formation. The neoclassical approach, growing out of the work of Jevons, Marshall and above all Walras, presented in the works of Knight (1921:76-81), and which still today in a simpler version is the baseline in most textbooks of economics, appears as the only systematic and coherent theory of exchange markets, like stock exchange markets. Though others bodies of research exist even within economics, such as behavioral economics and the closely related behavioral finance, they are not enough systematized to be called theories.

It follows that Callon is wrong when he says that we should study economics to understand the economy, simply because many markets do not "behave" as the neoclassical model predicts; they are in fact another "species" as White says (1992). In other words, fixed role markets are not mirroring neoclassical theory, and the existences of such markets consequently represent anomalies also to Callon's approach. Callon, however, is probably correct when it comes to exchange role markets, such as a stock exchange; in these markets economics and the economy are quite similar. Why this is the case will be further discussed in the next section. Moreover, Miller is wrong when he concludes that, "Perhaps the sale of strawberries in one part of France does actually represent a market, but most attempts to locate markets have been and I predict will continue to be (if you will forgive the pun) rather 'fruitless' investigations" (2002:232).

My prediction is that as long as we study exchange markets Callon is likely to be correct and Miller wrong; people in these markets perform the neoclassical model. In other markets, though some players have learned the basics of neoclassical economics, most do not perform this theory in reality; they have instead learned the tricks of the trade, and are more likely to operate according to the predictions made by Harrison White. Put differently, both Callon and Miller are partly correct, but each is also partly wrong. Callon is right about exchange role markets, where his idea of performativity generates high verisimilitude, i.e., the fit between neoclassical model and real exchange markets is high. The degree of verisimilitude is likely to be much lower when Callon's idea is applied to fixed role markets. Miller, in contrast, has a strong point about many so-called production markets, which constitute the bulk of markets. This debate is easier to understand if one recognizes the distinction between exchange role markets and fixed role markets, which it seems that neither Callon not Miller have done. These two types of markets generate fundamentally different phenomenologies, and must also be accounted for with different theories.

So far I have done a slightly narrow interpretation of Callon's idea of "economics". One may instead focus on his more general claim that "several types of organized market exists"

(Callon 1998:32), and following this, Callon foresees studies that result in the presentation of different types of calculative agencies (1998:48). However, there is a problem with Callon's approach if it takes this route; it risks becoming so wide that it lacks specificity. Callon (1998:39-40) says that calculation is not restricted to the West; it also takes place in so called traditional societies. But if this is the case, his statement becomes extremely general. Apparently, all economies are performed, regardless of the level of theoretical and practical knowledge that has been codified.[4] This raises the question what the idea of performativity adds; this wider interpretation of Callon's theory, and his notions, is clearly less interesting.

2. Practice, Theory and Performativity

The second argument is that it is not surprising that some areas, i.e., exchange role markets, of the economy are operating according to the predictions of the neoclassical theory, as outlined by Callon. In fact, everything else would be a surprise. Why? The short answer is that the neoclassical theory, which Walras—a founding father of this theory—developed, is in fact modeled on the real economy, the Paris Bourse. This is part of the history of economics.[5] Thus, Walras developed a theory for the type of market that I above call exchange role markets (cf. Kregel 1998). The following quotation indicates this:

> "The markets which are best organized from the competitive standpoint are those in which purchases and sales are made by auction, through the instrumentality of stockbrokers, commercial brokers or criers acting as agents who centralize transactions in such a way that the terms of every exchange are openly announced and an opportunity is given to sellers to lower their prices and to buyers to raise their bids. This is the way business is done in the stock exchange, commercial markets, grain markets, fish markets, etc" (Walras quoted in van Daal and Jolink 1993:110).

As Van Daal and Jolink say, "Walras' models not only bear resemblance to the actual exchange mechanism at a stock exchange, but are, in fact, modeled to reflect this mechanism" (1993:110). Thus, Walras built his theory of ideal relations based on "real-type" concepts, i.e., those based on experience (Ibid.:110-111). In this case, and I think it is a telling example, economics mirrors the economic practice, rather than the other way around. This suggests that even though markets obviously are social constructions, they are not performed. It is often better to say that some markets are modeled on other markets, but that does not necessarily imply that they are performed.

3. An Old Idea

I will end with a remark. Callon acknowledges that he is not the first person to talk about performativity. J.L Austin and, much later, Judith Butler have used this notion. As mentioned, I agree with Mackenzie (2004) that Callon's most interesting version of performativity is about codified knowledge; particularly in theories and models, which are seen as important for making the economy. Though the idea is interesting, it is worth remembering that it is not entirely new. It is better to say that Callon contributes to an existing tradition. Besides Austin and Butler, Edmund Husserl (1970), discussed in a text written in 1936 the relationship between scientific theories and the lifeworld. He argues that,

---

[4] This merely means that he repeats the idea that the economy is a social construction.

[5] It is interesting that also another founding father of the neoclassical theory, Alfred Marshall developed his version of the theory in relation to the real economy, combining deduction and induction (cf. Aspers 1999).

gradually, scientific theories become taken for granted, though their meaning foundation may be lost. This means that a theory may become part of the lifeworld, and thus affecting how people behave. Later on, other phenomenologists, like Alfred Schütz, as well as Berger and Luckmann, have discussed this more in detail. And following the phenomenological tradition, Giddens refers to this as the "double hermeneutic" (1984:xxxii-xxxiii). Even Habermas (1974) discusses similar ideas.

Still, should not Callon be credited for being the first to use this idea in the studies of the economy? The following quotation from Pierre Bourdieu, answers this question: "[M]ethods (economic accountancy, for example) or concepts (such as the notion of capital) which are the historical product of capitalism and which include a radical transformation of their object, similar to the historical transformation from which they arose." ([1980] 1990:113). My remark is not a critique of Callon, it just stresses that he adds to a long tradition of especially phenomenologically inspired sociology of knowledge.

Conclusion

All in all, Callon's approach has been embraced, used and admired, and today he is in vogue. In this short text, I have only discussed one, though central, notion of his approach, performativity. His approach is to a large extent about using a new discourse. But as Don Slater points out, discourse does not inform us about practice, and he claims that there must be an "open ended and indeed an ethnographic approach to the ways specific markets are constructed" (2002:245). The points made here ultimately aim at developing economic sociology. The somewhat critical comments in this text notwithstanding, Callon's work has helped to spawn a debate on the reflexive dimension of sociology of knowledge of the economy, which all of us must relate to.

References:

Abolafia, Mitchel (1996), *Making Markets, Opportunism and Restraint on Wall Street*, Cambridge: Harvard University Press.

Aspers, Patrik (1999), "The Sociology of Alfred Marshall, An Overview." *American Journal of Economics and Sociology*, 58, 4: 651-668.

Aspers, Patrik Forthcoming, (2005a), *Markets in Fashion, A Phenomenological Approach*, London: Routledge.

Aspers, Patrik Forthcoming, (2005b), "Markets, Sociology of." in *International Encyclopedia of Economic Sociology,* edited by J. Beckert and M. Zafirovski, London: Routledge Ltd.

Azarian, Reza (2003), *The General Sociology of Harrison White*, Stockholm: Department of Sociology.

Barry, Andrew and Slater, Don (2002a), "Introduction: The Technological Economy." *Economy and Society*, 31, 2:175-193.

Barry, Andrew and Slater, Don (2002b), "Technology, Politics and the Market: An Interview with Michel Callon." *Economy and Society*, 31, 2:285-306.

Bourdieu, Pierre ([1980] 1990), *The Logic of Practice,* Cambridge: Polity Press.

Callon, Michel (ed.) (1998), *The Laws of the Market,* Oxford: Blackwell Publishers

Callon, Michel (1999), "Actor-Network Theory—The Market Test." Pp. 181-195 in *Actor Network Theory and After* edited by J. Law and J. Hassard, Oxford: Blackwell Publishers.

Fine, Ben (2003), "Callonistics: A Disentanglement." *Economy and Society*, 43, 3:478-484.

Giddens, Anthony (1984), *The Constitution of Society*, *Outline of the Theory of Structuration*. Berkeley: University of California Press.

Habermas, Jürgen (1974), *Theory and Practice*, Boston Beacon Press.
Hasselström, Anna (2003), *On and Off the Trading Floor, An Inquiry into the Everyday Fashioning of Financial Market Knowledge*, Stockholm: Department of Social Anthropology, Stockholm University.
Husserl, Edmund ([1954] 1970), *The Crisis of European Sciences and Transcendental Phenomenology*, Evanston: Northwestern University Press.
Knorr Cetina, Karin and Bruegger, Urs 2002. Global Microstructures: The Virtual Societies of Financial Markets, *American Journal of Sociology*, 107,4: 905-950.
Kregel, Jan (1998), "Financial Markets and Economic Development: Myth and Institutional Reality." Pp. 243-257, in K. Nielsen and B. Johansson (eds), *Institutions and Economic Change, New Perspectives on Markets, Firms and Technology*, Cheltenham: Edward Elgar.
Knight, Frank (1921), *Risk, Uncertainty and Profit*, Boston: Houghton Mifflin Company.
Lie, John (1997), "Sociology of Markets," *Annual Review of Sociology*, 23: 241-260.
Mackenzie, Donald (2004), "The Big, Bad Wolf and the Rational Market: Portfolio Insurance, the 1987 Crash and the Performativity of Economics", *Economy and Society*, 33, 3:303-334.
MacKenzie, Donald and Millo, Yuval (2003), "Constructing a Market, Performing Theory: The Historical Sociology of a Financial Derivatives Exchange." *American Journal of Sociology*, 109, 1: 107–45.
Miller, Daniel (2002), "Turning Callon the Right Way Up." *Economy and Society*, 31, 2:218-233.
Slater, Don (2002), "From Calculation to Alienation: Disentangling Economic Abstractions," *Economy and Society*, 31, 2:234-249.
Smith, Charles (1981), *The Mind of the Market, A Study of Stock Market Philosophies, Their Use, and Their Implication*, Totowa: Rowman and Littlefield.
Swedberg, Richard (1994), "Markets as Social Structures", Pp. 255-282 in N. Smelser, N. and R. Swedberg, (eds.) *Handbook of Economic Sociology. Princeton*, NJ: Princeton University Press.
Swedberg, Richard (2004) "On the Present State of Economic Sociology", *Economic Sociology, European Electronic Newsletter*, 5, 2: 2-17. http://econsoc.mpifg.de/archive/esjan04.pdf
Van Daal, Jan and Jolink, Albert (1993), *The Equilibrium Economics of Leon Walras*, London: Routledge.
White, Harrison (1981), "Where do Markets Come From." *American Journal of Sociology*, 87, 3: 517-47.
White, Harrison (1992), *Identity and Control: A Structural Theory of Social Action*, Princeton: Princeton University Press.
White, Harrison (2002), *Markets from Networks, Socioeconomic Models of Production,* Princeton: Princeton University Press.