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BUSINESS AS AN INSTITUTION*

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WHEN Franklin D. Roosevelt assumed the chair of office in 1933 he proceeded to set up what was probably the most academic and literate administration in the history of the nation. As we are all aware, this came to be known as the "Brain Trust." It was notable for many things, among them the unquestioned ability and high spirit of industry and devotion manifested by the group as a whole. But one feature, which is of especial interest to the group gathered here this evening, was the surprisingly small number of professional sociologists included in the official family. There were a few notable exceptions, some of whom, as we know, found the atmosphere not entirely congenial and voluntarily withdrew. But viewing the situation as a whole it is a striking fact that in a vast enterprise, which was essentially sociological in its nature, an almost negligible part of the responsibility was entrusted to those who had made sociology their life study and work.

What reasons can we discern for this situation?

To begin with, I presume that very few professional sociologists, particularly in the presence of such an eminent gathering of their colleagues from the allied social sciences, would admit that the determinative factor was an inferior level of ability or scientific attainment on the part of sociologists as compared with economists, political scientists, and financiers. There may have been some influence of the President's individual background and personal acquaintanceships. But it seems quite clear to me that the outstanding explana-

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tion is to be found in the fact that the emergency which confronted President Roosevelt was commonly regarded by the public, and doubtless by the President himself, as an "economic" situation, and of course economic matters should be dealt with by economists first of all. In other words, the President's conduct is simply an unusually conspicuous example of the familiar line of distinction drawn between economics and sociology. Tonight I should like to raise certain questions in this connection. Is this line of demarcation valid? Are economics and sociology two distinct sciences (or, perhaps, is one a science and the other some other kind of discipline) like two neighbors who have a polite bowing acquaintance and pass the time of day over a sturdy boundary fence, but each of whom would vigorously resent any trespass of the other upon his territory? Or do they possibly represent two different approaches to the same great body of social fact? Or, finally, is it the function of sociology to deal specifically with certain aspects of this body of social fact, while economics confines itself to other aspects?

I have no expectation or ambition to answer these questions categorically in the next few minutes. All I wish to do is to suggest certain considerations which may throw some light upon the problem, and may not only clarify our thinking on the subject, but may also possibly make some slight contribution to a more constructive and comprehensive application of sociological theory to some of the emergent problems of contemporary life.

First of all, we may take it as a matter of course that economics deals with the particular departments of the social organization which are concerned with the production, distribution, and exchange of wealth, and of useful services. Fundamentally, as the conventional definitions of "wealth" indicate, economics concentrates upon the provision of those material supplies upon which human life and happiness depend. Such attention as it devotes to personal services is largely conditioned by the principles which it has derived from the study of the material aspects of civilization. The first question that arises, therefore, is whether the administration of material interests has about it some peculiar quality that puts it in a different category from the administration of educational, recreational or reproductive interests, causing the latter group to be fit subjects for sociological consideration and interpretation, but barring the first. It would be difficult, indeed, to find any logical justification for such a conclusion. The material interests of life are at least as basic as the

procreational and recreational. They involve at least as much social integration and social control. They have at least as many distinct processes. They are at least as closely tied up with social change, and they just as frequently manifest social lag. Why, then, has sociology been so modest and timid about including them in the full scope of its theoretical inquiry?

One reason seems to stand out conspicuously and obviously. This is, simply, that economics got on to the ground first, staked out a claim, and put up unmistakable trespass signs on all sides. This, again, was a perfectly natural and comprehensible development. The material interests of life are not only basic; they are objective, tangible, and observable. Adam Smith's famous story of the pins is something that everybody can understand. Moreover, many of the materials with which economics deals are measurable by everyday quantitative instruments. They can be counted, weighed, and handled accurately by mathematical and statistical processes. They lend themselves to the construction of a science which, in its primary aspects, has every appearance of precision, accuracy and uniformity. To the extent that economics confines itself to these phases of its field it can be both convincing and sound. It is only when it follows its own analyses into the profounder realms of human relationships, and the factors of individual interests and behavior that lie back of them, that it becomes vague and equivocal, not to say unrealistic. The more penetrating and analytical economists have always discovered that sooner or later their search for causal relationships led them to the behavior of the individual man. They could not adequately interpret the group phenomena which concerned them unless they knew something about the character and motivation of personal conduct. Unfortunately, at the time when the ground work of economic theory was being laid, there was no competent psychology to answer the questions that scholarly economists were asking. There was no developed science to tell them what the social unit is really like in his dynamic characteristics, or why he acts as he does. Consequently, for the rounding out of their theory, they had to postulate a social unit, which has come to be familiarly known as the "economic man," and who has played his central role in economic theory from that time down to very recent years, and still holds an important place. By the time sociology began tardily to mature itself into a self-respecting scientific discipline the structure of economics had become so well integrated, and had achieved for itself

such a large and well merited measure of social recognition and esteem, that the new science naturally felt reluctant to invade the field. It was not sure of its own ground, it could offer no well authenticated laws to supplant or qualify those of economics, and it was justifiably reluctant about seeming to rush in where scholarly angels had trod for so long. By a certain sort of unwritten Gentlemen's Agreement it confined itself to elaborate and comprehensive inquiries into, and interpretations of, those human relationships that had to do with sex, the family, recreation, the political organization, education, and innumerable minor interests, but left the great field of the provision of material needs pretty severely alone.

Natural though this development has been, it seems to me that its consequences have been unfortunate for both economics and sociology. Economics has missed the humanizing influence and the sense of realism that could be derived only from the truly sociological handling of its materials, while sociology has not only suffered a mutilation through the loss of an essential member, but even within the fields which it has developed has missed the enrichment and completeness of its own theory which would have been derived from a thorough study of economic relationships.

It seems to me that the time is now ripe to correct this lesion, and to bring about such a rapprochement of the two sciences as shall serve to round out and solidify them both. It seems to me that the key to this rapprochement is to be found in the concept of business, and it is to that concept that I invite your attention for the next few minutes. Business is one of those common words which are used in everyday conversation, but which are also indispensable for the analysis of social science, unless some artificial word is arbitrarily put in their place. Everybody talks about business, and a great many people engage in what they believe to be business, and yet very few people could tell precisely what they mean by business. This lack is directly traceable to sociology, for business, as I am thinking of it, is essentially a sociological reality, and should be clarified by sociological methodology. Yet most sociological writers seem to have caught almost no glimpse of its real meaning, and to ignore it almost completely. In preparation for this talk I looked over a number of the leading textbooks in sociology—those which happened to be on my own shelves—to see to what extent they gave recognition to business as a sociological concept. I was interested to discover that out of twenty-one books examined, eleven did not in-

clude business in their indexes, seven listed the word, and three made a qualified mention, such as "business ethics," or something of the sort. There was not one that gave more than a passing discussion of business, and none that seemed to recognize business in the way which I believe to be sound and essential. This is as an institution. (Incidentally, there are a number of these texts that do not list "institution" in their indexes.) Many of these books deal with the Industrial Revolution and its consequences, and to some extent with labor, wages, and the employer-employee relationship. But the treatment is invariably scanty and almost casual.

There is, of course, a great deal of difference of opinion among sociologists as to the definition and meaning of institution. It would be futile for me to attempt to consolidate that concept as a preliminary to a discussion of business. But I think you will understand what I have in mind when I say that by an institution I understand such social constructs as the state, the church, the family, the school, the press, the law—a kind of grouping that will be perfectly familiar to you all. The point that I wish to make is that business has a logical place in any such category, and should stand on a par with the most important items such as the family and the state. I must confess that I was considerably surprised when I discovered that the voluminous Sumner-Keller "Science of Society" is among those works that does not include business in its index. Knowing the large place that Sumner gave to the "self-maintenance of society" one might expect him to have given exceptional recognition to business, even though his major interest was in the elemental and more primitive aspects of social organization. How completely his treatment ignores modern economic relationships is revealed by the fact that this index lacks not only business, but such related words as "corporation," "bond," "stock," and "profits." Is not a corporation bond just as truly a sociological reality as a kinship bond? Is a certificate of stock any less of a sociological document than a marriage certificate?

What then is business in a sociological sense and what claim has it to be considered as an institution? In spite of the great divergence that I have mentioned, there is a fairly general agreement among sociologists that an institution is an established integration of social elements for the satisfaction of some major interest, including in elements not only certain tangible equipment, but more fundamentally relationships and established modes of social procedure.

I repeat that if you will think of the family, the state, and the church, as institutions, you will have a preliminary idea of what I mean by a business. More specifically, by a business I mean the organization of social elements into a unit designed for the production and supplying of material goods and certain types of personal services. Its essential earmark is the integration of two or more social elements. Let me make this clear by starting with a situation with which we are all familiar. We are well aware that we live in what is called a capitalistic system, and that economic goods are produced and distributed according to the characteristics of such a system. We also recognize that the outstanding feature of this system is a group of productive units composed of a group of distinct factors, among which capital tends to be predominant. We are indebted to economic theory for a clear exposition of what these factors are. As we all know in addition to capital these factors are land, labor, and organization or management. A large part of economic theory devotes itself to an exposition of the relationships between these various factors, and the way in which the eventual product is distributed among them. What economics has failed to perceive clearly is that the integration itself is a distinct entity, quite apart from any or all of the factors that compose it. One evidence of this failure is that economics has provided no word to designate any such entity, and we are forced to adopt the word business in lieu of any more precise technical term. The basic reason why economics has failed to clarify this situation is that business, as a distinct integration of a group of factors, is a sociological concept not an economic one. The thing that is essential is the accepted, established, or socially authorized mode of correlating various social elements into a functioning unit. Only sociology is by its nature competent to investigate or understand this kind of a human nexus.

Let us illustrate this by considering the modern corporation. This product of social evolution is clearly recognized in economics, and some of its aspects are elaborately dealt with. There is a whole library of books on corporation finance, on stocks, bonds, as well as on the relationships between corporations as employers, and laborers, landlords, and customers. But one would search far to find any illuminating discussion of what the corporation itself is as a functioning unit. It is partly for this reason that the economic treatment of profits, elaborate and diversified as it is in the various textbooks, is so inconclusive and vague. The reason for this is that the very es-

sence of a corporation is ownership, and ownership is a sociological concept just as truly as domination, submission, exploitation, or any other item in the long lists with which you are familiar. It is really amazing when one runs through a number of the best economics textbooks, to find how little recognition is given to ownership, and how little space devoted to its interpretation. The explanation, I repeat, is primarily that the nature of ownership is sociological, and and that most economists, rightly enough, have not even appreciated the necessity of investigating it.

What is true of the corporation is true of various other types of productive units. Every society has its own characteristic mode of organizing the essential factors of production into functioning units. These typical units not only determine the manner whereby needful goods are supplied to the population, but also give color to the whole social structure. This may seem to be only another way of recognizing that the economic mores are dominant, as Sumner so often pointed out, or of making a bow to economic determinism. This is neither here nor there. The essential point is that in the economic organization of society there are certain features which are so definitely a matter of social relationship, motivation, and process that they can be dealt with adequately only by sociological techniques. In other words, they are to be approached just as any other great institution is approached, and to be incorporated in sociological theory on a par with the family, the state, or the school.

As a single illustration of the confusion and practical futility that result from the failure to recognize business as an institution we may cite the familiar myth of the "efficiency of American business." When business is viewed properly as an institution, that is, as an integrated nexus of social elements designed to serve a human need, we realize that it is not business, but technology, that is efficient. American scientists, engineers, and technologists in general, have developed a truly amazing set of instrumentalities for the production and physical handling of material goods. But the group of social institutions which is supposed to secure the abundance, wide distribution, and satisfying use of these goods—and this is business—must be recognized as a lamentable and tragic failure.

Such a recognition of business as an institution will not in any way infringe upon the vested academic interests of economics, nor detract in the slightest from the majesty and utility of that science. On the contrary, if properly conducted it should simply afford eco-

nomics the materials for making itself richer, sounder, and more conclusive in many ways. There is a vast special field of economic interpretation into which the sociologist as such has no call to enter. But he has both the right and the obligation to offer certain contributions, just as the great sciences of biology and psychology are under obligation to furnish materials to the sociologist without which his own work must be meager and unsatisfactory.

For the sociologist himself, this recognition of business as an institution, and the adequate exploration of its meaning, will not only complete and stabilize economic theory, but will equip sociology far more adequately to make useful applications of its own theory to the needs of the contemporary world. For it is indubitably evident that a large portion of the anomalies and futilities of the contemporary social structure are essentially economic in their character, and that only as sociological interpretations and techniques are made available can the faults in either structure or function be corrected, and the full values be derived from the existing social equipment and endowment which are the legitimate goals of the applied branches of every science.