

James S. Coleman

Reply to Blau, Tuomela, Diekmann and Baumann

Abstract: This reply responds to four authors in this issue of *Analyse & Kritik*. I find disagreements with Peter Blau being of a lesser degree than he sees them, though I emphasize the micro-macro relation through which actions combine to produce systemic outcomes, while he emphasizes the effect of social structure upon individuals. Raimo Tuomela exposites a concept of group action which has some differences from my concept of corporate action, but many similarities. Andreas Diekmann examines in detail the problems of collective action toward provision of a public good. From *Foundations* he makes use of the concept of social capital, showing how with further development it might prove analytically useful; I encourage this direction of work. Michael Baumann wants to lay a foundation of norms in place of the rights foundation which I develop. While I reject this shift, I largely accept his critique of my position regarding normative theory.

I.

Peter Blau's differences with me in orientation to sociological theory are not so profound as he would have it, though they do lead to very different strategies of theory construction. I will get down to the basic difference, which he illustrates by vote-trading in legislatures, an example I have used to illustrate the micro-to-macro transition: No, Blau says, there is a macro-to-micro transition basing his argument on the fact that the trading of votes results from the weakness of party discipline and the correspondingly strong obligations of candidates to campaign contributors in the United States (7).

I could not agree more than the structure of the political system (weak parties, PACs, long campaigns, with contributions to individual candidates) creates the set of constraints and incentives that make vote trading in American legislatures both feasible and profitable to legislators. This does not negate my point: The trading itself generates political outcomes on those bills for which the trading occurs. I do *not* say, as he suggests (7), that the "weak party discipline and particularly the dependence of candidates on obtaining huge sums for their campaigns in the American election system" is the result of the trading of votes. Quite the contrary: I agree with his analysis, as I have indicated above.

But there is another question: Where does this structure, which provides the incentives that lead to vote-trading, come from? Obviously, from prior interdepen-

dent actions of individuals and corporate actors, whose interests and actions were shaped by the incentives and constraints provided by the social and political structure existing at that time. Thus structure at one time (macro-level) generates the conditions which together with existing interests shape the actions of actors (micro-level) that jointly produce outcomes which modify the structure of a later time (macro-level) which generates conditions that again (through constraints and incentives) shape actions (micro-level) that jointly produce outcomes (macro-level) and so on.

This is the intent of my three-step procedure which Blau restates (4): social conditions influencing individual motives; these affecting individual actions; and individual actions, interdependent, leading to social outcomes. But the 'interdependence' of this third step is something which Blau slides over, while it is essential to the theory. The interdependence consists of the particular institutional structure within which the actions must take place, the institutional structure that consists of constraints and incentives. It is one kind of institutional structure in an economic market, another in the American Congress, still another in the British Parliament, and another in a bureaucratic organization.

Buchanan and Tullock (1962) made a distinction for political systems that helps illuminate the one I am making here. They describe a 'constitutional stage' and a 'post-constitutional stage' of collective decision-making. The outcomes of decisions in the constitutional stage establish the governmental and political structure within which collective decisions in the post-constitutional stage are carried out. This does not give precedence to 'structure' or to 'action'. It does show how structure at time 2 is determined by the outcomes of interdependent individual actions (collective decisions) at time 1, and how this structure creates the context (constraints and incentives) within which actions at time 2 are taken. As Buchanan and Tullock would agree for political systems, and as is even more true for social systems, the matter is not so clean-cut: Actions in the post-constitutional stage can reshape the structure, so that the 'constitution' is ever-changing. The distinction is nevertheless a useful one for the present purposes, because it illuminates the complementarity of structure and action, as well as the alternation in time between the micro-macro and macro-micro.

Blau is correct in indicating that I give too short shrift to the first relation in the set of three that taken together result in a macro-micro-macro relation. I regard the third relation – the combination of individual actions to produce a social outcome – to be the most neglected in social theory, and thus to most important to develop. Yet the importance of the first, macro-micro, relation is great, since the structure (macro-level) creates for individuals both the constraints and incentives which lead rational individuals with particular resources and interests to act in particular ways. Were I writing the book over again, I would give considerably more attention to this macro-micro relation. The chapters on rights (a macro-level entity which results from individual interdependent actions and establishes constraints and incentives for subsequent actions of individuals) are a start in that direction, but only a start.

Despite the similarities of our orientations, Blau's theoretical strategies and mine differ greatly. He chooses to focus on "the multidimensional social space that constitutes our social environment [which] governs people's opportunities and limits them, such as their occupational chances, their likely associates, their probability of joining social movements and organizations, and their life chances generally." (8) This is not the strategy that I think is most useful for the development of social theory, but is nevertheless a reasonable strategy to pursue.

II.

Raimo Tuomela's paper is, as he indicates, largely complementary to my treatment of corporate action. His criticisms of my treatment are concentrated on the mathematical formalization of the theory carried out in Part 5 of the book. These I will not comment on because they are not central to his paper, which concentrates on the similarities and differences between his conception of "group action" and my conception of "corporate action".

There are many points of correspondence between Tuomela's theoretical orientation and my own, despite the fact that, as he points out, his is a "philosophical account of group action", while mine "can be regarded basically as an empirical one" (16). For example, he shares the methodological individualism which characterizes my work. Beyond this, his concept of "group" is very much the same as my concept of corporate actor.

There are, nevertheless, important differences between his development of the idea of 'corporate interests' and 'corporate action'. What is *not* different is the intended scope of his group and my corporate actor. He means "group" to cover both formally organized entities such as business firms and informal groups without explicit positions or central management, but he conjectures (12) that my concept of corporate actor is intended to refer only to formally organized acting entities. Not so; corporate actors in my theory range from the least formally organized collective actor to the most formally structured.

Nevertheless, a major difference does exist, one which I believe imposes a serious limitation upon the kinds of corporate actors covered by his concept of "group". This difference is one he introduces on page 14, and develops throughout the latter part of his essay. He regards group action as stemming from 'group intentions', and the group intentions as having a correspondence in the intentions of the individuals who are the agents of group action. In his formal statement, "A group, *G*, performed an action *X* intentionally ... [if and only if agents] intentionally jointly brought about *X* (viz. there was an action *Y* such that the operative agents intentionally performed *Y* and this performance of *Y* generates, and was believed by the operative members to generate, the result-event of *X*)." (19)

Here lies the central difference between Tuomela's group action and the action of many formally organized corporate actors. It is the genius of formal organization that the interests of agents of the organization need not be directed toward the organization's goal. The structure of incentives for agents must result in action toward the corporate goal, but no more than a single agent need hold that

corporate goal as his own, nor need agents believe that their action will result in that goal. In the words of Charnes and Stedry (quoted on 446-7 of *Foundations*):

"Perhaps the ultimate goal is an organization whose control system is so designed that attainment of goals set for employees at all levels contributes to organizational goals. This is not to say that all employees in an organization need be committed to organizational goals – e.g. it is not necessary for the lathe operator to be committed to increasing the company's market share. Rather it is necessary to design for that lathe operator a set of goals and rewards of such a kind that his pursuit of what he considers his own best interests, whatever the form of rational or irrational decision rule he follows, will contribute as much as possible to the attainment of organizational goals." (Charnes/Stedry 1966, 163)

The absence of necessary correspondence between individual interests and corporate interests is expressed not only in the verbal exposition in *Foundations*, but in the formal theory as well. Referring to Chapter 25, if we consider the corporate actor as the 'system of action' treated in that chapter, the *value* of a resource or an event to the corporate actor is related to the *interests* of its members by the matrix $V = XCV$ (where V is a vector of values of resources to the corporate actor, X is the matrix of interests of members [agents], and C is the matrix of control over resources by agents). This equation shows that the value of a resource or an event at the system level (which in Chapter 34 I show can be regarded as the *interests* of the corporate actor if the system is a corporate actor) must have a foundation in the interests of one or more members in that resource or event. But it is straightforward to show that for the interest of the corporate actor in event j to be non-zero, no more than *one* member of the corporate actor need have a non-zero interest in that resource or event. In hierarchical organizations, this is the one person at the top, who is interested in the corporate production (or profit) and is in control of incentives which are of interest to other agents who have no interest whatsoever in the corporate output. Through a broad socio-economic exchange, these agents employ their resources to produce outcomes in which they have no interest, while the one person at the top exchanges resources which he controls to bring about their employment of their resources to his end.

This paradigmatic organizational form simply does not fit with Tuomela's conception of group. All members or agents of Tuomela's group must believe that agents' actions taken jointly will generate the group goal, and the operative agents must intentionally perform their actions holding that belief. This kind of group is a particular form of corporate actor, one in which members have shared goals and act jointly to achieve these goals. (In Chapter 4, I characterize this form of authority system as a *conjoint* authority system, as distinguished from a *disjoint* authority system in which interests need not be shared.)

Before leaving entirely the formalisms expressed in an earlier paragraph, I want to correct one misunderstanding of my formal system, related to the above paragraphs. At one point (17, #7), he states that "... in his [Coleman's] linear system of action, only aggregation is used and genuine jointness-effects are ignored". This may be suggested by my equation involving simple aggregation,

$V = XR$ (where V is the vector of system-level values [or corporate interests], X is the matrix of individual interests, and R is the vector of individual power). However, R incorporates in itself the jointness of individual actions. That jointness (or interdependence as I would put it) arises from the matrix product XC , which is buried in the equation $V = XR$. Since $R = VC$, the full equation is, as expressed earlier, $V = XCV$, exposing the interdependence of individual interests and control of resources. It is, in fact, this interdependence which allows the corporate interest to be, at the extreme, free from all but one individual's interests.

These points express my difference with Tuomela. Nevertheless, the similarities of our goals in the analysis of corporate action, and the convergence of several aspects of our approaches, outweigh these differences.

III.

Andreas Diekmann examines the problems of arriving at a corporate (pareto optimal) solution in a 2-person or N-person prisoner's dilemma. He shows that the theory of N-person social dilemmas (the "Folk-Theorem"), while elegant, is unsatisfactory in providing an avenue for insuring a social cooperation in many real-world situations.

In the latter part of his paper, Diekmann directs his attention to the prospects and problems of social capital in overcoming the social dilemma problems. He illustrates with numerous examples (ranging from intra-industry networks of firms in the Swiss economy maintaining high prices, to Hutterites in North America achieving high productivity through collective efforts), the way in which in the real world, social capital can insure that the cooperative outcome in social dilemmas is achieved. Yet as he points out, social capital is itself a public good, and individuals have no incentive to bring it into being. Its presence is largely a by-product of self-interested activity, but this by-product is less and less present as technological developments and mobility in modern society lead toward individualistic rather than corporate actions in consumption and other activities. As he points out, because social capital is a public good the theory of optimal investment in social capital cannot be developed as in the case of human capital and physical capital, both of which have the character of private goods.

Yet there is a potential avenue for optimal investment in social capital. Diekmann illustrates this by the party and state in the DDR organizing activities among workers in leisure and vacation time, creating social capital among the workers that would not otherwise have existed. This reminded me of early research of my own, long before the term "social capital" came into use, in which Lipset, Trow and I (1957) found that the major support for a democratic political system within the typographical union in North America was provided by the 'occupational community', a set of clubs, sports teams, and other formal and informal organizations. However, these arose as a by-product of the peculiar working hours and working conditions of typographers, and were not brought into being by a corporate actor analogous to the DDR in Diekmann's example. Indeed,

the union officers, as incumbents, would have an interest in seeing this occupational community or social capital vanish, because its presence made their positions in office less sure.

An example which illustrates Diekmann's point that a corporate actor may have an interest in creating and controlling social capital among its members is the prototypical Japanese large export firm. Accounts of these firms emphasize the activities, ranging from company residential areas to vacations organized by the company, which bring employees together and create a strong identification with the company.

Diekmann's argument that it can be in a corporate actor's interest to bring into being social capital among its members may provide a start toward a theory of rational investment in social capital. It is, of course, restricted to those situations in which there already exists a corporate actor with resources, that is, situations in which organization already exists. It also carries the danger that social capital may be created among members which will then be employed against the organization's goals. For example, the coming into existence of large factories in 19th century Europe created relations among workers – a form of social capital – which enabled them to develop class-consciousness, and to engage in strikes and other anti-employer activities.

Nevertheless, if sociologists are to begin to engage in organizational design, a central aspect of that design must be the creation of settings, activities, and structures that will bring about the formation of social capital, in the form of informal social organization among members, that will support and strengthen the goals of the organization. In a recent paper I attempted to do this for the design of schools as organizations.

IV.

Michael Baurmann has focussed more intensely on *Foundations* (or rather on a certain aspect of it) than have any of the other authors in this collection. He has taken direct issue with my grounding of norms in rights, and has taken issue as well with my argument that there cannot be a "right distribution of rights" other than the distribution existing within the system.

The largest part of Baurmann's paper is devoted to what may be regarded as turning the relationship which I establish between norms and rights on its head. I define a norm (*Foundations*, 243) as follows:

"I will say that a norm concerning a specific action exists when the socially defined right to control the action is held not by the actor but by others. ... [T]his implies that there is a consensus in the system or subsystem that the right to control the action is held by others."

But Baurmann, in his R_1 , R_2 , and R_3 , proceeds to define rights in terms of norms, after having stated (in N_1 , N_2 , and N_3) the conditions under which a norm can be said to exist. These conditions make no use of the concept of rights, but only of actions, norm-holders, and power.

What has Baurmann done? How does this conceptual grounding differ from mine? I think the matter can be put in this way: I take as the starting point the beliefs that individuals hold about who holds various rights. When there is a (power-weighted) consensus among those individuals who are regarded as jointly having the right to determine the location of a particular right, then the right exists.¹ Otherwise, it does not exist. The right do determine whether an action is carried out may be held by the actor, or it may be held by others. Only in the latter case – that is, only when two conditions have been fulfilled –, the first a consensus which brings a right into being, and the second a consensus that the right is held by persons other than the actor – does a norm come into being.

Baurmann, in contrast, takes as a starting point norms, and from there develops a derivative theory of rights. The basis for his starting this way lies in his contention that to express that something ought to be the case is to express a norm. But it is quite possible for a person to express a belief about what ought to be the case without expressing a norm. A norm is a macro-level concept, as is a right; an individual's expression about what ought to be the case is at the micro-level. It is no more that an expression of what *that person believes* to be right or wrong.

Viewed in another way, Baurmann's construction is one which takes as the starting point rules of the system, for norms can be regarded as rules. For him, the norm, at the macro-level, must first exist; the individual's expression of that norm (i.e., by stating that something ought to be the case) must presuppose, in his construction, the norm or rule itself.

Thus one way of expressing the difference between my construction and that of Baurmann is to say that he begins with a system in which rules (i.e., norms) already exist, while I begin with a system in which individuals have beliefs about what is right and what is wrong, and that only under certain circumstances does a right (a macro-level concept) exist, and under even more restrictive circumstances does a norm (also a macro-level concept) exist.

Still another way of distinguishing Baurmann's theoretical structure from my own lies in the kind of concept that a right is and the kind of concept that a norm is. For me, a right is a resource, no less so than tangible, of concrete goods. It can have utility for a person, and it can have a value or price in a social system. A norm (which exists, in my theory, when a right is held by certain parties) is a rule about what persons ought to do or ought not to do. One could say that those who benefit from the norm's observance have a resource in the norm or rule, but this is derivative; the norm in Baurmann's construction is not a resource.

In all that I have written above, I do not address Baurmann's second point, that there *can* be a "right distribution of rights", that is, his rejection of my rejection of normative ethics. For him, this depends on his thesis that rights are based on

¹ Note that this specification for the conditions under which a right exists contains a regress from one right to a higher right, that is, the right to (jointly) determine the lower right. This is technically unfortunate, but as I see it, necessary to the conceptual system. It implies that rights do not exist in isolation, but in hierarchies or partial hierarchies.

norms rather than norms on rights, the thesis that I have rejected in the above comments.

I do see no such dependence. In fact, I am at least in partial agreement with Baurmann in his critique of my rejection of normative ethics. The distribution of rights is based on beliefs of individuals about how rights ought to be distributed, that is, individual's beliefs about what is *right*. This does not presuppose the existence of norms, contra Baurmann. But it does challenge my contention, as Baurmann rightly argues, that the existing distribution of rights is, by definition, right. As Baurmann's argument implies, the existence of beliefs within the system that are not in accord with the existing distribution of rights constitutes a political lever for change. Among these beliefs not in accord with the existing distribution of right may be those of moral philosophers. These beliefs, backed up by arguments which show – for example – inconsistencies between beliefs in what is right at a more general level and an existing distribution of rights at a more particular level (such as inconsistencies between beliefs in the rights that all people should have and the actual rights accorded to immigrants) may themselves have power sufficient to change the existing distribution of rights.

Of course, it is not only the beliefs of moral philosophers which can have this power; it is the beliefs of all who are in the system. These beliefs, differing from those upholding the existing distribution of rights, constitute a ferment in the system, one which can lead to change. Thus to write, as I did in *Foundations*, that the existing distribution of rights is right forecloses the matter too quickly, by not recognizing that beliefs about what is right at a very general level may, when there is sufficient consensus among those beliefs, lead to changes in the existing distribution of rights.

Thus while I reject Baurmann's attempt to establish a foundation in which norms come first, I accept his contention that beliefs about what ought to be the case (i.e., beliefs about what is right) can negate my proposition that the existing distribution of rights is, by definition, right.

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