Circuits in economic life

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Let me explain why economic sociologists should find circuits interesting. I began work on economic circuits about six years ago, but then left the topic aside while writing The Purchase of Intimacy. That book did not deal with circuits explicitly, but it did raise the more general questions for which circuits provide a possible answer: through what configurations of interpersonal relations do people carry on valued economic activities, and how do they work?

Not that I have a neat logico-deductive theory of circuits to propose in answer to that question. Within economic sociology, scholars adopt remarkably contrasting styles of work. Some follow a theoretical agenda deliberately from one analysis to the next, advancing the agenda step by step with new arguments and data. Others immerse themselves in a body of observations and evidence, writing up what they see, then gradually clarifying the main points they want to get across. Still others sit in the middle of intellectual fields with a dozen projects buzzing, some of them empirical analyses, some of them critical syntheses, and some of them combinations of the two.

For my part, I find I can only work effectively by first identifying a phenomenon that people do not understand well, then plunging into cases that embody the phenomenon, moving back and forth repeatedly between cases and arguments, only arriving at provisional syntheses through long struggles to reconcile evidence and theory. That is no doubt why most of my work organizes around books, with my articles usually taking shape as offshoots of book projects. What’s more, one book project typically leads to the next: writing a book makes me acutely aware of relevant problems I haven’t solved, and that would be worth solving.

That certainly happened with The Purchase of Intimacy. The book examines the interaction of many varieties of intimate relations with many kinds of economic activity, asking how people make them work together despite the frequent fear that each will corrupt the other. As I worked on the book, I saw two things ever more clearly: first, that treating only two-person relations one set at a time missed the large impact of third parties on the forms and qualities of intimacy as well as the character and significance of the economic activity involved; second, that conventional concepts of economic sociology, such as network, hierarchy, market, household, and firm, did not accurately capture the cross-cutting complexity of the social interactions I was examining. That realization brought me back to circuits.

Given this style of thought, I can’t present a neat account of circuits here, much less tell you exactly how I will refine and verify such a theory. Instead, I want to identify the social arrangements I call circuits of commerce, say how they matter to economic life, tell you where to look for them, enumerate some questions we should be asking about them, and sketch an approach to investigating them. Naturally, I will build on cases.


We start with migrants’ remittances. How are they widespread, consequential, multiply invented, and puzzling? Remittances consist of money and other resources acquired by migrants at their destinations and sent back to their home communities as support for persons and activities. Remittances most often go to family members who have stayed behind or returned, but sometimes also support more distant connections, such as neighbours, priests, and politicians.

They are certainly widespread and consequential. According to the World Bank’s latest Global Economic Prospects, remittances to developing countries have now passed both development aid and foreign direct investment as sources of international income. Including informal and unrecorded transmissions, World Bank estimates place the total for 2005 at around 250 billion dollars. Remittances appear to have significantly reduced domestic poverty in such low-income countries as Uganda, Bangladesh, Ghana, and Guatemala. Finally, a significant share of all remittances to
developing countries – most likely a third or more – flow not from rich northern countries like the United States, but from poorer countries, for example Russia, to even poorer countries elsewhere (World Bank 2006). Remittances, in short, are having a major macroeconomic impact on the world’s lower-income regions – which is, of course, precisely why the World Bank has now taken an interest in them.

It’s not just money. Migrants also send back food, clothing, appliances and other sorts of gifts. In addition, recipients regularly reciprocate by sending food, medicine, and other goods as well as helping with the emigrants’ responsibilities at the place of origin. Consider the remarkable remittance networks described by Rhacel Parreñas for Filipino families. Mothers as far away as Taiwan, Israel, and Hong Kong not only remit significant portions of their earnings but also maintain regular connections to their families with repeated telephone calls, letters, voice recordings, instant messages, photographs, and visits. What’s more, Parreñas discovered, emigrant women closely monitor their households’ spending, typically through agreements with their eldest daughters, who act as their mothers’ proxies.

The daughter in the Philippines co-manages with her mother a shared bank account, disbursing funds as her mother stipulates. Nineteen-year old Barbara Latoza, for example, lives with her 12 and 15 year-old brothers while her mother works in Taiwan and sends back monthly remittances from there. She explained to Parreñas:

“I am the one who gets the money from the bank. After that, sometimes my mother calls and tells me how to spend it. She budgets it so that we could afford the household expenses and my tuition. Before I go to withdraw the money, she will call me and tell me what to do with it” (Parreñas 2005: 326).

Filipino mothers aren’t unique. Across the world and with many cultural variations, migrants create similar systems of mutual control at long distance and over long periods of time. How do they do it? It will not suffice to say simply that absence makes the heart grow fonder. Nor is sending remittance money simply like sending a charitable check for a good cause. These are negotiated two-way exchanges that build on residues of the past and expectations for the future. Remittance senders and recipients are therefore involved in close social control and coordination. Given our usual cynical assumptions that people who have access to desirable resources will ride free, defect, and cheat in the absence of severe threats and close monitoring, how do these social arrangements maintain themselves?

Rotating savings and credit associations raise parallel puzzles. Once again, across the world and with many cultural variations, people without access to formal banks or credit organize themselves into small informal saving and lending groups. Whether the money comes from outside lenders or from the members’ own savings, such arrangements give substantial sums to one member while other members wait their turns. For instance, most of the migrant Filipino domestic workers interviewed by Parreñas in Los Angeles and Rome had at one time or another belonged to a rotating credit association. Such arrangements often take the name ROSCA, an acronym for Rotating Savings and Credit Association. Worldwide, they appear to draw in women much more frequently than men, probably because men have greater access to conventional forms of capital and credit. Ivan Light describes these thriving financial systems in the Handbook of Economic Sociology. As Light says:

“ROSCA is the generic name for a popular financial system found in many countries of Asia, Latin America, and Africa. Members of a ROSCA, usually numbering 10 to 30, come together monthly or weekly to make a contribution to a common fund, which is lent in turn to each member until all members have received the fund. At that point, the club is disbanded, and a new one formed, usually with substantial continuity of membership. Early recipients of ROSCA funds are borrowers, who may pay interest to the fund; later recipients are savers, who may receive interest” (Light 2005: 658; see also Biggart 2001).

According to Light, most roscas convey ten thousand dollars or less, but in some cases large amounts of money, sometimes millions of dollars are involved. The money is used to start up businesses, for saving, and for spending. The wonder here is that such collective arrangements frequently work with little default and considerable return for all participants.

Microcredit borrowing groups raise similar puzzles. Phenomenally successful around the world, microcredits also exist in the US. While some microcreditors lend to individuals, in the case of microcredit borrowing groups, creditors loan small sums of money to a group of borrowers who are unable to get credit from banks. Borrowers often have no pre-existing ties but come together for this specific venture. If one member defaults on the loan, the entire
group commonly loses its credit. As Denise Anthony remarks: “Given the high-risk characteristics of most borrowers, group failure is surprisingly rare” (Anthony 2005: 501).

What explains these puzzles? As currently instituted, theories of markets, hierarchies, and networks do not provide an adequate description of these structures, much less a satisfying explanation for their persistence and effectiveness.

I see all these economic arrangements, remittances, rosca, and microcredits as instances of a more general but poorly recognized set of economic structures. I call those structures commercial circuits or circuits of commerce in an old sense of the word, where commerce meant conversation, interchange, intercourse, and mutual shaping.

How do we recognize a circuit? Is it just a fancy name for networks? No, it has network properties but much more than that. As conventionally understood in economic sociology, neither markets, hierarchies, networks, nor their combinations in firms and organizations come close to identifying the special features of commercial circuits. Nor do circuits qualify as all-embracing communities in the usual sociological sense of the term. Circuits bear greater resemblances to common pool systems as described by Elinor Ostrom (1990) and trust networks as analyzed by Charles Tilly (2005). But neither of those helpful analogies captures the dynamics of circuits. Using the label “Zelizer circuits,” Randall Collins asserts:

“Micro-translating economic class shows, not a hierarchical totem-pole of classes neatly stacked up one above another, but overlapping transactional circuits of vastly different scope and content. Because these circuits differ so much in the particularity or anonymity of connections, in the kind of monitoring that is done and in orientation toward economic manipulation or consumption, individuals’ experiences of economic relations put them in different subjective worlds, even if these are invisible from a distance” (Collins 2004: 268).

In his essay on circuits of commerce for the newly published *International Encyclopedia of Economic Sociology*, Olav Velthuis declares that the concept of circuits “draws attention to the fact that exchange is invariably conducted in particularized social and cultural settings” (Velthuis 2005a: 57). Although the concept has by no means swept the field, scholars on both sides of the Atlantic have started to use the idea of circuits in studies covering the broad range among art markets (Velthuis 2005b), French factory workers (Antebay 2003), Cuzco market women (Seligmann 2004), Brasillian folk religion (Baptista 2005), New York Senegalese migrants (Sagna 2004), Argentine barter networks (Ortiz 2004), U.S. micro-credit borrowing groups (2003), Silicon Alley and Philadelphia venture capitalists (Indergaard 2002; Mote 2004). Like me, other researchers have sensed that a distinctive form of economic interaction is at work. Circuits of commerce obviously need further investigation.

To identify a circuit, we look for the following elements:

- a distinctive set of social relations among specific individuals.
- shared economic activities carried on by means of those social relations.
- common accounting systems for evaluation of economic exchanges, for example special forms of monies.
- shared meanings that people attach to their economic activities.
- a well defined boundary separating members of the circuit from non-members with some control over transactions crossing the boundary.

It is tempting to add a sixth stipulation to the ideal type: mutual awareness of the participants. But that criterion will be difficult to apply. In any case, the “shared meaning” stipulation suffices to distinguish commercial circuits, from, say the set of persons connected by circulation of a particular dollar bill or all the people who cash frequent flier miles with a given airline.

These circuit characteristics obviously appear in remittance networks and rotating credit arrangements. Both systems qualify unquestionably as commercial circuits. Thinking of remittance circuits, let’s briefly take up the 5 elements one by one, as described by Parreñas:

- What set of distinctive social relations are involved here? Clearly, in the Filipino case we find remittances connecting mothers to their eldest daughters in special ways, but also establishing diverse relations among the mother and her other children, members of the extended household, as well as fathers. Each of these has a somewhat different
relationship to the remittance stream: migrant mothers, for instance, rarely delegate financial management responsibilities to husbands or their sons, but they do often remit money directly to a son designated for his personal use.

- Shared economic activities? Remittances serve the households’ current consumption, spent for food, furniture, and other household goods, but also for celebratory gifts, such as birthdays or holidays, as well as down payments for homes and savings for the future.

- Accounting system: most dramatically represented by the joint bank account, co-managed with the eldest daughter, but more generally built into a household budget; the participants explicit naming of these complex transactions as “remittances” underlines their special status as an accounting system.

- Remittances convey powerful shared meanings. For Filipino migrant mothers, Parreñas finds, the monies symbolize and enact their caring connections to the family back home. The monies partly define “good” migrant mothering.

- As for boundaries separating members of the circuit from those outside, in the Filipino case, kin relations establish those boundaries. In other cases boundary-setting poses greater challenges as they may include more distant kin, neighbors, friends, children’s caretakers, clergy, and even local officials.

Much more generally, notice two remarkable features of such remittance circuits. First, these relations do not simply constitute a fixed table of organization with its prescribed roles: participants are constantly negotiating, contesting, and reshaping their relationships to each other. The process is often contentious, as people struggle not only over who has the right to receive remittances, but over quantities and uses. Parreñas reports, for instance, other members of the extended family’s annoyance with migrant mothers for subverting kin authority by sending monies to the eldest daughter and not to them.

Remitters often engage in interventions already familiar from the study of a wide range of monetary practices: earmarking. In this case, earmarking consists not merely of sending an amount of money, but also marking that amount for a particular destination, often by endowing it with a specialized name and form. Yen Le Espiritu, who like Parreñas, has looked closely at the remittance experience of Filipino migrants and their families, finds migrants sending money specifically “to help an ailing parent, to finance a sibling’s college education, to alleviate an emergency situation, to purchase property, or to provide extra spending money for family members during holidays” (Le Espiritu 2003: 90) In Rome, Jennifer Jeremillo told Parreñas about her allocation of remittance monies:

“I send 500,000 lira [U.S. $333]. I have to pay for the domestic helper, and then I have a regular allowance for my kids, and then the rest is for my mother . . . my parents are using the money to renovate and expand the house” (Parreñas 2001:112).

Those who remit also earmark their own funds as they run their daily lives: they negotiate what portion of the earnings they will spend on themselves and how much to send back home. Interviewing Hispanic migrants to Miami and Los Angeles in 2002, a Pew Hispanic Center study found not only that almost all respondents reported sending remittances to support families back home, but that most gave remittances priority over their bills and expenses in the U.S. “Before anything,” Mexican emigrant respondent Marisela remarked, “I send them the money because they count on it. Then afterwards I pay the bills, my rent, but the first thing I do is send it” (Suro, Bendixen, Lowell, Benavides 2002: 7).

Negotiations over remittances, however, do not always run smoothly. Le Espiritu describes for instance Ruby Cruz’s recollection of her parents’ bitter disputes over remittances sent to the Philippines:

“My dad’s always proving himself to his relatives back home. So whenever they ask him for money, he just gives it to them. That makes my mom really, really mad because she worked two jobs so that my brother and me wouldn’t have to work when we are in college. But now that money is gone” (Le Espiritu 2003: 93).

Turning to a second crucial feature of remittances, we see them exerting collective control over the circuit’s members. Obviously the forms of negotiation we have just been discussing produce collective control over participants and their relations with each other. In the case of Filipino mothers’ collaboration with their eldest daughter, Parreñas shows how the arrangement assured the mothers’ control over how her earnings were spent, thus protecting that money from abuse by fathers or other kin. In this instance,
the mother and daughter become crucial partners in a very effective and more general system of control.

In such social arrangements, those who fail to meet their obligations first feel sanctions and then exclusion. In both migration remittance systems and rotating credit arrangements participants regularly warn, shame, sanction, and finally expel defaulters or foot-dragging members; they become pariahs (see, for example, Philpott 1968). In many such systems, the boundary between faithful remitters and defaulters divides upstanding family members from dishonourable exiles, but it also separates households that regularly receive support of their migrant members from less fortunate households at the origin.

Beyond definition and description, what general properties will we find in circuits? For further investigation, I propose these features:

- Circuits have special properties that constrain members’ economic behaviour.

- They lend coherence to economic activity that neither purely individual interest nor general market principles can explain.

- Intuitively but sometimes even consciously, participants make significant efforts to create, maintain, and enter such configurations.

- Circuits create an institutional structure that reinforces credit, trust, and reciprocity within its perimeter, but organizes exclusion and inequality in relation to outsiders.

In my earlier papers on circuits, I described local monetary systems, relations involving the provision of personal care and (much more briefly) circuits within corporations. In addition to more work on these varieties of commercial circuits, we could certainly look at more complex and variable than my simple sketch indicates, clearly they occupy a space – theoretical and empirical – adjacent to organizations, networks, and dyadic economic relations. Commercial circuits deserve more sustained analytical attention than they have received so far.

These questions define a promising research frontier. Economic sociologists have already produced voluminous research on organizations, networks, and dyadic economic relations. They have not so far conducted much substantial work on circuits. Even if commercial circuits turn out to be more complex and variable than my simple sketch indicates, they occupy a space – theoretical and empirical – adjacent to organizations, networks, and dyadic economic relations. Commercial circuits deserve more sustained analytical attention than they have received so far.

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Endnotes

1 This paper adapts a presentation to the Princeton University Department of Sociology’s Economic Sociology Workshop, May 2006.
2006. I thank the Princeton audience for their response and Nina Bandelj for editorial and substantive suggestions.

2 For extensive bibliography on remittances see Zelizer and Tilly, forthcoming.

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