



# New Economic Sociology: What Has Been Accomplished, What Is Ahead?

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An attempt is made in this article to assess what has been accomplished since the mid-1980s in what has become known as 'New Economic Sociology'. The reason for choosing 1985 as the point of departure has to do with the fact that this year saw the publication of what was to become the 'manifesto' of this type of sociology: Mark Granovetter's 'Economic Action and Social Structure: The Problem of Embeddedness'. Research during the period after the mid-1980s is presented and discussed, and it is argued that New Economic Sociology has especially drawn on three strands of sociology: networks theory, cultural sociology and organizational sociology. A critique is made of the two main theoretical concepts in New Economic Sociology: 'embeddedness' and 'the social construction (of the economy)'. The paper concludes with a critique of New Economic Sociology and a brief statement of its prospects.

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## 1. Introduction

One of the most important developments in modern social science during the past few decades has been the race to fill the void created by mainstream economics' failure to do research on economic institutions.<sup>1</sup> For a variety of unhappy circumstances, mainstream economics more or less stopped being interested in economic institutions around the turn of the century, so the void I am talking about has existed for a very long time – close to a century. And today, to repeat, there is a race on to fill this void; a race which started in the 1970s for the economists and about a decade later for the sociologists. The key contenders are well known – for the economists: transaction cost analysis, agency theory, the property rights perspective, game theory (including evolutionary game theory), and a few other approaches; and for the sociologists: new economic sociology, rational choice sociology and perhaps also socio-economics.<sup>2</sup> As far as I am concerned, *all* of these perspectives have added to the current debate. It is also my sincere hope that none of these approaches will acquire a monopoly on the analysis of economic

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institutions, but rather that all of the contestants will remain in the race for some time to come and that interesting mutations will eventually occur. One contestant that will undoubtedly remain in the race is New Economic Sociology, which I will be looking at more closely in this article.

## **2. New economic sociology: its history, theoretical perspective and accomplishments**

New Economic Sociology is a little more than a decade old and has its roots in some works that appeared in the early 1980s (e.g. White 1981; Stinchcombe 1983; Baker 1984; Coleman 1984). If one nonetheless were to choose one single year as the birthdate for New Economic Sociology, it would be 1985 since this was the year when the term 'New Economic Sociology' was born and also the year when an article appeared that was soon to become the most popular article of all in contemporary economic sociology. This article, which would galvanize quite a few sociologists into action as well as supply them with intellectual legitimation for venturing onto the economist's turf, was Mark Granovetter's brilliant 'Economic Action and Social Structure: The Problem of Embeddedness', which appeared in the November 1985 issue of *American Journal of Sociology*.

Reading Granovetter's article today, it may be difficult to see how it could have such an electrifying effect on people when it appeared. The article clearly contains some excellent parts – including the best critique up to date of New Institutional Economics – but it is at times hard to follow the main thread as the author discusses the over- and under-socialized concept of man in economics and sociology, the way trust and malfeasance operate in economic life, and so on. Undergraduates who have been assigned this article sometimes find it hard to get the main point.

What then is its main point? On a theoretical level, I would say that Granovetter's most important move was to shift the critique of economics from its usual emphasis on the unrealistic (psychological) nature of the concept of rationality – people are not as rational as economists tend to assume, and so on – and instead focus on the failure of economists to incorporate *social structure* into the analysis. In the first version of Granovetter's article, produced in 1981–82, this shift is expressed in a very clear way:

Critics who have attempted to reform the foundations of economics have mainly been economists themselves. Their attack has typically been on the usual *conception of rational action*. It is my argument here that there is another fundamental feature of neoclassical economic theory that provides more fertile ground for attack: the assumption that economic actors make decisions in isolation from one another – independent of their social connections: what I will call *the assumption of 'atomized' decision-making*. (Granovetter 1982:2)

It should also be noted that Granovetter's move made it possible to introduce a new kind of analysis: where the actor is rational *and* where social structure counts. Granovetter's attitude to rationality is by no means identical to that of James Coleman, but there do exist some parallels: in particular, both

argue that a sociological approach to the economy does not mean that the actors are viewed as irrational; sociology and rationality can very well coexist.<sup>3</sup>

So much for the general thrust of Granovetter's article on a theoretical level. I would, however, also argue that there exists an undercurrent of optimism and enthusiasm in this article, which is connected to the idea that if social structure matters in economics, then sociologists have a whole new world of exciting research opening up to them. The first version of Granovetter's article strikes this tone in its very last sentence, which reads: 'A large and important agenda thus remains nearly virgin territory with abundant fertile land to till' (Granovetter 1982:27). In an interview from 1985 the same theme recurs; and Granovetter here says:

I think that right under our noses there is a gold-mine of subject matter that we [sociologists] can analyze very profitably. In the introduction to the new edition of *Foundations of Economic Analysis* Samuelson talks about the golden age of the 1930s, when mathematics first started to be introduced into economic analysis and all of a sudden all kinds of old unsolved problems in economics could be solved that had been fruitlessly debated over the years. Suddenly, with a little bit of application of mathematics, all these problems started to yield. Samuelson says, 'It was like fishing in a virgin lake: a whopper at every cast . . .' That was the golden age and now, of course, things are not so easy. But in those days anybody that could do a little mathematics could jump in and get out with some wonderful results. I think that something like that is true now for economic sociology. I think there is a huge, untouched territory there, a whole 'virgin lake' – again – for anybody who knows some sociology. (Granovetter 1987:18)

Intellectual enthusiasm of this type should not be discounted, and I think that in this particular case it has provided quite a bit of fuel for New Economic Sociology. The very expression 'New Economic Sociology' was, incidentally, coined the same year as Granovetter's article appeared, namely in 1985. This took place at a so-called luncheon roundtable discussion at the annual meeting of the American Sociological Associations in Washington, D.C., which was devoted to 'The New Sociology of Economic Life' and which had been organized by Granovetter. Old economic sociology was here identified, by Granovetter, primarily with industrial sociology and the economy and society perspective of Talcott Parsons, Neil Smelser and Wilbert E. Moore. These two approaches, Granovetter said, had been full of vitality in 1960 – but then 'suddenly died out' (Granovetter 1985a). While stressing that the tradition of Parsons, Smelser and Moore had still much to give,<sup>4</sup> Granovetter nonetheless drew a sharp line between old and new economic sociology:

In general, one of the main differences between the new and the old economic sociology has been precisely that it does not hesitate to attack neoclassical arguments in fundamental ways, whereas the older work kept its criticism rather muted, and almost never constructed alternative models at the same level of detail . . . My position is that there is something very basically wrong with microeconomics, and that the new economic sociology should make this argument loud and clear especially in the absolutely core economic areas of market structure, production, pricing, distribution and consumption. What is

wrong is that economic actors are not atomized from one another, as the theory requires us to believe, but are involved in interaction and structures of interaction that are theoretically central to outcomes – they are not peripheral frictions – not the ‘fly in the ointment’, or the last 5% of the variance to be mopped up, though there was and still is to some extent a tendency for economic sociology to be so presented. (Granovetter 1985a; cf. Granovetter 1990a:107, 1990b:95)

During the ten years or so of its existence, New Economic Sociology has become quite popular, and even if one cannot call it a social movement, we are at least dealing with a collective effort of some magnitude. This is particularly true for the United States, and it deserves to be stressed that New Economic Sociology is basically a North American phenomenon, even if a small number of supporters also can be found in various European countries.<sup>5</sup> In discussing theory groups and similar intellectual formations, it is also common to cite various instances of institutionalization; and this is useful in this case as well. It should therefore be noted that a reader in New Economic Sociology appeared in 1992 (Granovetter & Swedberg 1992). Three anthologies have also appeared as well as a huge *Handbook of Economic Sociology* with some 40 contributors (Friedland & Robertson 1990; Zukin & DiMaggio 1990b; Swedberg 1993; Smelser & Swedberg 1994). Every year there are a couple of sessions in ‘economic sociology’ at the American Sociological Association (ASA). Further signs of institutionalization are that some job openings in ‘economic sociology’ have appeared and that ASA Teaching Resources has just published a set of course outlines and other teaching materials in economic sociology (Green & Myhre 1996). That there still is quite a way to go, however, before one can talk of economic sociology as an institutional success is clear from the low number of openings in this field, that there exists no section in economic sociology at ASA, and that no journal (or yearbook) in economic sociology has appeared.

To what extent can one say that New Economic Sociology has created, or been based on, a fairly uniform kind of theory? As will be emphasized a little later in this article, where I will discuss concrete examples of research, many works in economic sociology draw on three fairly distinct traditions in contemporary sociology and are therefore, to some extent, formed by their theoretical ideas – namely networks theory, organization theory, and cultural sociology. Nonetheless, there also exists a certain tendency in New Economic Sociology to refer to a few key theoretical concepts; and one of these is obviously ‘embeddedness’ and comes from Granovetter’s 1985 article. A few words on how Granovetter uses this concept are consequently in order.

The basic thrust of Granovetter’s 1985 article, to recall, was to change the focus of the critique of economics from the assumption of rationality to the use of isolated actors. Embeddedness is then introduced as a counter-concept to atomization, something which is brought out with great clarity in the first version of Granovetter’s article, where we read:

The opposite of atomization is something I want to call ‘*embeddedness*’, and I believe that the usefulness of social structural analysis in economic life has to do in crucial ways with recognizing the importance of embeddedness. (Granovetter 1982:11)

Whereas Karl Polanyi had introduced the notion of embeddedness to emphasize that the economy was an organic part of society in pre-capitalist times, Granovetter's point was nearly the opposite, namely to show that economic actions are truly social actions in capitalist society. Granovetter keeps underscoring the importance of the notion of embeddedness throughout his article – he, for example, describes his own work as an expression of 'the embeddedness approach to economic life' and he also talks of the necessity of a 'theoretical elaboration of the concept of embeddedness' – but he nonetheless does not very much elaborate on it (Granovetter 1985b:485, 493). The reader is told that economic actions are 'embedded in concrete systems of social relations', and it is also made clear that these 'social relations' are preferably, if not necessarily, to be understood in network terms (Granovetter 1985b:487; cf. 1990a:107–108). The main idea, to cite the key sentence in the 1985 article, is that economic behaviour is '*embedded in networks of interpersonal relations*' (Granovetter 1985b:504, emphasis added; cf. 1990b:96). There is a fleeting reference to 'what [according to the author] might be called the historical and structural embeddedness of relations', but no explanation of what is meant by this is supplied (Granovetter 1985b:486).<sup>6</sup> In a later article Granovetter introduces and explicates what he means by the terms 'relational embeddedness' and 'structural embeddedness', but these latter concepts have not caught on in New Economic Sociology (Granovetter 1990b:98–100).

Although most sociologists are familiar with the centrality of the concept of 'embeddedness' to New Economic Sociology, few are aware that there also exists a second, equally important master concept. This is 'the social construction of the economy', and it comes from Berger and Luckmann's famous book *The Social Construction of Reality* (1966). This concept has been introduced into economic sociology via some other strands of sociology, especially cultural sociology and new institutionalism. The person who has written the most about its use in economic sociology, however, and who also is one of its major advocates, is – again – Mark Granovetter. The idea of the economy as a social construction does not exist in his 1985 article but appears some time later, more precisely in 1986–87.<sup>7</sup> According to Granovetter, the notion of social construction constitutes – together with the idea of embeddedness – one of the 'two fundamental sociological propositions' of his work in economic sociology (Granovetter 1990b:95). Granovetter follows Berger and Luckmann rather closely in emphasizing that existing institutions usually take on a kind of natural and self-evident quality – and he notes that many new institutional economists fail to see any further than this. To 'the Williamsonian type of economist', every existing institution is the only possible one, and it saves on transaction costs.

What Granovetter, however, adds to Berger and Luckmann is a networks perspective, more precisely an argument about how networks play a particularly important role in the early stages of the coming into being of an institution. The US electrical utility industry, to use one of Granovetter's favourite examples, was early on fundamentally influenced by the networks of firms, holding companies and regulators that a man called Samuel Insull had put together (for details, see McGuire et al. 1993). Later 'this [whole] network . . . congealed', as Granovetter phrases it, something

Table 1. *New Economic Sociology as a theory group.*

<b>Programmatic statement:</b>	Mark Granovetter, 'Economic Action and Social Structure: The Problem of Embeddedness' (1985).
<b>Basic approach:</b>	To analyse central economic processes with the help of standard sociology, especially networks theory, organization theory, and cultural sociology.
<b>Central concepts:</b>	'Embeddedness', 'the social construction of economic institutions'.
<b>Key people:</b>	Mark Granovetter, Mitchel Abolafia, Wayne Baker, James Baron, Nicole Woolsey Biggart, Fred Block, Ronald Burt, Bruce Carruthers, Paul DiMaggio, Frank Dobbin, Robert Eccles, Paula England, George Farkas, Neil Fligstein, Roger Friedland, Michael Gerlach, Gary Hamilton, Paul Hirsch, John Lie, Patrick McGuire, Marshall Meyer, Mark Mizruchi, Marc Orrù, Joel Podolny, Alejandro Portes, Walter Powell, Frank Romo, Michael Schwartz, Charles Smith, Linda Brewster Stearns, Michael Useem, Brian Uzzi, Harrison White, Viviana Zelizer.
<b>Institutional strongholds:</b>	Various universities in the United States, such as SUNY at Stony Brook (especially in the 1980s) and various universities in California (especially in the 1990s).
<b>Important monographs:</b>	Mark Granovetter, <i>Getting a Job</i> (1974), Viviana Zelizer, <i>Morals and Markets</i> (1979), <i>Pricing the Priceless Child</i> (1985), <i>The Social Meaning of Money</i> (1994), Beth Mintz & Michael Schwartz, <i>The Power Structure of American Business</i> (1985), Robert Eccles & Dwight Crane, <i>Doing Deals</i> (1988), Nicole Woolsey Biggart, <i>Charismatic Capitalism</i> (1989), Fred Block, <i>Postindustrial Possibilities</i> , (1990), Neil Fligstein, <i>The Transformation of Corporate Control</i> (1990), Charles Smith, <i>Auctions</i> (1990), Michael Gerlach, <i>Alliance Capitalism</i> (1992), Paula England, <i>Comparable Worth</i> (1993), Ronald Burt, <i>Structural Holes</i> (1992), Michael Useem, <i>Executive Defense</i> (1993), Frank Dobbin, <i>Forging Industrial Policy</i> (1994), Alejandro Portes (ed.), <i>The Economic Sociology of Immigration</i> (1993), Bruce Carruthers, <i>City of Capital</i> (1996).
<b>Note:</b>	The concept of theory group comes from Mullins & Mullins (1973) but is used here in a fairly loose sense. Whereas Granovetter's 1985 article is central to New Economic Sociology, quite a few of its adherents are either critical of the networks approach or assign it a much less central place than Granovetter does.

which means that from now on personal networks played less of a role (Granovetter 1992a:9; cf. 1990b:105). The electrical utility industry had by now acquired a specific institutional form with its own dynamic; it was 'locked in', Granovetter says.

If we now switch from the theoretical perspective of New Economic Sociology to the concrete studies that have been produced in this type of sociology, things are simplified if we divide these into three groups: those

inspired by networks theory, by cultural sociology and by organization theory.<sup>8</sup>

### I. *Networks theory*

As to networks theory, one can in my opinion see two fairly distinct stages, insofar as its impact on economic sociology is concerned. During the first period, which began in the late 1960s and lasted to something like the mid-1980s, much of the effort was devoted to studying corporate interlocks, that is, those social structures that are created when an individual sits on two or more corporate boards. A huge number of studies of this type were produced, and some of the results were the following: there exist regular patterns of interlocks that persist over time, and banks plus insurance companies tend to be the most central corporations in these networks (see e.g. the research summarized in Mizruchi 1966). Many of the interlock studies were politically inspired and had as their goal to test the authors' ideas about the supremacy of finance capital, the cohesion of the ruling class or the like. Some studies, however, were more sceptical and resulted in findings that are of more direct sociological concern. Donald Palmer (1983), for example, reversed the usual perspective in interlock studies by asking what happens when an interlock is broken, through an individual's death or retirement. Palmer's surprising results were that only a minority of the interlocks were replaced, thereby throwing suspicion on many earlier studies of corporate interlocks (cf. Stearns & Mizruchi 1986). Michael Useem also made a good point when he could show, through a comparative study of top managers in the United States and England, that executives in huge corporations tend to develop an overview picture of the economy when they sit on several boards (Useem 1984). It should finally also be noted that Granovetter's early study *Getting a Job* (1st edn. 1974; 2nd edn. 1995) is in a class of its own among early network studies – through its ingenuity as well as its general sophistication. How people get their jobs, it is here argued, depends very much on their connections and how these structure the flow of information. People with many casual contacts ('weak ties') tend to find jobs much easier than those who have only regular contacts ('strong ties'), and the basic reason is that they have access to much more information.

From the mid-1980s and onwards, it seems to me, network studies in economic sociology changed course and became more interesting as a whole. One reason for this may well be that some new economic phenomena had been emerging in the meantime, which fit the networks perspective very well. The rise of new industrial regions, held together by networks of smaller firms, is one of these; and it has inspired a number of fine networks studies (e.g. Lazerson 1993; Perrow 1993; Powell & Smith-Doerr 1994; see also Piore & Sabel 1984). Important single monographs have appeared as well, such as Ronald Burt's *Structural Holes* (1992), which contains an imaginative theory of entrepreneurship. It is here suggested that entrepreneurship consists of tying together two isolated parts of one's networks that can benefit from one another (more precisely: two non-redundant contacts). Burt refers to Simmel's idea of 'tertius gaudens' – 'the third who benefits' – and one can say that he has helped to flesh out this idea with the help of networks theory.

Finally, a very significant recent development in networks theory, I would argue, is represented by the introduction of the concept of 'business groups' – a concept which has been given sociological content and status by Granovetter in his contribution to *The Handbook of Economic Sociology* (1994). 'A business group', according to Granovetter's definition, 'is a collection of firms bound together in some formal and/or informal ways', and it differs from the average conglomerate by displaying 'social solidarity' (Granovetter 1994:454, 462–463). The concept of business groups fits perfectly such phenomena as the Korean *chaebol*, the Japanese *keiretsu* and many other, less-known formations of firms from all over the world (see e.g. Gerlach 1992; Biggart et al., forthcoming). It is my opinion that the idea of business groups is one of the most fertile concepts generated by New Economic Sociology.

## II. Cultural sociology

Cultural sociology represents a minority perspective in New Economic Sociology, but has had an influence well beyond its number of adherents. One reason for this has to do with the intellectual creativity of its two key proponents in economic sociology: Viviana Zelizer and Paul DiMaggio. These two persons also became interested in economic sociology at a very early stage and have participated at most of the important seminars and conferences.

The production of Zelizer and DiMaggio, insofar as economic sociology is concerned, falls into two categories: programmatic statements on the need to integrate a cultural perspective into New Economic Sociology, and concrete studies. As an example of the former, one can take Viviana Zelizer's 'Beyond the Polemics of the Market: Establishing a Theoretical and Empirical Agenda' (1988). This essay contains a sharp critique of the tendency in contemporary economic sociology to reduce everything to social relations and networks, a position she terms 'social structural absolutism' (Zelizer 1988:629). To scholars such as Granovetter and Burt, she says, 'culture lingers on as a relic of a dangerous Parsonian past' (Zelizer 1988:629). But she also rejects the tendency to analyse economic phenomena exclusively in cultural terms, as if they consist only of meanings – a tendency she labels 'cultural absolutism'. A well-balanced analysis, she concludes, would simultaneously take structural, economic and cultural factors into account. The goal should be 'to plot a middle course between cultural and social structural absolutism' (Zelizer 1988:629).

A similar argument can be found in an interesting discussion of the concept of embeddedness by Sharon Zukin and Paul DiMaggio (1990a). 'Structural embeddedness' or embeddedness in networks and social structures, they argue, is of great importance – but there also exist other types of embeddedness. There is, for example, 'political embeddedness' or the fact that economic action is always set in a specific context of political struggle. Then there is 'cognitive embeddedness', which has to do with factors that limit the human mind in its mental processes. And, finally, there is 'cultural embeddedness' or the embeddedness of economic action in culture. According to Zukin and DiMaggio, culture affects the economy through 'beliefs and



ideologies, taken for granted assumptions, or formal rule systems'. In brief, '[culture] sets limits to economic rationality' (Zukin & DiMaggio 1990a:17).

As to empirical studies in economic sociology from a cultural perspective, there is first and foremost Viviana Zelizer's trilogy: *Morals and Markets* (1979), *Pricing the Priceless Child* (1985) and *The Social Meaning of Money* (1994).<sup>9</sup> In all of these works, the emphasis is on 'the social construction' of economic phenomena: on the social construction of life insurance, of the economic value of children, and of different kinds of money. In *Money and Morals*, the focus is on the cultural response or resistance to life insurance in 19th-century United States, when the sacred value attached to life clashed with the secular tendency of setting a price on someone's death. In the second work, *Pricing the Priceless Child*, Zelizer studies nearly the reverse movement: children, in the American perception, went from having an economic value in the 19th century to being economically 'worthless' but emotionally 'priceless' in the 20th century. And in the last volume of her trilogy – *The Social Meaning of Money* – Zelizer shows that money is not a neutral, non-social kind of substance, but actually appears in a variety of culturally influenced shapes ('multiple monies').

### III. Organization theory

The third tradition in contemporary sociology that has influenced economic sociology in a decisive manner is organization theory. There are several reasons why this has been the case. For one thing, organization theory has had a long-standing interest in economic organizations. There is also the fact that organization theory in the United States was to absorb much of the interest for 'industrial sociology' when this latter field started to decline in the 1960s and the 1970s (e.g. Hirsch 1975). What had caused this decline was, among other things, that industrial sociology had become far too wedded to a closed systems perspective and tended to focus exclusively on the work group, in isolation from the rest of the enterprise and the economy at large. A third reason that organization theory has for a long time paid attention to economic sociology has to do with the fact that it is often taught in business schools, by sociologists. Among the many sociologists currently working in business schools in the United States we find such people as James Baron, Nicole Woolsey Biggart, Paul Hirsch, Marshall Meyer, Joel Podolny, and many others.

One perspective in organization theory that has inspired a number of studies of the economy is that of 'resource dependency'. The basic idea here is that an organization is always dependent on its environment for resources – an insight that has been translated into interesting economic sociology by, for example, Ronald Burt. One topic that has fascinated Burt in particular is the way a corporation's autonomy is shaped by the existence of competitors, suppliers and customers (see Burt 1982, 1983). The more 'structural autonomy' a corporation has in relation to these three types of actors, Burt has shown, the higher its profit (or more precisely: profits tend to increase when there are few competitors but many suppliers and customers).

Although resource dependency has lost some of its popularity during the past few years, several new perspectives in organization theory have emerged in the meantime; and these have resulted in a number of studies

that are of great interest to economic sociology. This is to some extent true of population ecology,<sup>10</sup> but much more so of new institutionalism. This latter perspective draws heavily on the ideas of John W. Meyer at Stanford University and has inspired a number of excellent studies in economic sociology. Two of these deserve a special mention: Neil Fligstein's *Transformation of Corporate Control* (1990) and Frank Dobbin's *Forging Industrial Policy* (1994). The former is a very sharp and skilful attempt to recast the history of the huge US corporation from a sociological perspective. Dobbin's work is a comparative study of the evolution of railroad policy in France, the United States and England during the 19th century. The strength of *Forging Industrial Policy* resides primarily in the way that the author demolishes the idea that there exists only one (rational) way of doing things.

### 3. New economic sociology: a critical evaluation

After having accounted for the birth and development of New Economic Sociology, I would now like to take a more critical look at it and also say a few words about its future during the next few years. I shall do this by looking at the theory that underpins it as well as the topics that it has analysed up till now. The most important question to ask is clearly the following one: Is New Economic Sociology heading in a fruitful direction or is it more likely to die out or get bogged down in non-essential work?

When discussing the theory that has inspired New Economic Sociology up till now, one should remember that it rests on two master concepts: 'embeddedness' and 'the social construction of the economy'. The first thing that strikes you, when you take a closer look at these two concepts, is their flexibility or their capacity to coexist with a number of different approaches in sociology. The reader may recall the criticism by Zukin and DiMaggio that Granovetter's concept of embeddedness does not include a cultural perspective. The solution to this dilemma, as suggested by the two critics, was very simple: a new type of embeddedness was introduced – 'cultural embeddedness'. A recent critique of Granovetter's notion of embeddedness from a Parsonian perspective ended up in a similar way – its author suggested that the economy is 'embedded' in the social system (Barber 1994; cf. Portes & Sensenbrenner 1993).

This flexible quality of the concept of embeddedness may well go back to its origin in Polanyi's work. Polanyi stumbled across the concept in *The Great Transformation* (1944), where the term 'embedded' occurs only twice (and in a casual manner); and he then made a half-hearted effort to give it more of a theoretical status in *Trade and Market* (1957) about a decade later (Barber 1994). The concept of embeddedness then became popular among the so-called substantivists, who used it – often for polemical purposes – to indicate that pre-capitalist economies are organic parts of society and can consequently not be analysed with the help of economic theory.

In any case, it is clear that if the notion of embeddedness had not been as flexible as it is, it would have been rejected by many economic sociologists, at least in Granovetter's version. The reason for this is that many people in New Economic Sociology do not approve of the tendency to equate embeddedness

exclusively with networks. To rely so squarely on networks would short-change the analysis, according to one sharp critique:

The major downfall of the network approaches is that they are such sparse social structures that it is difficult to see how they can account for what we observe. Put another way, they contain no model of politics, no social preconditions for [the economic institution in question] and no way to begin to conceptualize how actors construct their worlds. (Fligstein and Mara-Drita 1992:20)

Granovetter's advocacy of the idea of 'the social construction of the economy' can be seen as a way to counter the critique of a narrow networks approach.<sup>11</sup> Granovetter, of course, ties the social constructionist concept to a networks perspective, but he also has to admit that, once the initial network has 'congealed' into an institution, it plays less of a role than the institution itself. That people attach a certain 'facticity' to any institution (something that Granovetter highlights) also opens up the analysis to other perspectives.

The end result is consequently that New Economic Sociology has succeeded in developing and flourishing in the shadow, so to speak, of two very flexible concepts which point the analysis in a certain direction – but do little else than that and basically leave the rest to the individual analyst. The notion of embeddedness has been called a 'conceptual umbrella', and this term also fits 'the social construction' idea (Portes & Sensenbrenner 1993:1346). For those who envision an economic sociology with its own analytical core *à la* mainstream economics in the 1950s, this situation is obviously not very satisfying. On the other hand, this flexible structure has allowed sociologists from a host of different perspectives to try their hand at economic topics and to feel that they are somehow part of the same intellectual enterprise; and this is clearly something positive. There is also the fact that New Economic Sociology has kept drawing on the solid tradition of US middle-range sociology; and if it keeps doing this – perhaps in combination with an emphasis on social mechanisms (see Hedström & Swedberg 1996) – New Economic Sociology will, in my opinion, also do quite well in the future.

Another question that is important to answer when one attempts to appraise New Economic Sociology is the following one: What topics has New Economic Sociology looked at and which has it neglected? Given the fact that the older forms of economic sociology had left so many areas of the economy unexplored, there was in 1985 a wide variety of topics to choose from. Today we have studies – not definitive ones, but of high quality nonetheless – of such topics as the evolution of the corporation, Asian economies, business groups, social capital, and some others. A great number of topics are of course still underresearched or not researched at all, even if allowance must be made for the fact that New Economic Sociology is only about a decade old. One such neglected area is that of law, or, more precisely, of the relationship between law and the economy. There also exists far too little work on the transformation from socialism to capitalism in Central Europe and in the former Soviet Union, which is to be regretted because both of these regions are practically living laboratories for economic sociology (see, however, e.g. Stark 1992; *American Journal of Sociology* 1996).

In ending this article I would also like to come back to something that I mentioned at the outset, namely the race that is currently going on to fill the void created by mainstream economics' lack of interest in economic institutions. As of today, this void has *not* been filled – but it should be understood that, once it is filled, then new sociological theories, of however high quality, will have great difficulty in making an impact. That those who come first tend to crowd out latecomers is as much a fact in social science as in society at large. The question we perhaps should be asking ourselves is whether sociologists are currently doing enough to seize the initiative and push ahead boldly. Is, for example, New Economic Sociology doing this? To some extent, I think, the answer is 'yes' – although one always feels that more can be done. An ever-increasing number of economic topics *are* being analysed; and they are analysed with the help of a rather flexible approach, backed up by three of the most creative strands in contemporary sociology: networks theory, organization theory and cultural sociology. Another strength of New Economic Sociology, as I see it, is that it represents a successful and late-20th-century incarnation of middle-range sociology.

In terms of allocating resources to win this race, my answer is, however, much more negative: sociologists are not at all doing enough. Sociologists, in my opinion, have a great future – both when it comes to developing good theories of how the economy operates and in helping concrete economies to work more efficiently – but neither people nor resources are allocated to economic sociology to the extent that they should be. What we need is that sociology departments during the next ten years begin seriously to prioritize economic sociology and that also scientific foundations begin to encourage work in this field. Chances like the current one – to make a crucial contribution to social science by advancing its understanding of economic institutions – are rare indeed, and they should not be missed.

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### Notes

<sup>1</sup> I would like to thank Nigel Dodd, Cecilia Gil-Swedberg, Mark Granovetter, Geoffrey Ingham, György Lengyel, Trond Petersen, Joachim J. Savelsberg and one anonymous reviewer for useful comments and information. The first version of this article was presented at a conference in Liverpool in 1995, on the theme of 'Sociology and the Limits of Economics' and organized by Nigel Dodd.

<sup>2</sup> The approaches of the economists are sometimes referred to as 'New Institutional Economics', and the basic idea is to use micro-economics to explain the emergence and functioning of social and economic institutions. Major figures here include Gary Becker (e.g. 1976, 1993), R. H. Coase (e.g. 1988) and Douglass North (e.g. North & Thomas 1973, 1990) and Oliver Williamson (e.g. 1975, 1985). For an overview of this approach, see Eggertsson (1990); and for a critique from the viewpoint of New Economic Sociology, see Granovetter (1985a). There also exist attempts by more marginal approaches within economics to account for the emergence of

institutions, such as the neo-Schumpeterians, the Cambridge Keynesians, the French Regulation School and the neo-Marxist economists. Rational Choice Sociology is similar to New Institutional Economics in that it takes rational choice as its point of departure, but it differs in that it explicitly tries to make sociology of the whole thing; most proponents of this type of sociology are also sociologists. The major work is Coleman (1990), who until his death also was the main editor of *Rationality and Society* (1989–). As opposed to New Economic Sociology, Rational Choice Sociology has paid relatively little attention to economic institutions (for an exception, see Coleman 1994). Rational Choice Sociology exists in a strong and in a weak version, and recently the weak version has become more popular. Socio-economics, finally, differs from New Economic Sociology in that its basic stance is interdisciplinary, not sociological. The founder of socio-economics is a sociologist, Amitai Etzioni (1988), and many of the products of socio-economics are either produced by sociologists or are sociological in nature (e.g. Etzioni & Lawrence 1991; Matzner & Streek 1991; Sjöstrand 1993).

<sup>3</sup> Since I have referred to the first version of Granovetter's article on embeddedness, a few words need to be said about how this article came into being. Granovetter spent 1981–82 at the Institute for Advanced Study at Princeton, and in June 1982 the first version of his article appeared, entitled 'Economic Decisions and Social Structure: The Problem of Embeddedness'. Here one can find a critique of neoclassical economics and, to cite the author, 'a more elaborate development of the idea of embeddedness than appears [in the final version]' – but nothing on New Institutional Economics or on the under- and over-socialized concept of man (Granovetter, pers. comm., 14 Feb. 1995). These two topics, however, formed the core of a paper dated June 1983, written while Granovetter was on a sabbatical at Harvard and entitled, 'The 'New Institutional Economics': On the Road to Discovery of Social Structure'. According to a short note in this latter paper, it was to be integrated with the June 1982 paper – something which was done in July 1983. The July 1983 version was submitted to the *American Journal of Sociology*, where it 'received mixed reviews, especially from the neoclassical economist among the reviewers who thought it would be much better if all criticism of economics was removed' (Granovetter, pers. comm., 14 Feb. 1995). Other reviewers 'thought [the paper] went into too many directions' and Granovetter got the advice to 'tighten up the argument, make it flow logically from the beginning of the paper to the end, [and] eliminate all the meandering detours that were not connected to the central argument' (Granovetter pers. comm., 14 Feb. 1995). Granovetter thought this advice was good and proceeded to tighten up the argument. The last touch given to the article is described by Granovetter in the following way: 'When the article was finally accepted, one reviewer objected to the word "theory" in the title [the subtitle of the July 1983 version was 'A Theory of Embeddedness'] – suggesting that there was not really a theory there. I had no problem with that but wanted to keep the word 'embeddedness' in the title, which in retrospect was certainly a good idea. I just replaced "theory" by "problem" [making the new subtitle "The Problem of Embeddedness"] – since anyone could agree there

was a problem there.' (I am grateful to Mark Granovetter for having supplied me with this information.)

<sup>4</sup> There [is] a great deal in these works [by Parsons–Smelser and Moore] that is still quite congenial to most of us in this area, and so more continuity [between old and new economic sociology] than I expected. Smelser and Moore challenge the adequacy of neoclassical theory especially in the areas of consumption and labor, drawing on the findings of market research and industrial sociology' (Granovetter 1985a).

<sup>5</sup> It seems to me that European sociologists have developed a slightly different version of economic sociology than their US colleagues (e.g. Lengyel 1979; Dodd 1994). There is, for example, more of an emphasis on the classics in economic sociology (see e.g. Holton 1986, 1989; Martinelli 1986; Swedberg 1991a; Steiner 1992; Gislain & Steiner 1995). There also seems to be a tendency to develop more of a holistic approach, as opposed to focusing on the middle-range level (see e.g. Luhmann 1988; Mingione 1991; Mjøset 1992). It should finally also be mentioned that many non-US and non-European economic sociologists are connected to ISA's 'Economy and Society' section, which has been active for many years.

<sup>6</sup> In the first version of the same article Granovetter had included a one-page section on 'historical embeddedness' and on 'structural embeddedness' (Granovetter 1982:12–13).

<sup>7</sup> According to Granovetter (pers. comm., 14 Feb. 1995), the notion of social construction is central to a talk he gave in December 1986 at Stanford University. He also says that 'the first time I used "social construction" in the title of a talk was in May, 1987, in my talk "The Social Construction of Economic Organization", at John Padgett's University of Chicago seminar on organizations and political sociology. From March, 1988 it was in the title of every talk I gave in economic sociology' (Granovetter pers. comm., 14 Feb. 1995). For early, published statements on this theme, see Granovetter (1990a:108–110, 1990b:95–106).

<sup>8</sup> Advances have also been made in other fields, such as labour market studies (see e.g. Farkas & England 1988; Althauser 1989; Lincoln & Kalleberg 1990).

<sup>9</sup> Some of the main points in these three books can also be found in the following three articles: Zelizer (1978, 1981, 1989).

<sup>10</sup> Population ecology, as developed by Michael Hannan and John Freeman, takes as its point of departure that populations of organizations display different characteristics, depending on their stage of development (e.g. Hannan & Freeman 1989). Competition among organizations is highlighted in this approach as well as resistance to change in the organizational form ('structural inertia'). Several kinds of economic organizations – banks, breweries, trade unions, and so on – have been studied from the perspective of population ecology (see e.g. the studies cited in Hannan & Carroll 1992).

<sup>11</sup> To set things straight, it should be emphasized that Granovetter has often stressed that New Economic Sociology encompasses other perspectives than networks theory (see e.g. Granovetter 1991:107).

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