



Economic sociology as disequilibrium economics: a contribution to the critique of the new economic sociology

David Calnitsky

Abstract

This paper analyses the problem of the asocial view of the market at the theoretical core of contemporary economic sociology. Despite much emphasis on the apparent interpenetration of society and the economy, contemporary economic sociology is rooted in an analytical distinction between the two spheres. The implicit reliance on the neoclassical economic conception of the market helps to explain why the ‘new economic sociology’ often collapses into disequilibrium economics, where disequilibrium becomes the central but unstated prediction of a good deal of the work in the paradigm. Using a sample of contributions from the field, I demonstrate that a strong tendency running through much of the new economic sociology tends to understand society as a fundamentally distortionary force. To resolve this problem, I argue that an independent field of economic sociology necessitates a distinction between social relationships and social relations.

Keywords: economic sociology, neoclassical economics, embeddedness, Marxist theory, equilibrium, disequilibrium

Introduction

This paper grapples with problems and underexplored ramifications at the theoretical core of the ‘new economic sociology’. Understanding these issues requires an examination of the programme’s relationship to neoclassical economic thinking: I argue that the new economic sociology is hostile to, and simultaneously models itself after, neoclassical economics. I do not pretend to level this critique against the entire subfield; rather I focus on a central tendency, one that emerges logically from the ways in which economic sociology has constructed itself.

Alongside numerous commentators, I believe the core of the new economic sociology can be traced to Granovetter’s (1985) discussion of ‘embeddedness’. Indeed Swedberg (1997: 162) has remarked that one could date the birth of the New Economic Sociology to 1985 ‘since this was the year . . . when an article appeared that was soon to become the most popular article of all in

contemporary economic sociology'. Krippner (2002: 775) too accepts this account, and cites Swedberg's birth announcement.

Following Krippner (2002), I argue that much of the new economic sociology – or, the embeddedness paradigm – accepts a general perspective that presupposes the existence of a core asocial market. This asocial market, pulled from the neoclassical economic vision, then uncomfortably sits surrounded by society. I contend further that much economic sociology can be best understood as disequilibrium economic analysis. On this view, society tends to operate as a distortion to underlying economic processes.

I will argue that if one of the central concepts of neoclassical economics is equilibrium, the central but unstated concept of economic sociology is disequilibrium. That is, I argue that a central prediction of much economic sociology is that the more 'society', the more markets do not clear. Embeddedness becomes not a way to comprehend human economic activity, but rather an independent variable that causes disequilibrium: the greater the embeddedness, the greater the disequilibrium. Given that embeddedness is implicitly treated as an independent variable, it should consequently be treated as a quantity; we could then in principle be able to measure the general level of embeddedness and hence its effect. In this economic sociology we can imagine a very embedded labour market where, say, community solidarity and hence a general unwillingness to migrate for higher pay when there is an oversupply of labour, generates a chronically non-clearing market. By contrast, we can equally imagine a very disembedded stock market where markets consistently clear and demands are efficiently satiated.

Given this conception of embeddedness, it can be argued that one's commitment to the contemporary approach of economic sociology rests, somewhat arbitrarily, on the nature of the particular object under study. That is, researchers ought to be economists when analysing certain phenomena and sociologists when analysing other phenomena. As an example of this thinking, Western and Healy (1999) maintain a classic separation of the economic sphere and the social sphere. In explaining post-1970s' wage trends, market forces (including inflation, unemployment and productivity growth) are separated clearly from social and institutional forces (including union density, collective bargaining centralization and form of government). Presumably sociologists will have more reason to preserve their style of analysis if it turns out that institutions can explain a good deal of the trend. If not, we can presume that sociologists have more reason to leave the analysis to the economists. Here analytical spheres are separated such that one can track the increasing or decreasing influence of the economic and non-economic. By way of example, the authors discuss the varying explanatory power of the economic and non-economic at specific moments: '[d]espite these estimates, market mechanisms did not unambiguously expand their influence in the slow growth period' (Western and Healy, 1999: 243). The analytical core here is economicist as the market mechanism can in principle do all of the explanatory work; the social sphere may or may not come in to alter the result.

Taking this general view, the labour market might be a fruitful arena to apply sociological analysis as labour markets often are characterized by stickiness and non-fungibility that results both from contemporary problems of race, class, and gender, and the effects of the welfare state. However, from this perspective, the more liberal an economy progressively becomes – in the political sense of equality of opportunity for ever more individuals and in the economic sense of the neoliberal retrenchment of the welfare state – the less relevant the sociological analysis of the economy progressively becomes. For economic sociology to truly offer distinctive analyses it ought to be able to analyse human economic activity that is and is not ‘embedded’, in the contemporary usage of the term. Otherwise, as I argue below, the field reduces to a branch of neoclassical economics, making the very same economic predictions given the initial conditions of a problem.

Unlike Krippner, I believe these conceptual problems do not largely result from Granovetter’s mischaracterization of Polanyi’s original conception of embeddedness. Rather, I judge the new economic sociology to be quite often consistent with Polanyi, and argue that the problem is rooted not in the corruption of the concept of embeddedness, but rather in the emptiness of the concept of social relations in much economic sociology.¹ Economic sociologists discuss the embeddedness of the economy in social relations, or in Krippner’s formulation, the ‘fluid mix’ of the economic and the non-economic. But paradoxically, even Krippner is susceptible to her own critique of economic sociology’s treatment of the market as asocial. I trace this impasse to economic sociology’s under-theorized (but often employed) concept of social relations, where social relations in fact often refer to social relationships. That is, rather than understanding capitalist social relations as the fundamental social question of who owns which resources, who controls the activity and deployment of labour, and who maintains property rights over that which is produced, economic sociology reduces the concept of social relations to personal, often dyadic relationships especially friendships, contacts, and other social ties.²

Contrary to much economic sociology, I propose a conceptualization of social relations as the modes in which individuals participate in socioeconomic life; hence they concern the structure of ownership and control over productive resources. Social relationships then refer to relationships affecting exchange relationships on the market. The former refer to relations underlying the possibility of a capitalist economy, the latter, abstracting away from these foundations, refer to relationships affecting market outcomes. When social relations are taken to be social relationships, the market can continue to exist as an asocial artefact distorted here and there by various social relationships which themselves have no particular content logically tying them to the capitalist economy. By contrast, drawing on classical political economy and the Marxian tradition, the concept of social relations allows us to situate specific markets within the historically unique social relations of capitalism. This perspective allows us to understand how the social sphere determines the ways in which markets are constituted without requiring us to interpret the social as a

disequilibrating force. It also provides a better foundation to analyse underlying social antagonisms and compatibilities of interest around socioeconomic questions.

In the second and third sections, I develop my argument of economic sociology as a form of disequilibrium economics, where the subfield retains deep roots in an underlying conception of an asocial market. I elaborate the central argument using a set of ideal typical cases. In the fourth and fifth sections I provide a critique of the alternative suggested by Krippner and argue that the problem is rooted in the embeddedness paradigm where social relationships tend to be privileged over social relations. Informed by Marx's analysis of capitalist society, I attempt to flesh out a concept of social relations that does not reduce the sociological analysis of economic processes to disequilibrium economics. The sixth section identifies the corners of the sociological analysis of economic life that elude the critique I form here, and argues that they avoid the disequilibrium problem by being implicitly or explicitly rooted in an analysis of the social relations of capitalism. I close by clarifying the philosophical origins of economic sociology as disequilibrium economics and argue for a renewed economic sociology committed to a deep consideration of the underlying social configuration of rights and powers over productive resources.

Economic sociology as disequilibrium economics: foundational thinking

If, as McCloskey (1985: 71) has argued, the essay-maker in neoclassical economics has been the relaxation of assumptions while obtaining the same results, then the essay-maker of economic sociology has been the relaxation of assumptions to obtain different results. As an example, this could mean instead of assuming perfect mobility as economists might, sociologists will assume barriers to mobility. Sørensen (1994: 508) has noted that:

sociologists of the labor market usually do not criticize the standard theory for the neglect of firms, but argue that labor markets are structured or differentiated, not homogenous as assumed in the standard economic theory. The resulting labor market segments are said to be created by barriers to mobility, producing stable demand differences in the labor market.

A typical example of this is Morris and Western's (1999: 651) brief summary of literature on immigration: where economics purportedly assumes the 'substitutability of immigrant labor', in fact, the authors argue that the 'relatively self-contained economic structure' results in little competition and hence little labour displacement. This is an unambiguous case of accepting the central economic theorization and demonstrating that underlying assumptions of competition and flexibility cannot be made due to various non-market relationships.

Rather than a critique of neoclassical economics this result makes analyses from sociology and economics identical in their adoption of economic theory.

Thus where economists tend to emphasize the smooth clearing of labour markets, assuming the perfect mobility of agents, sociologists tend to emphasize moments of non-clearing labour markets, assuming imperfect mobility of agents. Despite a good deal of argument to the contrary, these two approaches are two sides of the same coin; they are identical in structure and make symmetrical predictions. That is, there is in fact only one theoretical understanding of the market that makes different predictions depending on the inclusion or exclusion of certain assumptions.

Krippner (2002) is correct in identifying a core asocial market at the analytical centre of the new economic sociology. This underlying concept of the market was essentially lifted from neoclassical economics.³ The view taken here is that the idea of the core asocial market persists because the new economic sociology emerged without identifying, and then grounding itself in, a theoretical critique of neoclassical economics.

Granovetter aspired toward a new economic sociology that would be 'sharply critical of neoclassical economics', building competing sociological accounts for 'bread-and-butter economic issues, such as the market and price formation' (Granovetter and Swedberg, 2001: 6). However, the embeddedness paradigm, which has produced a host of important empirical studies, has not challenged neoclassical economics. Rather, it has produced empirical work that is largely consistent with the dominant economic tradition. This is partly due to what might be a misinterpretation or understatement of economists' assertions. Thus, economists do not claim that in markets a competitive equilibrium will be reached. Instead the claim is that markets reach competitive equilibria only if a number of carefully specified assumptions can be accepted, including a perfectly competitive environment where each individual agent's actions are too insignificant to influence outcomes.⁴ If any of these axioms were violated in any given market setting, then the economists' expected result would be a market with shortages or surpluses, or disequilibrium.⁵ It is for this reason that the two paradigms are in truth two sides of the same coin. It must be emphasized that forming a sharp critique of neoclassical economics does not entail rejecting (or even weakening) its assumptions in particular concrete instances; rather, that is doing neoclassical economics. In the applied setting of industrial organization, Stigler (1987: 535, my emphasis) affirmed the popularity of the neoclassical model of perfect competition as a simple '*first approximation* in the more concrete studies of markets and industries'.⁶

Following the same basic framework, a frequently unstated prediction of work in economic sociology is in fact, or ought to be, disequilibrium. Like the power position of monopolies, which economists incorporate and understand as generative of inefficiencies in the form of dead weight losses, a good deal of the subject matter of economic sociology can be seen as a qualification to the pure theory of the economics of perfect competition. This is quite far from the

project of developing an alternative theoretical account of ‘bread-and-butter economic issues’.

For the remainder of this section I assess an early contribution that clearly articulated the relationship I am outlining between economics and sociology before the new economic sociology came into being. An interesting and under-referenced summary of the theoretical core of the new economic sociology is in Granovetter’s (1981) essay ‘Towards a sociological theory of income differences’ from *Sociological Perspectives on Labor Markets*.⁷ Indeed the volume (Berg, 1981) has a number of useful essays that clearly state what can be understood as some founding principles of the new economic sociology in its infancy. The volume has not been entirely ignored: Morris and Western (1999: 649) argued that economic sociology ‘continued to contribute an important critique of neoclassical models in the early 1970s by articulating the embeddedness of supply and demand factors in institutional contexts . . . A good selection of this work can be found in the edited volume *Sociological Perspectives on Labor Markets*’. While this volume – and in particular Granovetter’s essay – offers an important selection of early essays from the new economic sociology, at bottom there is no ‘critique of neoclassical models’. However, with greater acuity than later contributions, these early essays correctly identify the relationship between economics and the new economic sociology.

Granovetter’s piece demonstrates early sociological thinking that explicitly conceptualizes society as a disequilibrating force. In the paper, which focuses on the important issue of income differences, economics is taken to describe the fundamental processes and sociology describes how those processes can deviate from their central tendency. Granovetter (1981: 34) notes that ‘while the “tendency” of market prices (including wages) is “toward” equilibrium, actual markets are often temporarily in disequilibrium’. He argues that:

The problem is that the forces leading to equilibrium may move so slowly that existing disequilibria account for a substantial amount of inequality. Many of the factors generating such disequilibria are sociological: information gaps, resistance to migration, power differentials, shifts in consumer preferences; these impediments to speedy market reactions have historically been viewed by economists as frictional drags rather than as central objects of study (Granovetter, 1981: 34).

As an illustration, Granovetter introduces the problem of wage differentials by city size. This presents a clear example of disequilibrium from what ‘should’ occur as workers flow from low to high wage locations. We can understand from this example that we are to turn to economic analysis to seek our first approximation of a problem. Only after is it revealed that ‘power differentials . . . artificially restrict supply to certain occupations, raising the wage beyond what the equilibrium level would be’ (Granovetter, 1981: 36). While Granovetter argues that this situation is not seriously analysed by economists, this analysis accepts in its entirety the logic of neoclassical models; once there is agreement

on the underlying framework of analysis, the conclusions drawn by economists and economic sociologists are necessarily identical. The analyses of both groups are rooted in an understanding that relations of power impinge upon and are fundamentally external to the market. Granovetter (1981: 36) concludes by noting that '[s]ociological analysis, then, can be seen as a useful adjunct to economic models'.

It is also worth noting that Sørensen and Kalleberg's (1981: 50) piece in the same volume concurs in essential acceptance of the validity of the neoclassical view: 'There is no need for sociologists to develop a unique theory of labour market processes if the neoclassical economic theory adequately accounts for the findings of empirical research'. However, the authors review a number of challenges to orthodox theory that are 'clearly relevant for sociological research'. With respect to labour market research, these include labour market segmentation, differences between monopoly, competitive and state sectors, and other points of variance in jobs and job structure (Sørensen and Kalleberg, 1981: 51). As I have argued, and as these early contributions make clear, this approach does not necessarily pose a challenge to neoclassical models, but can more often be subsumed within their logic.⁸

Economic sociology as disequilibrium economics: samples from the field

Following the outline of the intellectual current described above, this section attempts to further substantiate my argument in a sample of studies in economic sociology. I review three kinds of contributions that I believe to be ideal typical representations of different approaches within or close to the 'new' economic sociology. The first set of examples represents most directly the idea of economic sociology as disequilibrium economics. The second group of works is selected because they constitute a highly influential contribution to network theory that has spawned a significant literature under the umbrella of economic sociology; I argue that this contribution is consistent with my framework. The final papers are selected because they appear to be an approach within the new economic sociology that directly contradicts my emphasis on disequilibrium.

As an example of the first kind of contribution, we review Guennif and Revest's (2005) analysis of evidence from the Securities and Exchange Commission and the American Department of Justice to demonstrate the embeddedness of decision-making on the NASDAQ. The authors show that the NASDAQ does not always operate in an open and freely competitive manner, and that market actors' behaviours 'are constrained by social relations' wherein 'resources such as materials, money, information, knowledge, norms and rules diffuse and circulate' (Guennif and Revest, 2005: 418–9, 428).⁹ The analysis in the paper focuses on the importance of reputation, price convention, social norms and various aspects of personal relationships which underpin transactions. Employing the embeddedness paradigm alongside

game theory, the authors conclude that '[u]sing this theoretical approach, we can describe the way the NASDAQ social structure in the mid-1980s influenced market makers' behaviour and induced non-competitive practices' (Guennif and Revest, 2005: 431). Thus it is the social sphere that can be blamed for uncompetitive results in the NASDAQ – this includes lingering practices including various 'collusive practices' as well as 'courtesy' practices such as 'preference trading' (Guennif and Revest, 2005: 432).

Consistent with the view taken here, this only reinforces the separation of the realm of the economy from the realm of society by demonstrating how the latter throws the former out of equilibrium. This implies further that the more successful is the SEC's attempt to abolish various social aspects of price determination, the more price determination can be realized in the economic sphere alone. While the authors note – contrary to my emphasis – that social structures do not only produce non-competitive practices, the view of social relationships as market lubricant remains somewhat underdeveloped. I focus more closely on the social-as-market-lubricant view in economic sociology in the final papers. Before moving on I briefly note a number of examples of 'The impact of social structure on economic outcomes' summarized in a paper of that title by Granovetter (2005) that straightforwardly fit my disequilibrium claim.

In his discussion of social structure and prices, Granovetter (2005: 38) elaborates his view on how we are to 'understand how deviations from competitive equilibrium price may occur'. He argues that '[w]hen people trade with others they know, the impact of knowing each other on the price varies with their relationship, the cost of shifting to different partners and the market situation' (Granovetter, 2005: 38). As an example, Granovetter refers to anthropological literature on tribal economies emphasizing that trade relationships with designated groups suggest that 'such continuing relations make prices sticky when supply and demand shift'. Likewise, 'revisions that would clear the market require breaking old relations and forming new ones' (Granovetter, 2005: 38). Similarly he notes that studies of 'clientelization' in peasant markets (Belshaw, 1965; Davis, 1973) often suggest that due to information asymmetries, 'dealing exclusively with known buyers and sellers' tends to 'raises prices above their competitive level' (Granovetter, 2005: 38). Again, social relationships and friendships are identified as a source of deviation. For further evidence, Granovetter cites Podolny and Scott-Morton (1999), who effectively show that the operation of friendship in a market is not unlike a formal cartel in its disequilibrating impact on price. In studying newcomers to the British shipping industry between 1879 and 1929 'high-status entrants were substantially less likely to face a price war' (Granovetter, 2005: 40). Also mentioned is a study of hotels in Sydney, Australia (Ingram and Roberts, 2000) showing that friendship between managers tends to dampen price competition. More generally, Granovetter favourably cites Okun (1981: 155, cited in Granovetter, 2005: 39) who argues that when we find buyer-seller attachments, prices 'rarely, if ever, equal marginal costs'. The message is clear: economic sociology is the study of how social relationships throw markets out of equilibrium.

The discussion thus far has concerned only empirical examples. I now consider a highly influential theoretical contribution to economic sociology and network theory, namely, Burt's work on structural holes (1992, 2004). Burt's introduction of the concept of structural holes opened up opportunities for economic sociologists to advance its theoretical agenda and apply it in various empirical settings. The concept of structural holes focuses on the way various parts of particular networks are bridged. The structural hole specifically refers to the person or persons who constitute the one of few links between different networks. People occupying these positions in networks may be privy to informational or other privileges not available to other actors in either network. This privilege can then be transformed into bargaining power with other agents. Students of economics or finance will notice the strong similarity here to the concept of arbitrage, where an actor is able to take advantage of a price difference between two markets by buying cheap in first and selling dear in the second. Burt (1992: 1–2) refers to these holes as 'entrepreneurial opportunities for information access, timing, referrals, and control'. A structural hole is thus an opportunity to be exploited; in Burt's language it is the 'structural entrepreneur' that exploits this opportunity. In fact, if they do not use their strategic location as an opportunity it is hard to see why we would refer to them as occupying a structural hole.

From the perspective of this paper, Burt's theoretical approach can be understood as a deviation from the basic equilibrium conditions of perfect mobility and information symmetry in the neoclassical conception. Smith-Doerr and Powell (2005: 388), in their review of network theory write that 'At the core of networks, however, are questions about differential access; hence the advantages that ensue from a favourable position in a network may benefit some parties while limiting others'. These structural advantages in the market are not unlike monopoly power in effect and can be subject to similar analysis. Thus, it makes sense that Burt (2005) speculates that if monopolies on structural entrepreneurship are lifted that structural advantages ought to disappear completely. We can expect therefore that structural advantages would not accrue in competitive environments. These remain speculations in Burt's writings largely because his conceptualization of structural holes and brokerage between networks generally plays out as an analysis of comparative statics. In this context, it makes sense that Buskens and Van Rijt (2008) follow through with the logic of structural holes by introducing dynamism among the actors. That is, the authors show formally that 'if everyone strives for structural holes' – a reasonable theoretical assumption rooted in the neoclassical tradition but surely consistent with looser constraints – 'structural advantages can be expected to disappear' (Buskens and Van Rijt, 2008: 397). This confirms Burt's speculation that when monopolies on structural entrepreneurship are lifted, like lifting monopoly power in an economic context, we can predict a move toward competitive equilibrium. Buskens and Van Rijt's (2008: 375) analysis reveals not only that Burt's model is consistent with disequilibrium economics, but that like economic arguments, given certain assumptions, you

can predict a slow erosion of the social bias: 'Thus, in competitive environments in which many others employ social networking strategies as well, such as in certain business environments, the intended structural advantages of networking may never accrue despite the effort'.

It is important here to discuss the work of Uzzi (1996, 1999) as it is frequently cited as an example of an economic sociology where 'social relations . . . enhance performance' (Krippner and Alvarez, 2007: 225; See also Bair, 2008: 344). Consistent with my perspective on economic sociology, Uzzi (1999: 482–3) treats embeddedness 'as a variable', defined as the 'degree to which commercial transactions take place through social relations and networks of relations that use exchange protocols associated with social, noncommercial attachments to govern business dealings'. Uzzi (1999: 482) demonstrates how 'embedded ties' and 'arm's-length ties' benefit firms seeking financing. He argues that firms are more likely to 'secure loans and receive lower interest rates if they are tied to their lenders through embedded ties'. It seems then that this case shows that embeddedness need not be understood as distortionary, but rather can be thought of as an element that enhances competition.

While it is true Uzzi tells a story about the benefits accruing to individual firms, from the macro perspective of competitive equilibrium the implicit effect is in fact disequilibrium. Uzzi (1999: 500) finds that 'commercial transactions between firms and banks that are embedded in relationships *increase* firms' access to capital and *lower* their borrowing costs'. This result does not accommodate a competitive equilibrium arrived at by transactions between equal traders. Like monopoly firms with various kinds of market power advantages, when viewed at the level of the aggregate, this dynamic should be seen as an advantage that enhances the position of particular firms, and consequently shifts the *system* away from competitive equilibrium. This analysis holds equally for Uzzi and Lancaster's (2004) study demonstrating that corporate clients who have developed trust and norms of reciprocity with law firms are, *ceteris paribus*, able to attain lower prices. Thus Uzzi (1999: 500) rightly describes embeddedness as a 'conduit to resources and governance arrangements that are difficult to emulate through other exchange mechanisms'. Consistent with neoclassical assumptions, models where resource, power, or informational advantages are maintained by only some agents is comfortably explained in the move from the economics of perfect competition to its well-established academic corollary: the economics of imperfect competition.¹⁰

It may be helpful here to briefly elaborate further on those arguments in economic sociology that see social factors as efficiency enhancing rather than distortionary. As Krippner and Alvarez (2007: 232) have noted, whether 'social relations' are seen as generating positive effects or negative inefficiencies, 'in both cases an exterior relationship is posed between the economic and the social'. While this is undeniably the case, I argue further that economic sociology often implicitly views the social as not only separate but often as a perversion of the economic. Elsewhere, Uzzi's (1996) study of apparel firms in New York demonstrated the positive effects and unique opportunities of

embedded ties. For example, the ‘thick information transfer of embedded ties’ between persons and groups is seen as facilitating ‘beneficial types of interfirm coordination’ (Uzzi, 1996: 278). Though it is an implicit and unintended consequence, the result is consistent with economic models where certain actors have strategic or monopoly advantages; likewise, disequilibrium would be predicted to decline with the advantages of particular actors or groups of actors. In this view business groups with embedded ties are hypothesized to have a higher probability of survival. Further, Uzzi (1996: 683–4) straightforwardly maintains that ‘group members are predicted to obtain competitive advantages over firms that lack membership’. It should be clear that in this case social elements work to disturb the conditions of equality of market participants and consequently corrupt the process of efficient equilibration.

In the next section, we examine Krippner’s (2002) proposed alternative to the economic presuppositions underlying much economic sociology. In this proposal it is suggested that theory itself be discarded in favour of historical analyses.

Attempts to square the circle

Krippner (2002) is correct to criticise the model of the asocial and transhistorical market that is implicit in much economic sociology. The alternative re-conception forwarded points towards a compelling line of thought but remains too nebulous to offer useful guidance. Krippner (2002: 782) argues that ‘[m]arkets, even in ideal form, are not the expression of primal timeless instincts’, instead they are ‘fully social institutions, reflecting a complex alchemy of politics, culture, and ideology’. While it is important to note that markets are socially bound rather than timeless, Krippner’s contention that markets are ‘fully social’ is ambiguous; it is difficult to discern whether and how her conception is distinguishable from a purely empiricist sociology.

In attempting to develop an alternative that truly reveals the ‘fluid mixing of the “economic” and “non-economic” ’ Krippner (2002: 777) mistakenly attacks the ‘abstraction away from concrete complexity’ manifest in neoclassical economics and economic sociology. This falsely suggests that the process of abstraction itself is the source of asocial theory: ‘The extremely abstract orientation of the embeddedness perspective tends to produce a picture of the market as a residue of social activity that is not itself social’ (Krippner, 2002: 795). She notes that ‘institutions take on an exclusively “economic” or “social” character when concepts such as the market are treated as abstractions rather than closely calibrated through historical and empirical investigation of the concrete objects they purport to describe’ (Krippner, 2002: 801). She suggests that as an alternative, economic sociologists should focus attention on concrete institutions ‘as complex mixes of elements’ (Krippner, 2002: 798).

Though there is not space to fully analyse it here, it is worth noting that Krippner's (2011) important book on financialization is informed by a similar scepticism of theory itself.¹¹ In fact the central criticisms she makes of one stream of analysis of financialization are rooted in the 'analytical consequences of operating at such a high level' (Krippner, 2002: 13). The two consequences of abstraction for Krippner are instrumentalism – treating the 'system' itself as an actor – and functionalism – where imprecise 'solutions' to crises are almost mystically summoned. While instrumentalism and functionalism may be major analytical flaws of particular strands of thought they simply cannot be the direct consequence of abstract theorization *per se*. After all, microeconomic analysis (but also many other microfounded theoretical systems), the queen bee of high theory in the social sciences, is built on the rejection of both of these modes of argument.

Krippner's call to devote analysis to concrete rather than the abstract theoretical levels is unsatisfactory for three reasons. First, as she is well aware, there is a danger of reduction to naïve empiricism. Krippner (2002: 800) is too quick to dismiss Parsons' caution not to 'risk the descent into empiricist confusions fostered by multiply-determined concrete objects'. That there has been a 'historic turn' in sociology, as she notes, does not convincingly render this warning passé. That economic theory is wrong to treat markets as if they can be understood from a universal set of axioms does not render incorrect the project of theorizing the shared elements of capitalist markets. The abandonment of abstract theorizing of capitalist markets means the inability to account for the staggering and often underemphasized historico-empirical regularities between them. The second, related point is that when we are left only with concrete institutions we are susceptible to the old economic theory coming in through the backdoor. This, I argue, is currently one of the central defects of much already existing economic sociology and as such it is worth questioning appeals to strengthen this vulnerability. Yet, in the absence of developed sociological theories, sociologists are bound to rely on neoclassical concepts for hypothesizing future behaviour and tendencies in various markets. Finally, and related to the previous points, from the perspective of the concrete, it is difficult to theoretically locate Krippner's 'fluid' and 'complex mixes of elements' in a way that does not imply a mixing together of conceptually distinct theoretical elements. After all, a 'complex mix of elements' presupposes a conceptual distinctiveness of the elements themselves, just as the discussion of the intersection of class and gender often presupposes two conceptually distinct theoretical objects.

A good deal of difficulty here is rooted in the embeddedness concept itself – even in the Polanyian form – which Krippner works to maintain. Most obviously, in Polanyi (2001 [1944]) the concept is deployed to analyse the progressive disembedding of the economy alongside the development of capitalism. This is in continual conflict with the view from economic sociology that the contemporary economy is embedded in society. Krippner (2002: 781) argues that,

the tendency of economists to reduce economic life to the market was acceptable, at least as an approximation, in describing the West during the ascent of the machine age. Within this specific historical context, the economists had it basically right: their mistake consisted in treating the self-regulating market as a transhistorical category, not in applying it within the limited purview of nineteenth-century British industrialism.

This reasoning makes the validity of the sociological analysis of the economy dependent on the particular historical period under study. Put differently, this line of thought should lead one to abandon the embeddedness paradigm in periods of, say, strong competition, such as nineteenth-century Britain. Of course, if one can show that contemporary capitalism is even more competitive than the period of early capitalism, the implication is that the embeddedness focus becomes less and less relevant. In this case, perhaps at the expense of the new economic sociology, the economist's analysis of our current period, rather than of nineteenth-century Britain, would be basically right. There is indeed a good deal of literature (Clifton, 1977; Weeks, 1981; Botwinick, 1993) that argues this very point as against the view that only in capitalism's early days was it truly competitive. We might imagine that if the tendential equalization of profit rates and wage rates can act as a reasonable test of actual competition (Semmler, 1984) then we have a much stronger case now to claim that we live in a world with a competitive and disembedded economy than one could claim for the nineteenth century. Lending credence to this view, Krippner (2002: 781) implicitly accepts at the very least that sociology can in principle become less and less relevant – even if a 'truly disembedded' world is inconceivable. In either case, accepting that a disembedded economy existed in the nineteenth century opens up the possibility that it exists currently or is moving in that direction. This reduces the sociological critique of neoclassical models to the weak complaint that 'economists falsely generalize conditions' and 'naturalize the type of economy that they observe in their own society' (Krippner and Alvarez, 2007: 228). This gives up too much ground; in fact at the limit and in certain cases it gives up the sociological analysis of the economy altogether and leaves the market to the economists, so long as they restrict their analysis, say, to the modern era.

As an alternative to the embeddedness view and the recourse to misplaced concreteness, Krippner does hint at a concept of the social that makes significant progress over the new economic sociology:

every transaction, no matter how instantaneous, is social in the broader sense of the term: congealed into every market exchange is a history of struggle and contestation that has produced actors with certain understandings of themselves and the world that predispose them to exchange under a certain set of social rules and not another. In this sense, the state, culture, and politics are contained in every market act; they do not variably exert their influence on some kinds of markets more than others (Krippner, 2002: 785).

This key insight leads us to the distinction between the social relations central to Marx's analysis of capitalist society, and the social relationships central to the new economic sociology.

Social relations and social relationships

Summarizing different corners of economic sociology, Swedberg *et al.* (1987) have noted the absence of a separation between the economic and the non-economic in the writings of Marx:

Marx's position is difficult to nail down because his theory, as Schumpeter has stressed, is simultaneously economic and sociological; the key concepts and the major propositions are 'both economic and sociological and carry the same meaning on both planes' (Swedberg *et al.*, 1987: 178; Schumpeter, 1975 [1942]: 45).

Further, Swedberg *et al.* (1987: 175) argue that following Marx, economic sociology 'sets out from real active men in their social surroundings'. While this is indeed Marx's starting point this does not imply an avoidance of abstraction. His starting point is not the abstract individual as in neoclassical economics and Granovetterian economic sociology, nor is it the inextricable tangle of concrete individuals. Rather, 'individuals producing in society – hence socially determined individuals – is, of course, the point of departure' (Marx, 1993 [1858]: 83). Thus the concrete is central, but not the 'chaotic concrete' as it first presents itself; rather it is the concrete that emerges through a 'rich totality of many determinations and relations' (Marx, 1993 [1858]: 101). In detailing his methodological introduction to the *Grundrisse*, Marx (1993 [1858]: 101) emphasizes the initial move away from the 'chaotic conception of the whole' towards a more abstract conceptualization of the relations between parts, which allows us to gradually reconstruct the concrete, now a product of successive layers of abstractions about the social world.

On this view, the individual owner in capitalist society is a proprietor of labour power or of capital and hence is necessarily already a social being. Individuals are always already located somewhere among the empty places available in a capitalist social order. As a result, an analysis of individuals in their socioeconomic lives under capitalism entails an analysis of the historically given social relations of capitalist production. This view takes the relation of capitalist private property as the juridical expression of a particular set of social relations that determine the mode in which individuals participate in socioeconomic life and divide the products of social labour.¹²

This approach stands apart from the liberal image of society, which abstracts the economic actor from the social relations of the particular society in which she exists. The view outlined above forms a powerful critique of the naturalistic and asocial view of individual rationality derived from a purely

deductive and axiomatic theory. This 'natural' and asocial individual is the neoclassical agent which economic sociology too frequently accepts as the standard from which to deviate. The study of social relationships as the study of the disequilibrating effect of society stands in strong contrast to the study of the social relations that fundamentally define and distinguish different societies. This is partly a result of the lifeless concept of social relationship that in itself does not implore analysts to examine historically specific social arrangements – the frequently deployed concept of friendship, for example, is an evidently transhistorical construct. Allowing the economic view to be 'basically right' in the analysis of early British capitalism opens the door for it being basically right today. It allows for the very kind of transhistorical and asocial analysis that sociology should avoid if it does not aim to be reducible to economics.

Further, the foundational social-structural question of who in a given society owns what, who works for whom, and on what terms, and who maintains rights over the social product is likely to be analytically prior to the questions of social relationships, dyadic or otherwise, emphasized in the new economic sociology.¹³ Thus, the manager of a giant supermarket chain and the owner of a small independent grocery store might have either an arm's-length tie or a close personal relationship, but their different relations to the means of production and their different socio-structural roles are likely to consistently affect their interests as well as the nature of their social relationship be it an arm's length tie or otherwise. Likewise an individual seller of labour-power and an individual proprietor of the means to employ labour might have a variety of possible types of social relationships with one another. They might be linked by weak ties through friendship networks; they also might have no links whatsoever. However, when these two individuals meet in the capitalist labour market, their very different social relations of production will likely structure the course of their dyadic social relationship. More importantly, their locations within capitalist social relations will generate certain conflicts of interest that shape their negotiations.

If we are concerned with the conflicts or compatibilities of interests around an array of market interactions, understanding underlying social relations will be more illuminating than understanding the network of social relationships. Any two business owners may collude or compete in the market, and yet their common positions with respect to the system of rights and powers over the use of relevant resources and control of output will shape shared antagonisms and provide opportunities for alliances. In all likelihood these common positions within a system of social relations are relevant to their posture on an array of political questions from the security of property to legislation around the minimum wage. In all these cases it is difficult to ignore how social relations will systematically affect the contours of any social relationships. More fundamentally, with respect to many problems they are likely to be causally prior to the details of a social relationship.

Swedberg *et al.* (1987: 170) have correctly claimed – as have others – that first and foremost Marx's *Capital* should be understood as a sociological study of the economy. However from the view of the new economic sociology, Marx's analysis of capitalism does not highlight embeddedness or sets of social relationships. It is an analysis of the distinct social relations of capitalism, but this emphatically allows for the abstraction away from concrete social relationships. Indeed one of the central points made by Marx is the theoretical importance of equal exchange under capitalism.¹⁴ That is, Marx employs the abstraction that people meet in the market as political equals, hence when exchange happens it is fundamentally fair; there are no power or information advantages that enable one to benefit at the expense of another. Of course Marx (1990 [1868]: 337) was aware of power in the realm of exchange – he called it 'profit-upon-alienation' – but this only explained how one person profits at the expense of another and does not explain the fundamental source of profits under capitalism once all equal and unequal relationships of exchange are aggregated.¹⁵ For this, Marx reveals the importance of abstracting away from dyadic social relationships of power and profit-upon-alienation in order to discover the source of profit inherent in capitalist social relations, and therefore underlying social antagonisms and interests.¹⁶ In doing so Marx is able to demonstrate the unique dynamism built into capitalism and also the distinctiveness of capitalism next to other historical social production relations.

The upshot of a Marxian perspective is sometimes a different set of research questions and other times a different approach to answering familiar questions. The Marxian tradition implores researchers to look below the noisy market floor to the structure of capitalist social relations. Looking into this 'hidden abode' sometimes probes into topics that either tend to be underexplored, as with the long-term trends in the aggregate rate of profit (Moseley, 1991; Duménil and Lévy, 1993; Mandel, 1995), or have no corresponding mainstream social scientific expression at all, like the concept of exploitation (Roemer, 1985; Wright, 2000; Sakamoto and Kim, 2010).¹⁷ But it can also generate fresh insight into well-treaded territory from wage inequality (Braverman, 1974; Botwinick, 1993; Leiman, 2010) to capitalist crisis (Brenner, 2006; Foster and Magdoff, 2009; Duménil and Lévy, 2011; Kliman, 2011).

To take an example of the latter, in understanding capitalist crises, a focus on social relationships might examine the degree to which financial markets were deregulated, allowing for various kinds of manipulative market relationships that expanded the bargaining power of particular financial actors or generated collusive in-group relationships. By contrast, taking seriously the analysis of the social relations of capitalism might direct attention to the underlying and long-term requirements for profitable returns to investment that, when unevenly satisfied, make market level shocks more likely and more destructive. This can play out in terms of the long-term declines in investment opportunities that place the growth of finance as one of a limited set of outlets

for a growing surplus (Foster and Magdoff, 2009). It might also focus on the unintended consequences of the pressures to remain profitable in the context of internationalized competition (Brenner, 2006). Analysis might turn on the ways that internally generated competitive pressures force capitalists to increasingly automate production, which in turn reduces the aggregate rate of profit and increases the risk of crisis (Kliman, 2011). Or, it might point broadly to the contradictions inherent in the new strategies of capitalists to extract surplus in the wake of the structural crisis of the 1970s (Duménil and Lévy, 2011).

Whatever the flaws of these studies, they avoid rooting the analysis of an economic crisis in the distortions of a financial market that, in the absence of the power of a handful of financial actors, could have continued along a path of smooth functioning indefinitely. Likewise, they emerge from a stylized arrangement of underlying interests linked to a uniquely capitalist configuration of social relations that highlight a set of questions that ordinarily remain obscure. While these various topics have traditionally been the restricted domain of political economy, it seems to me that economic sociology offers a natural home to the study of capitalist social relations. This is not to suggest that researchers ought to privilege analyses at the level of highly stylized problems in political economy. The concept of social relations is crucial to Marx's analysis of capitalism, but it would be wrong to suggest that the Marxian concept cannot be employed at lower levels of abstraction, and outside of the bounds of Marxian theory. We now turn to the currents of economic sociology that are rooted in insights consistent with this thinking.

Varieties of social relations

The approach taken in this paper places emphasis on historically unique sets of social relations and rules under capitalism that shape individuals' relations with the market. Yet it is the case that various strands of thought sometimes falling under the broad umbrella category of economic sociology do take seriously the project of scrutinizing the historically specific social relations that precede and define the nature of market processes. Below I highlight the commonality of these approaches with the Marxian view outlined above and point out the ways in which these particular tendencies are immune from the disequilibrium critique I make above.

The central project of the Marxian theory of capitalism is to provide specificity to the claim that capitalist social relations constitute a unique arrangement of ownership and control over key productive resources. Marxian discussions use the term 'mode of production' to analyse the ways in which individuals are located within a particular distribution of productive assets in society given a particular level of technological development. I believe that the emphasis on the historically unique configurations of individuals, firms, and states found in a variety of institutional approaches to the economy equally

takes seriously the problem of situating the market in a deeply social context. While these approaches do not operate at the same level of abstraction, they rely on models of social relations within a capitalist economy that do not reify the neoclassical separation of economic and social spheres, and hence do not fall into the disequilibrium trap.

Moreover, while these varieties of capitalist social relations play out at a lower level of abstraction than the Marxian analysis, they no less constitute systems of social relations that shapes an array of distinctive interests. The discussion of capitalist social relations in the Marxian tradition refers to a particular constellation of rights and powers over productive resources, and suggests a contrast space between capitalism, socialism, feudalism and so on. From this perspective there is no principled reason why the question of the rights and powers governing relations over land, labour, and capital cannot be understood at a lower level of abstraction, within so-called modes of production. This might define a contrast space including liberal capitalism, corporatist capitalism, social democratic capitalism, and so on (see for example, Esping-Andersen, 1990). These are social arrangements with distinct – if more limited in their distinction – distributions of the rights and powers over productive resources, and hence a distinctive set of interests.

The most well-known sociological literature in this camp is sometimes referred to as the ‘worlds’ or ‘varieties’ of capitalism (Streeck and Schmitter, 1985; Esping-Anderson, 1990; Streeck, 1992; Hall and Soskice, 2001; Crouch, 2005; Pontusson, 2005). For our purposes, the key insights are that (1) there are multiple configurations which the interaction of individuals, firms, and states can take to form different socioeconomic structures with differently aligned internal interests, (2) these configurations substantively redefine the arrangement of rights and powers governing productive resources, and (3) these configurations form different social relations that can be institutionally coherent, complementary, and stably reproducible for long historical stretches. This means that any given social policy, base of social power, or institutional component that appears as a distortionary force given the counterfactual of a purely economic sphere can now integrate into an institutional environment in a complementary manner given the counterfactual of this alternative equilibrium. Instead of regarding society as a deviation from the equilibrium obtaining in the economic sphere, this literature presumes the existence of multiple equilibria of integrated socioeconomic arrangements. There are a number of ways in which this alternate approach avoids the problems we present; very briefly we outline three instances.

Corporatist unionism

Within the context of a counterfactual defining a separate economic sphere, labour unions are almost always seen as a distortion of the efficient adjustment of wages. They make the process of hiring and firing sticky, they collect monopoly rents, and their overall effect is fewer jobs and lower wages for

non-union workers. From the perspective of institutional sociology, unions can genuinely transform the distribution of rights and powers over decision-making, wage-setting, and in some cases, the labour process. Further, against the distortion view, this literature points out that in the context of deeply rooted and interlocking corporatist institutions, high unionization can solve problems of inadequate demand, stabilize labour markets, and coordinate wage restraint as a solution to instabilities in markets (Schmitter and Lehmbruch, 1979; Streeck and Schmitter, 1985; Calmfors and Driffill, 1988; Soskice, 1990; Wright, 2000). Given an alternative equilibrium concept rooted in the particular mode in which individuals, firms, and states relate to one another, the growth of unionization operates not as a distortion to a natural economy, but as a one piece in an institutional puzzle that can improve the coherence of an interlocking socioeconomic system.

Internal labour markets

The literature on internal labour markets takes different flavours, however within the context of this essay it is easy to view firms with governance structures that allocate labour internally and are closed off from external labour markets as a distortion of underlying economic processes. In this interpretation, wage rigidity and insider-outsider effects block the efficient allocation of labour to their highest valued uses. Sociological analyses of this practice take on a different character (for a review of literature, see Althausen, 1989). One example comes from the post-war Japanese system of lifetime-employment, which fundamentally altered workers' and capitalists' rights around key social relations, namely the endowment of firing rights and the asymmetric relations of power they characterize (see Dore, 1993, 1997). While the adjustment of particular rights and powers in this fashion is sometimes described as the co-optation of labour, Streeck (1992) with the same justification sees it as the colonization of management. In either case, much of this literature points to the ways in which these social relations act as a force of equilibration, easing problems of skill-formation (since capitalists are not worried that workers will be lured away by other firms) and technical change (since workers are not worried that they will be replaced). As a result these intra-firm dynamics can contribute to the construction of broader organizational systems with distinctive ways of working, distinctive cultures, and thus distinctive interests (Crouch, 2005).

Effective supply and associational power

Rogers and Streeck (1994: 135) refer to 'effective supply' as the political interventions in the 'provision of the collective goods on which optimal productive flexibility depends'. For these authors, social provision requires the expanded power of a wide variety of 'secondary associations' from community associations and other civic associations to unions and employment associa-

tions (see also Cohen and Rogers, 1992, 1995; Fung, 2003). These are needed to represent interests, transmit information, monitor and enforce rules, and develop the trust and cooperation over a variety of social projects. Rogers and Streeck (1994: 138) see ‘high wages, low wage differentiation and democratic participation . . . as supply-side constraints as well as opportunities’. The point is to outline a distinct environment of rights and powers that excludes low-wage adjustment strategies, imposes egalitarian labour standards, facilitates skill formation and high investment in new products. Rogers and Streeck describe an environment in which worker and community participation is advanced as a genuine imposition on the property rights of capital that manages to improve overall capitalist performance. This discussion is the other side of the coin of classic Keynesian demand management, but in both cases, there is a view that a unique configuration of rights and powers over productive resources – sometimes called social democracy – can shunt economies onto a higher equilibrium path. In the economic vision, expanding the power and the governance function of various secondary associations undermines the optimization of markets; empowering the “mischiefs of faction” can only impair the equilibration process.¹⁸ In this sociological vision it plays a central role in resolving problems of governance and contributing to the effective performance of democratic capitalism. Finally, it genuinely reshapes the configuration of different interests within the context of capitalism. For example, among other things, Wright’s (2000) ‘reverse-J curve’ is precisely a claim about the variability of capitalists’ interests at different levels of working class associational power.

These examples are not meant to be exhaustive or even true. On the latter question it may be the case that in a period of intensified global competition some aspects of this literature increasingly appear dated and even quaint. It may have captured an important historical dynamic that then ran its course. Indeed Wright (2000) acknowledges that the mechanisms he specifies underlying, say, the beneficial effects on capitalism of strong centralized unions need to be qualified in the face of heightened global capitalist competition. Likewise, Streeck’s (2011, 2014) recent work stresses the near uniformity of the crises faced by ‘democratic capitalism’ as a whole rather than its uneven effects across the variety of capitalisms. That particular social relations may be less relevant than they once were – or, that they require updated global variations – does not negate the general theoretical insight.

Rather, the approach is important in that it reveals the degree to which certain strands of economic sociology can avoid the critique we have elaborated.¹⁹ They avoid reifying the separation between economic and social spheres because the fundamental concerns focus on the social relations specifying the structure of rights and powers around the deployment of land, labour, and capital. From the perspective taken here it is useful to understand them as social relations rather social relationships for precisely this reason; they detail an interlocking social system, not an isolated tie of friendship, love, or collusion. This is why they cannot be conceived of as distortionary. It is true that they are more concrete than Marxian discussions of the mode of produc-

tion, and that is altogether appropriate, as their questions require answers at lower levels of abstraction. Still, they provide uniquely sociological analyses where inbuilt premises point not to the ways in which social relationships interfere in economic processes, but rather to the ways in which markets map onto the social relations that constitute a framework of ownership, control and decision-making powers.

While it is possible to imagine an economic sociology that is not built upon an asocial market construct, we have pointed to the theoretical ramifications emerging from the currents that do accept those foundations. We conclude by considering the basic philosophical suppositions underlying this tendency.

The primacy of social relations

The reason the “social relationship” concept prevails in economics and economic sociology is due to an underlying liberal model of society. This view conceptualizes the market as asocial. Behind the asocial market is the notion of the discrete individual with given and prior wants that then forms the core of all initiative.²⁰ The economy in this view is simply a set of institutions to accommodate a set of predetermined wants, which are themselves not subject to analysis. Levine, in summarizing this view notes that,

those who judge the idea of the separateness of the economy to be an inaccurate depiction of how the market works run the risk of missing the point. Even if the market is not (in fact) separate, perhaps it ought to be. Failure to separate the economy allows institutions to enter into determining what wants get satisfied (e.g., when the state makes decisions about production and distribution). Given liberal assumptions, this implies that wants will be less well satisfied than they might be. But not only may wants be less well satisfied, the intrusion of institutions will likely undermine the freedom of persons to act in their own interests and determine themselves in the world (Levine, 1989: 35).

On this view social and political institutions should be separated from economic ones because the market realizes individual wants by reaching, in equilibrium, an optimal allocation of resources through the process of exchange. Market exchange is nothing more than an elaboration upon the story of the isolated individual attempting to satisfy wants and maximize utility. Adding new agents to this story and thereby allowing for voluntary exchange does not alter the initial problem of a lone maximizing agent – instead, market exchange is simply the means by which preferences are realized (see Clarke, 1991: 197–8). As a result, the equilibrium prices produced in a market reflect the private desires and preferences of the various agents in the system. The image of the market as an extension and fulfilment of individual wants is why economics and economic sociology can view the market as neutral and asocial.

The economy simply facilitates the achievement of given wants, all without any reference to underlying historico-social circumstances.

Once the underlying liberal vision is accepted, social relationships between market actors – say, of power and advantage or friendship and collusion – work to undermine the efficient realization of human wants in aggregate. This is the disequilibration effect. All else equal, this effect quantifies the obstruction of particular needs and desires.

The social relationship concept fits comfortably with the notion of a fundamentally distinct economy rooted in the givenness of human wants. Once we begin to consider the social relations of capitalist production the notion of separating structures and institutions from wants is no longer viable. Here social relations define wants, including the central drive toward capital accumulation. The continual drive toward capital accumulation – and with it the drive toward the ‘constant revolutionizing of production’ (Marx and Engels, 1970 [1848]: 83) – only makes sense and is only central given the historically unique social relations of capitalism. Not only are these interests social in the broadest sense, but they also shape and limit the variety of specific institutional forms. Still, at a lower level of abstraction, the social relations defining, say, an institutional analysis of associational power can ‘shape beliefs, preferences, self-understandings, and habits of thought and action’ in a manner that should neither be understood as simple reflections of structural variables nor deviations from some innate and pre-social psychology (Cohen and Rogers, 1992). That is, the view taken here is that – whether or not they continue to accurately interpret contemporary capitalism – like Marxian analyses, a good amount of institutional analysis can provide meso-level analyses of the unique configuration of rights and powers over productive resources. Thus, both levels of abstraction present social rules and relations that govern the meaning of the market, and the interests underlying exchange, but do not distort a pre-set and asocial meaning.

As capitalist markets progressively expand to new domains, the embeddedness view and the analysis of the new economic sociology is progressively put out of business, as the embeddedness variable only diminishes with the slow decline of personal, traditional and nonmarket relationships. By contrast, the view alluded to by Krippner (2002: 785), that the market is ‘social in the broader sense of the term’ ought to lead sociological analysis of the economy to take seriously the fruitful domain of political economy, where the primacy of social relations drives research to bring the underlying structural relations of capitalist production into relief. This is not to recommend that all analysis operates at the highest levels of abstraction; the analytical primacy of different levels of analysis and competing explanatory variables must be determined by the problem at hand rather than *a priori* theoretical commitments. However, following Pontusson (1995), I believe that even the sociological study of socioeconomic institutions ought to be broad enough to consider the ways in which those meso-level variables are shaped and constrained by the social relations of capitalism.

Much sociological analysis of economic life struggles with a basic existential question: should economic sociology operate as a supplement to mainstream economic theory, or is it in competition with economics over understanding foundational issues from the market and employment to crisis and structural change? Though I do not believe that the bounds of 'legitimate' economic sociology ought to be tightly governed by a set of axioms from which it must proceed, as in neoclassical economics, I do believe it ought to encourage attempts to provide alternate accounts for phenomena typically classified as economic activity. Likewise, it ought to point to new kinds of questions obscured by economic analyses. In my judgement, a renewed economic sociology must be informed by an analysis of the underlying social configurations of rights and powers over productive resources. This view places the social at the very centre of analysis rather than relegating it to the marginal role of distortionary adjunct to economic models.

University of Wisconsin-Madison

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Notes

- 1 Polanyi tends to argue that only precapitalist, and not capitalist economies, can be understood as embedded. While Granovetter argues that all economies are embedded, the position he takes of viewing precapitalist economies as strongly embedded and capitalist economies as weakly embedded (Granovetter, 1992: 27–9) bears a strong resemblance to Polanyi's formulation.
- 2 While this problem is inherent in the embeddedness paradigm itself, it has likely been exacerbated by the proliferation of network methodology studies, which tend to reify the concept of atomistic and often dyadic social ties.
- 3 Though it is true that the neoclassical vision will generally view 'intervention' from political and social spheres as an impairment to the efficiency of the market mechanism, there have been some unconventional views within neoclassical economics on this subject. Stigler (1982) has in fact argued that if we include attributes such as political influence in an individual's bundle of resources, government intervention need no longer be seen as a distortion. Rather it becomes an outcome of an endogenous political-social-economic process that simply reflects the multifaceted kinds of wealth endowed in different decision-makers.
- 4 Stigler (1987), outlining the early contributions to the neoclassical theory of 'perfect competition', has boiled down some of its central assumptions. The 'Cournot condition', of an indefinitely large number of participants on both sides of the market, renders each individual agent's actions insignificant and allows agents to 'take' prices as data that is given. The 'Jevonian condition', which requires that each separate agent can freely contract (and recontract when more favourable contracts are possible), sets out the assumption of perfect knowledge. Beyond

these two early assumptions, John Bates Clark first emphasized the important requirement of the mobility of labour and capital so to equalize returns and maintain the 'law of one price' for a good in different geographic locations (Stigler, 1987: 534).

- 5 It is probably impossible to underestimate importance of equilibrium and the problem of disequilibrium in the history of neoclassical economics. By way of the first fundamental theorem of welfare economics, economists point out that competitive equilibria lead to Pareto efficient allocations. Disequilibrium outcomes imply that we cannot describe markets as Pareto efficient and hence cannot hold that voluntary transactions in markets optimize gains to individual participants. Unlike nineteenth-century concepts of equilibrium as a diachronic tendency, twentieth-century representations of equilibrium, most notably the Arrow-Debreu model, tend to be timeless visions of general market optimization, 'scandalously unrepresentative of any recognizable economic system' (Blaug, 2002: 37). In this context one can speculate, for example, on why Akerlof's (1970) paper 'The market for "lemons"' was turned down three times before being published. Akerlof himself has suggested that journal editors 'were afraid that if "information" was brought into economics, it would lose all rigor, since in that case almost anything could be said – there being so many ways that information can affect an equilibrium' (Gans and Shepherd, 1994: 171).
- 6 Replicating Stigler's economic implications, in a review of the empirical literature on earnings inequality, Morris and Western (1999: 650) argue that while 'the causes and consequences of the changes in earnings are still largely unresolved . . . [m]any of the unresolved issues concern the role of nonmarket forces in shaping and filtering the impact of supply and demand'. The authors consider the relationship between economics and sociology, noting that '[e]mpirical labor markets provide only weak approximations to the competitive models of economic theory. Also Morris and Western (1999: 650) There is a rich institutional context to inequality' which 'suggests a distinctively sociological perspective'. Without denigrating institutional analysis, implicit in the view above is that economics can explain the general trend, and sociologists come in afterwards to explain the deviation.
- 7 Another early contribution that straightforwardly accepted the role of economic sociology as disequilibrium analysis is Sewell and Hauser's (1975) *Education, Occupation and Earnings*. Here, the social sphere is specified as a distortion from a model characterized, essentially, by neoclassical assumptions. Conceptually, various ascriptive factors, such as race, sex and ethnicity operate as deviations from a pure model of equilibrium given actors with equal opportunities. Not unlike human capital models, these distortions often reflect non-economic forms of discrimination. Hence, starting with the equality that results from an equilibrium achievement model and equal opportunity, one can explain the inequality rooted in ascriptive factors generating disequilibrium.
- 8 In the sixth section I highlight the circumstances under which this research can be incorporated as a part of a broader framework that challenges basic neoclassical thinking.
- 9 I would speculate that part of the reason that behavioural economics has gained popularity in economic sociology is because it often straightforwardly shows how moral and 'sociological' attributes of agents generate outcomes which undermine the conclusions of the standard economic model. For example, Kahneman *et al.* (1986a, 1986b) argue that the inclusion of fairness and loyalty can generate various non-clearing markets.
- 10 Though I use the term disequilibrium throughout this paper, we can also frame the problem as one of imperfect competition where the equilibria reached are non-optimal. To rule out that issue, rather than using the word equilibrium it would be more accurate to consistently use the term competitive equilibrium.
- 11 Krippner's (2011: 19) book provides an indispensable empirical account of financialization. Yet, it seems to me that the underlying scepticism of a strong theoretical grounding explains, in part, why the book remains agnostic on central aspects of the story of financialization; namely, the explanation for the stagnation of growth that set in motion the social, fiscal and legitimization crises that sparked the turn to finance. This contrasts, for example, with Kliman's (2011) account of the long-term causes of the financial crisis, which, whatever its shortcomings,

- maintains a tight connection between concrete analysis and the underlying theoretical grounding which constrains its investigation. In fact, while both Krippner and Kliman see financialization as a process that deferred (but did not resolve) the consequences of fading prosperity, only Kliman, who offers an explanation of the initial conditions of the slowdown in the 1960s and 1970s, is in a position to provide theory-inspired hypotheses on the conditions underlying a potential return to high rates of profit.
- 12 See Clarke (1991) for a careful elaboration on this perspective.
 - 13 My analysis here is influenced by Lapavistas (2003), especially ch. 5.
 - 14 It is worth pointing to the social grounding of Marx's concept of equal exchange: when engaging in market exchange firms do not receive equivalent value for the particular and concrete labour under the particular and concrete conditions in which the commodity was formed. Rather, products take on the properties characteristic of what on average is required to produce commodities of that kind in that specific society at that specific time. This is the process of turning concrete labour marked by specific conditions and specific social relationships into 'abstract labour'; the abstraction of labour is 'not a ready-made prerequisite, but an emerging result' of the market (Marx, 1999 [1859]: 45). When one puts their particular good or service onto the market it merges into an 'all around dependence' with the output of others, which homogenizes what was once unique (Marx, 1993 [1858]: 157). Exchange then is a social process because it is the market that socializes otherwise disconnected products, proprietors and producers. Marx's analysis of exchange as a social process reveals how the concrete properties of objects of exchange come to be obliterated in their transformation to social objects.
 - 15 This is because once aggregated, the profit generated out of any power-ridden or otherwise unequal social relationship of exchange sums to zero as the gains of the swindler and the losses of the sucker cancel out.
 - 16 In *Anti-Duhring*, Engels (1894) formed a very similar critique of the German political economist Eugen Duhring's 'force theory', which stressed the monopolies and unequal bargaining power of particular actors in the market. For Duhring, the market-based power imbalances between parties were the key to understanding the source of profit, where, say, a buyer cheats a seller. If on average we abstract away from unequal exchanges then we must link the source of profit, and the interests around it, to structural positions. Indeed, according to Dobb (1973: 147), Marx's central theoretical problem was 'to reconcile the existence of surplus value with the reign of market competition and of exchange of value equivalents'.
 - 17 For a wider conception of 'hidden abode' of production, see Böhm and Land (2012).
 - 18 Cohen and Rogers (1995) trace this phrase to James Madison.
 - 19 To be sure, analyses that simply focus on 'institutions' do not necessarily elude the disequilibrium problem; institutions might be integrated into social system of rights and powers over productive resources, but theorists can just as easily drop them into a neoclassical economic model.
 - 20 For an excellent discussion of the liberal conception of society, see Levine (2001).

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