

# SOCIOLOGY 355

## ECONOMIC SOCIOLOGY

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**MW: 3:10-4:30, Library 203**  
**Office Hours: TBA**

**Course Description:** This is a rigorous course on the sociology of markets and economic activity in capitalist societies. Its core problem is to understand how rational, economic activities are facilitated, modified or impeded by collective commitments, social relations and social institutions. We address how variation and change in the social structures of economic life are produced, and the consequences for cooperation, rationality, economic competition, justice, and economic development. Topics to be covered include the social, political and cultural construction of markets; the role of networks, institutions, and states in economic development; cooperative alternatives to for-profit corporations; cross national differences in capitalism; economic transitions in post socialist societies; globalization; and the shift from mass production economies to systems based on learning, innovation and flexibility.

The course comes in five parts. Part I broaches the problem of the relationships between social structure and the economy. Conventional wisdom and neo-classical economics commonly assume that there are fundamental incompatibilities or antagonisms between markets, profit-seeking and efficiency, on the one hand, and social relations, personal ties, or systems of social and moral regulation, on the other. Economic sociologists challenge and revise these understandings, opening up key agendas and questions for theory, research and public policy.

The rest of the course develops these agendas by analyzing the social structures of markets and market making. For much of the last century, economists, political scientists and sociologists took *markets and firms* or *contracts and corporations* as the twin pillars of economic modernity. In so doing, they effectively stripped economic actors and practices from their social context, and cast competitive markets, atomized individuals and autonomous corporations as the central engines of development and growth in capitalist economies. In contrast, economic sociologists go beyond these dichotomies to recontextualize economic activity and to consider the full range of social structures, organizational forms and institutions that shape, constrain, and enable economic behavior in capitalist societies. And, in moving beyond markets and firms, economic sociologists find that social relations, non-market institutions and organizational alternatives to for-profit firms contribute to development, efficiency, and growth in fundamental ways.

In Part II, we consider one of the most central ways in which economic sociologists recontextualize economic activity and analyze the social structures of markets—as a system of social relations or networks. Networks of interpersonal and inter-firm ties are ubiquitous in even the most competitive markets. Moreover, where traditional analyses

often dismiss networks and other forms of association or social embeddedness as “pre-modern” holdovers that impede progress and growth, economic sociologists, operating from different sensibilities, find that certain kinds of social relations and network structures can promote the trust, flexibility and capacities for both innovation and collective action that are necessary both for making key economic transitions and achieving economic success in today’s increasingly globalized capitalism.

Parts III through V shift attention from networks in markets to the social, political and cultural construction of markets. Markets are pivotal institutions of economic life. Yet their emergence, reproduction and development are typically either taken for granted or understood as a natural or inevitable outgrowth of individuals’ dispositions or utility maximizing behavior. Such presumptions and understandings are sociologically naïve, as they effectively bracket how markets, like other institutions, are products or accomplishments whose constituent elements and understandings, institutional foundations, agents, rules and day-to-day practices have to be articulated, assembled, defended, legitimated and routinized. As we shall see, this work is fundamentally collective, political and constitutive, and occurs at multiple levels, including the social construction of those calculative practices and economically rational individuals which conventional neo-classical accounts invoke as explanatory principles.

In part III, we examine how *institutions, ranking or rating, status orders and classification schemes* organize markets, create distinctive kinds of order within markets, and more generally make stable and orderly exchange in markets possible. Markets are arenas for ranking, classification, observation, signaling and for the projection, evaluation, defense and revision of identities. In fact, even the most competitive sectors are rife with social structure. They are rife with regulatory schemes, ranking systems, rules, audiences, critical communities, and classification schemes, with some participants specializing in judging and ranking others, other participants being particularly constrained by classifications and their position in the status order, and still others being able to exploit their positions to revise, combine and challenge, established categories and identities. Social structures not only foster order in markets. They also produce a politics of classification and ranking, while shaping who in markets will be best located to profit from investments in quality, innovate and more

In part IV, we take up the more general issue of making markets, tracing their origins and elaborations in institutional projects, collective action, state policy, and work by expert professions as part of their bids for jurisdiction and authority. We address both relatively conventional cultural, institutional and comparative political economy accounts of market creation, as well as more radical constructionist efforts to explain market emergence as performativity. In part V, we focus on increasingly important dimensions of the market making—where societies draw the lines between public and private, or between for-profit and not-for-profit realms, and how they mobilize different forms of organizations for providing key goods and services, including the “non-profit.” There is substantial variation in—and contestation over—the boundaries between spheres, the relations between states, for-profit firms, and non-profit providers, and the organizational forms economic enterprises take, with far reaching consequences for whether and how critical

goods and services are produced and made available to different groups in society. Here, too, “the social” pervades, shapes and constitutes “the economic” in fundamental ways. And here, too, recent developments, border crossing and breached boundaries raise questions about compatibilities, incompatibilities and antagonisms between spheres.

**Course Prerequisite:** Introduction to Sociology (Sociology 211) plus one upper division course in sociology is required for taking this class.

**Course Assignments:** This is a small, reading intensive, and intensely collaborative upper-division course designed to immerse you in theory and debate in this subfield. There will be no assigned research or term paper. Instead, students will complete two series of short assignments. For the first part of the semester, they will write seven, two-page (double spaced, 12 point, standard format) reading memos in order to engage the materials deeply and prepare for conference. Memos will address particular questions about the week’s readings, which I will provide in advance. Students are required to bring two typed copies of their memos to class. We will often begin by exchanging and commenting on these memos. For the second part of the semesters, students will write four, two to three-pages project memo in which they explore the institutional, economic and regulatory character of the American financial system, and use concepts and analytical tools from class to explore some of the sources of the current, and deepening financial crises. Issues considered here will include securitization, the regulation and rating of securities and investment transactions, and the roles of and relations between public, private, quasi-public and non-profit organizations. *Nota bene:* I *only* accept hard copies, not email, unless otherwise explicitly arranged, as I am neither an email server nor a print shop. And late memos will *not* be accepted.

**Readings:** The following *books* are required and are available at the Reed College bookstore. Yes, some are expensive, but there are important books, and the handbook in particular will be something you might use for years. Additional readings listed below are available on reserve, as pdfs from me, through JSTOR, or via the AJS website

Frumkin, Peter. 2002. *On Being Nonprofit: A Conceptual and Policy Primer*. Cambridge: Harvard University Press.

MacKenzie, Donald. 2006. *An Engine, not a Camera. How Financial Models Shape Markets*. Cambridge: MIT Press.

McDermott, Gerald. 2003. *Embedded Politics: Industrial Networks, and Institutional Change in Postcommunism*. Ann Arbor: University of Michigan Press.

Powell, Walter W. and Richard Steinberg. 2006. *The Nonprofit Sector: A Research Handbook, Second Edition*. New Haven: Yale University Press.

Zelizer, Viviana. 2007. *The Purchase of Intimacy*. Princeton: Princeton University Press.

## **READING ASSIGNMENTS**

### **PART I: RETHINKING THE RELATIONS BETWEEN “ECONOMIC” AND “THE SOCIAL”**

**Week 1:** (September 3)

*Posing the Problem*

**Week 2:** (September 8, 10)

*Economy and society reconsidered*

Viviana Zelizer. 2006. *The Purchase of Intimacy*. Prologue, chapters 1-4 for Monday. Chapters 5-6 for Wednesday.

**Reading memo 1:** Due Monday, September 8<sup>th</sup> in class.

### **PART II: NETWORKS AND THE SOCIAL STRUCTURES OF MARKETS**

**Week 3:** (September 15, 17)

*Embeddedness, Networks and Economic Performance*

Walter Powell, Kenneth Koput and Laurel Smith Doerr. 1996. Interorganizational Collaboration and the Locus of Innovation: Networks of Learning in Biotechnology.” *Administrative Science Quarterly* 41: 116-45. (JSTOR).

Brian Uzzi. 1996. “The Sources and Consequences of Embeddedness for the Economic Performance of Organizations: The Network Effect.” *American Sociological Review*. 61: 674-98. (JSTOR)

Brian Uzzi and Jarrett Spiro. 2005. “Collaboration and Creativity: The Small World Problem.” *American Journal of Sociology* 111: 447-504.

**Reading memo 2:** Due Monday, September 15<sup>th</sup> in class.

**Week 4:** (September 22, 24)

*Networks, the Corporation, and the Decline of Fordist Mass Production*

Oliver Williamson. 1981. “The Economics of Organization: The Transaction Cost Approach.” *American Journal of Sociology* 87: (JSTOR)

Alfred Chandler. 1980. "The United States: Seedbed of Managerial Capitalism." Pp. 9-40 in *Managerial Hierarchies*, edited by Alfred Chandler and Herman Deams. Cambridge: Harvard University Press.

Josh Whitford. 2005. *The New Old Economy: Networks, Institutions and the Organizational Transformation of American Manufacturing*. Oxford: Oxford University Press. Introduction, Intro to Part I, Chapter 1 and 3 for Monday; Chapters 4-6 for Wednesday.

**Reading memo 3:** Due Monday, September 22<sup>th</sup> in class.

**Week 5:** (September 29, October 1)

*Network systems, communities and economic transitions*

Gerald McDermott. 2003. *Embedded Politics*. Chapters 1, 3-5.

Sean Safford. Forthcoming 2009. *Why the Garden Club Couldn't Save Youngstown: Social Networks and the Transformation of the Rust Belt*. Cambridge: Harvard University Press. Chapters 1 and 5.

**Reading memo 4:** Due Monday, September 29<sup>th</sup> in class.

**PART III**  
**MAKING MARKETS, MARKET ORDERS:**  
**INSTITUTIONS, REGULATION, RANKING, CLASSIFICATION**

**Week 6:** (October 8)

*Institutions, Regulation, Self-Interest*

Mitchel Abolafia. 1996. *Making Markets: Opportunism and Restraint on Wall Street*. Cambridge: Harvard University Press. Chapters 1-4

**Reading memo 5:** Due Wednesday, October 8 in class

**Week 7:** (October 13, 15)

*Institutions, Regulation, Self-Interest, cont'd*

Mitchel Abolafia, *Making Markets*. Chapters 5-8.

**Reading memo 6:** Due Monday, October 13 in class

*Classifications, Ranking and Conformity I*

Wendy Espeland and Machael Sauder. 2007. "Rankings and Reactivity: How Public Measures Recreate Social Worlds." *American Journal of Sociology* 113: 1-40.

**Fall Break:** October 18-26

**Week 8:** (October 27, 29)

*Classifications, Ranking and Conformity II*

Benjamin, Beth and Joel Podolny. 1999. "Status, Quality and Social Order in the California Wine Industry." *Administrative Science Quarterly* 44: 563-89.

Joel Podolny. 2001. "Networks as Pipes and Prisms of the Market." *American Journal of Sociology* 1: 33-60

Joseph F. Porac, James B. Wade and Timothy G. Pollock. 1999. "Industry Categories and the Politics of the Comparable Firm in CEO Compensation" *Administrative Science Quarterly*, 44: 112-144

Ezra W. Zuckerman. 1999. The Categorical Imperative: Securities Analysts and the Illegitimacy Discount. *American Journal of Sociology* 104: 1398-438 (JSTOR)

**Reading memo 7:** Due Monday, October 27<sup>th</sup> in class.

**Week 9:** (November 3)

*Classifications, Ranking and Conformity III*

Ezra Zuckerman and Damon Philips. 2001. "Middle Status Conformity: Theoretical Restatement and Empirical Demonstration in Two Markets." *American Journal of Sociology*. 107: 379-429.

Ezra Zukerman, Tai Young Kim, Kalinda Ukanwa, James Von Rittman. 2003. "Robust Identities or Non-Entities? Typecasting in the Feature-Film Labor Market." *American Journal of Sociology* 108: 1018-74

Hayagreeva Rao, Phillpe Monin and Rodolphe Durand. 2003. "Institutional Change in Toque Ville: Nouvelle Cuisine as an Identity Movement in French Gastronomy." *American Journal of Sociology* 108: 793-843.

**PART IV:  
MAKING MARKETS, MARKET BUILDING  
POLITICS, INSTITUTIONAL PROJECTS, PERFORMATIVITY**

**Week 9:** (November 5)

*Market Making as Institutional Projects and Social Movements I*

Neil Fligstein and Iona Mara Dritra. 1996. "How to Make a Market: Reflections on the Attempt to Create a Single Market in the European Union." *American Journal of Sociology*. Vol. 102, pp. 1-33. (JSTOR).

Mark Granovetter and Patrick McGuire. 1998. "The Making of an Industry: Electricity in the United States." Pp. 147-74 in Michel Callon, eds. *The Laws of the Market*. Oxford: Blackwell. (Book on reserve)

**Week 10:** (November 10, 12)

*Market Making as Institutional Projects and Social Movements II*

Marion Fourcade-Gourinchas and Sarah Babb. 2002. "The Rebirth of the Liberal Creed: Paths to Neoliberalism in Four Countries." *American Journal of Sociology*. 107: 533-79.

Terance Halliday and Bruce Carruthers. 2007. "The Recursivity of Law: Global Norm Making and national Law-Making in the Globalization of Corporate Insolvency Regimes." *American Journal of Sociology* 112: 1135-1202.

Marc Schneiberg. 2007. "What's on the Path? Path Dependence, Organizational Diversity and the Problem of Institutional Change in the US Economy, 1900-1950." *Socio-Economic Review* 5: 47-80.

Lounsbury, Michael, Marc Ventresca and Paul Hirsh. 2003. "Social Movements, Field Frames and Industry Emergence: A Cultural-Political Perspective on US Recycling." *Socio-Economic Review* 1:71-104

**Week 11:** (November 17, 19)

*Market Making and Performativity*

Donald MacKenzie. 2006. *An Engine, not a Camera. How Financial Models Shape Markets*. Cambridge: MIT Press.

**PART V:  
MAKING MARKETS, MARKET BOUNDARIES AND FORMS  
PRIVATE, PUBLIC, TO PROFIT OR NOT-TO PROFIT?**

**Week 12:** (November 24, 26)

*State, market, non-profit? Economic Theories of Boundaries and Forms*

Peter Frumkin. 2002. *On Being Nonprofit*. Chapter 1, 3

From *The Non-profit Sector, A Research Handbook, Second Edition*

Richard Steinberg. "Economic Theories of Nonprofit Organizations." Pp. 118-139

**Week 13:** (December 1, 3)

*Beyond Service Provision, Beyond Economic Theories of Boundaries*

From *The Non-profit Sector, A Research Handbook, Second Edition*

Steven Smith and Kristen Gronbjerg, "Scope and Theory of Government-Non-profit Relations." Pp. 221-214.

Elizabeth Clemens, "The Constitution of Citizens: Political Theories of Nonprofit Organizations." Pp. 207-220.

*Remixing "social" and "economic"*

Peter Frumkin, *On Being Nonprofit*, Chapters 2, 4, 5

**Week 14** (December 8, 10)

*Blurring Boundaries, Market versus the Social Revisited: Commercialization? Revitalization? Corruption?*

Peter Frumkin, *On Being Nonprofit*, chapter 6.

From *The Non-profit Sector, A Research Handbook, Second Edition*

Joe Galaskiewicz and Michelle Colman, "Collaboration between Corporations and Non-profit Organizations." Pp. 180-204

Debra Minkoff and Walter Powell, "Nonprofit Mission: Constancy, Responsiveness, or Deflection?" Pp. 591-611.

Howard Tuckman and Cyril Chang, "Commercial Activity, Technological Change and Nonprofit Mission." Pp. 629-44

Marc Schneiberg, Adam Goldstein et al. 2008. "Embracing Market Liberalism? Community Embeddedness, Associationalism, and Mutual Savings and Loan Conversions to Stock Corporations." Unpublished manuscript