11 Markets in Society

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COMPARED to economic theory, economic sociology has a very short tradition of studying the market, and one that is considerably less known.[1] A small number of attempts have been made to construct a theory of markets—by Max Weber, Harrison White, Neil Fligstein, Pierre Bourdieu, and a few others—and these have neither been fully explored nor very much discussed by economic sociologists themselves. Much work remains to be done before a reasonably complete theory has come into being. In this chapter I will try to pull the different pieces together and add some ideas about the role of interests in markets.

One strength of economic sociology in the analysis of markets is that sociologists are skillful at uncovering the social structure of a phenomenon. As I will discuss later in this chapter, sociologists have suggested new ways of conceptualizing how markets operate in social terms. But as the work on a sociological theory of markets has advanced, new problems have emerged. This is especially true for the attempt to view the market *exclusively* in social terms ("markets as social structures"). While it is possible to find references in this type of analysis to resources and profits, not enough attention is paid to them. The key role of interests more generally in the functioning of markets is rarely discussed or theorized by sociologists.

While it represents a serious error not to deal with interests in the sociological analysis of markets, including them can be done in different ways. My own suggestion is that the following five propositions are helpful in developing a sociology of markets.

- The market's unique strength is that actors use it *voluntarily,* and they do so because it offers both parties the possibility of getting something better than what they had before the exchange.
- An actor's degree of interest in a market depends on her degree of dependence on it.
- The kind of interest that an actor has in the market depends largely on whether she defines this interest as economic, as political, and so on.
- Economic power represents the likelihood that an actor can make other actors *voluntarily* devote their energies to some task, through the offer of money (in contrast to other forms of power that operate by authority or *coercion*).
- The interest that political actors have in a market depends on the amount of resources that pass through it and how dependent society as a whole is on the market.

The usefulness of these propositions in illuminating how markets operate will be shown in the next section, which presents important types of markets that can be found throughout history. This is followed by a presentation and discussion of attempts by sociologists to construct a theory of markets. Conclusions as well as some remarks on the role of money and prices, from the perspective of a sociology of markets, can be found in the last part of the chapter. Readers interested in a detailed account of the analysis of markets in economic theory, from Adam Smith till the twentieth century, are referred to the chapter on markets in the first edition of the *Handbook.*[2]

THE STARTING POINT: REAL MARKETS IN HISTORY

At this point in its attempt to develop a theory of markets, economic sociology should as I see it, take concrete markets as its point of departure—how they work in real life and what their consequences are, for the economy as well as society at large. This is not the only way to proceed, but it will help break with the artificiality that characterizes the concept of the market in economic theory as well as in social science discourse in general. It should also inspire novel conceptualizations of markets, which are precisely what is needed today. Much of the relevant material for these efforts will naturally come from historians, who have produced a huge number of studies on markets. A much-recommended introduction to this historical

material can be found in volume 2 of Fernand Braudel's giant work *Civilization and Capitalism, Fifteenth–Eighteenth Century* ([1979] 1985), one of very few attempts to write a history of markets and survey the existing literature.

In what follows I present general types of markets from different historical periods in order to indicate what issues, in my view, a sociology of markets should work with. I start with markets at the dawn of history and then move on to markets for merchants, national markets, and so on. In each case, I try to show how different interests have been involved in different social configurations—and how these variations have resulted in markets that operate in very different ways and have a very different impact on society at large.

External Markets

Trade goes far back in human history, though it is impossible to set a date for its original appearance (Weber [1923] 1981; Curtin 1984; Clarke 1987). People engaged in trade early in human history because resources, such as salt, minerals, and obsidian (black volcanic glass that is ideal for making tools with sharp edges), are unevenly distributed in nature. Communities that live on an ecological boundary have tended to trade with one another, say a nomadic tribe in a desert trading with a sedentary tribe living in an adjacent area. This early trade was clearly local, not conducted across long distances.

According to Weber, the earliest type of market also had a very distinct sociological structure. "In the beginning commerce is an affair between ethnic groups; it does not take place between members of the same tribe or of the same community but is in the oldest social communities an external phenomenon, being directed only toward foreign tribes" ([1923] 1981, 195). The fact that trade could only be entered into with persons other than those from one's own local community in these "external markets" (as I shall call them) is highly significant from a sociological point of view:

> We find everywhere a primitive, strictly integrated internal economy such that there is no question of any freedom of economic action between members of the same tribe or clan, associated with absolute freedom of trade externally. Internal and external [economic] ethics are distinguished, and in connection with the latter there is complete ruthlessness in financial procedure. (Weber [1923] 1981, 312–13)

The level of trust in these earliest markets may have been low, but it is also possible that stable norms for the conduct of exchange did develop; we simply do not know (cf. Simmel [1907] 1978, 94–97; Benet [1957] 1971). The earliest form of trade was barter; it took some time before money came into being and was used as payment to people living *outside* of one's own community ("external money" as opposed to "internal money"; cf. Weber [1923] 1981, 237–39).

With respect to interests, it is likely that the value of the items exchanged in external markets was fairly insignificant and that society did not depend on this type of trade, either for survival or for the generation of wealth. No group devoted itself exclusively to trade, and trade was primarily engaged in because of use value, not profit. As specialization grew, however, so did trade. Longer distances were covered and the range of traded objects increased. Certain tribes began to specialize in trade; riches were made; and groups of merchants began to emerge. As markets grew in wealth, they also began to attract the interest of political rulers. For a long time to come, however, rulers would show disdain for the economic ethic of the merchants and find violence a much more honorable means to acquire wealth than haggling in the market.

Internal Markets

As an example of the internal market I will use the Athenian agora, one of the best-researched markets in antiquity (e.g. Thompson and Wycherley 1972; Camp 1986). This market illustrates a more general point, namely that markets soon came to acquire a complex social structure and needed political as well as legal regulation. Internal markets, as opposed to external markets, are first and foremost characterized by the fact that they are situated inside the community. Another defining feature is that community members trade with one another, not only with foreigners. This represents an important change in the economic ethic, even if fixed prices (which mean that foreigners and members of the community are treated in the same way) were still far away. Money was also used, which facilitated trade and dramatically increased the scope of items that could be traded.

All Greek city-states had an agora, or a central public area where trade, politics, worshipping, and socializing took place. The agora is often called the living heart of the Greek city and essentially consisted of an open square, marked off from the rest of the city through boundary stones. Typical buildings included market booths, public build-

ings, and a stoa, that is, an open colonnade that could be used for different purposes. Temples and religious statues could be found all over the area. Some of the economic features of the agora come out in the following description of the Greek agora, by a British historian:

> Marketing "when the agora was full," i.e. in the morning, must have been a noisy and nerve-racking business, with much haggling. The fishmongers has a particularly bad reputation: according to the comic poets they used the Greek equivalent of "Billingsgate" [coarse language, so called after a famous fish market in London], glared at their customers like Gorgons, asked exorbitant prices with a take-it-or-leave-it air, and faked rotten fish. Most cities had officials called *agoranomoi* to exercise control and ensure fair dealing. Athens had, in addition, corn-inspectors for a particularly vital trade and inspectors of weights and measures. We read in inscriptions of the agoranomoi seeing that agora and streets are kept clean and tidy and watching relations between employers and employed. (Wycherley 1976, 66)

Archaelogical evidence supplies a picture of the Athenian agora around 400 B.C. (see, e.g., Camp 1986, 89). Commercial activities took place all over the agora, in the temporary booths, at the tables (where money changers and bankers could be found), and in the shops. The South Stoa at the southern boundary appears to have been a commercial center. Next to it was the mint, where the bronze coins of the city were produced. The political authorities, it should be noted, checked the weights and the measures that were used in the market as well as the quality of the coins. Inscriptions also describe what happened if someone used false weights or coins of too low quality: the items were destroyed or confiscated. Crimes, including breaches of the market law, were handled by the many courts in the agora.

The Athenian agora did not only hold buildings that were directly or indirectly related to the economy. The Athenian senate, for example, and its executive committee used two of the buildings along the western boundary (the *bouleuterion* and *tholos*). At the center of the agora was an area for the spectators of various contests and similar amusements (the orchestra). In general the Athenians enjoyed going to the agora, the way people today take pleasure in going downtown or to a shopping mall. Of the religious statues and shrines in the agora, some were devoted to Hermes, the god of the market.

Even if the citizens of Athens to some extent depended on the market for their economic survival, they basically relied on farming. The impact of the market on the relations within the community was nonetheless visible, such as in the appearance of wealthy merchants and bankers testified to. The Athenian market also played an important role in financing the city-state and its foreign policy. The merchants and bankers had mainly made their money through trade, not through manufacture; and the predominant economic ideal was still the independent farm. The merchants and the haggling in the market were looked down on by many citizens, including Aristotle, whose hostility to moneymaking is well known. Hermes, according to Greek mythology, not only protected the market but was also the patron god of the thieves (e.g., Brown 1947).

Markets for Merchants (the European Fair)

Internal markets were local markets in the sense that they supplied people with items from their immediate surroundings. At a very early stage in history, however, long-distance trade appeared. The Athenian agora, for example, got much of its economic vitality from contacts with other markets in the Mediterranean. While the difference between local trade and long-distance trade may seem mainly to be one of geographic distance, their social structure was very different. Long-distance trade could be extremely profitable; hence the actors differed as well as the level of investment. Once the merchant left his community, the risk for attacks increased and special protection was needed. The interaction with foreign buyers and sellers typically took place in an area under foreign rule, which led to various complications. If the merchant decided to stay abroad, special living arrangements had to be made, which usually meant physical segregation from the native population. Markets for long-distance trade, in brief, were often organized as external markets.

One very special type of market that involved long-distance trade was the *fair*, which played a key role in Europe from the eleventh to the fourteenth centuries (e.g., Huvelin 1897; Verlinden 1963; Lopez 1976). The fair is often defined as a marketplace where merchants from a whole region met at periodic intervals. Weber specifies that "the first form of trade between merchant and merchant is met at the [European] fairs" ([1923] 1981, 220). The name *fair*, it can be added, comes from *feria*, meaning "feast" or "holiday," and is a reminder that the merchants were not the only

participants in this type of market; it was also open to common people. Fairs constituted huge and festive occasions: "fairs meant noise, tumult, music, popular rejoicing, the world turned upside down, disorder and sometimes disturbances" (Braudel [1979] 1985, 2:85).

Most of the European fairs were situated in the area between Italy and Flanders, and they exchanged goods from the south, including spices from Asia, against goods from the north, especially wool products from England and Flanders. The fairs, especially the ones in Champagne, were also extremely important money markets. A fair typically took place on the land of a feudal lord, in a specially designated area where stalls were erected and tents pitched. Fairs, in other words, are closer to external than to internal markets. The lord guaranteed the safe conduct of the merchants and typically provided an escort for them, once they arrived on his land with their merchandise. For this service a fee was charged, and fairs also presented many other opportunities for the lord to make money. He could mint new coins, grant the right to gamble, and give permission to trade without regard to the prohibition of usury. Inside the market area the international law of the merchants (the lex mercatoria, or law merchant) was valid, and the merchants also had their own court with elected judges. Many ordinary people came to the fairs to enjoy themselves, to drink, and to gamble. Order was upheld by special guards.

The bill of exchange was perfected at the fairs. Soon it could also be discounted and pass more easily from hand to hand. Bills of exchange, it should be emphasized, represented a form of credit especially tailored to the needs of merchants. Similarly, the lex mercatoria consisted of legal rules adopted to the needs of the merchants in their business (Berman 1983). Of special importance was the introduction of bona fides in the law merchant; that is, an item acquired in good faith could not be reclaimed by the original owner. It has often been noted that merchants lacked a coercive apparatus to enforce their legal decisions. To compensate, they screened merchants, allowing to participate only those in good standing. If someone broke the law, the judges' main recourse was to destroy the credibility of the merchant. In recent scholarship this is referred to as enforcing the rules of the market with "the reputation mechanism" (e.g. Milgrom, North, and Weingast 1990; cf. Barzel 2002).

The most important of all the fairs were the ones that took place from the twelfth to the fourteenth centuries in the province of Champagne. Here the merchants met in four small cities at six fairs that each lasted 50 days. By far the most important business was the trade in money and credit. While other fairs typically covered a region, the fairs in Champagne covered all of western Europe. Their importance in financial matters was enormous, and they essentially operated as a clearinghouse for much of Europe.

After the fourteenth century the fairs in Champagne and elsewhere started to decline, for a number of reasons. The expansion of trade in Europe made permanent markets necessary. The Italians had by now begun to sail straight to Flanders, and this made them less dependent on the inland fairs. The fairs in Champagne also were incorporated into the kingdom of France and became heavily taxed. Finally, a new type of market for merchants had emerged at the end of the Middle Ages, taking over some of the functions of the fair: the exchange (bourse). This institution differed on especially two points from the fair: it was continuous, and the merchants did not bring their goods to it, just samples.

The fair of the Middle Ages represents a much more powerful type of market than the internal or local market that we met in Athens. The reason for this difference does not have to do with the dependence of ordinary people on the goods that were traded at the fairs; common people still lived mainly from agriculture, and what was sold at the market were basically agricultural and artisanal products. Manufacture, which would revolutionize everyday life for ordinary people, had not yet become dominant. What gave the fairs a great deal of power was the concentration of money that came with the trade between merchants. By this time in Western history, merchants had established themselves as a distinct group with their own identity and also started to develop their own financial instruments and their own commercial law. The feudal lords were well aware of this economic power and tried to control and tap into it. One way to do so was by imposing taxes and fees on the fairs; another was to borrow money from merchants and bankers (e.g., Coser 1972). The constant need of the feudal lords to finance wars against their neighboors made them directly dependent on merchants and bankers.

National Markets

If one takes a quick look at the early history of markets, one may sense that there is a natural pro-

gression from small and simple markets to large and complex ones, and that the key to this development is to be found in the activities of the merchants. A version of this view can be found in *The Wealth of Nations,* where Adam Smith states that there exists "a certain propensity in human nature . . . to truck, barter, and exchange one thing for another" ([1776] 1976, 25). Another version of this view can be found in the works of some economists, who have argued that the development of markets is primarily due to economic causes, especially the activities of the merchants (e.g. Sombart 1902–27; Hicks 1969). To create national markets was, however, anything but automatic; it could only be done, as we soon shall see, with the help of political actors, especially the state (e.g. Braudel [1979] 1985, 1:277–385).

The development of huge markets faced enormous obstacles in Europe during the Middle Ages. Travel along roads and rivers required constant payment of tolls. In the 1400s there were, for example, more than 60 different customs along the Rhine (Heckscher [1931] 1994, 1:57). To participate in a city market, nonresidents also had to pay a fee. The city population forbade peasants to trade anywhere but inside the city, at prices advantageous to the city. Guilds closely controlled who was allowed to produce a large range of products. The only huge markets that existed during this period—the fairs—did not challenge this situation so much as adapt to it. They were not permanent, and they often took place in the countryside, far away from the cities.

One of the forces that helped to counter this fragmentation and bring about national markets were the mercantilist statesmen. The view that mercantilism was nothing but a fetter on the economy and blocked all economic development was popularized by Adam Smith in *The Wealth of Nations.* Historians, however, led by Gustav Schmoller, soon developed a different view. According to Schmoller, mercantilism is to be understood as the ruler's means to counter medieval localism and construct a modern state, including a national economy.

> What was at stake was the creation of real *political* economies as unified organisms, the center of which should be, not merely a state policy reaching out in all directions, but rather the living heartbeat of unified sentiment. Only he who thus conceives of mercantilism will understand it; in its innermost kernel it is nothing but state making—not state making in a narrow sense, but state making and national-economy making at the same time; state making in the modern sense, which creates out of the political community an economic community, and so gives it a heightened meaning. (Schmoller [1884] 1902, 50–51)

Today Schmoller's argument is more or less accepted by historians. Alexander Gerschenkron, for example, similarly notes in his critique of *A Theory of Economic History* (Hicks 1969) that the author exclusively addresses the role of the merchant in the creation of markets, ignoring the fact that "mercantilist statesmen from Colbert to Peter the Great were first of all the great unifiers . . . it was at least just as much the policies of the state as the activities of the merchants that laid the ground both for subsequent great spurts of industrial development (metaphorically described as revolutions) and for the advent of *laissez-faire* policies" (Gerschenkron 1971, 665).

The measures that mercantilist rulers carried out to combat medieval localism can be exemplified by the case of France (Schmoller [1884] 1902; Heckscher [1931] 1994). Louis XI (1461–1483) fought against local interests and tried to unify weights and measures in his kingdom. In the early 1500s freedom of trade in corn was introduced, and Richelieu tried to launch a large national market through various measures. It was during the administration of Colbert (1662–83), however, that a concerted effort was made to bring about a uniform market within France. Colbert developed efficient roads and canals; he reformed the river tolls; and, most importantly, in 1664 he eliminated the customs in about half of France.

But much more was needed to create national markets than could be accomplished by the mercantilist rulers themselves. Through the great political revolutions in the seventeenth and eighteenth centuries were introduced free trade as well as freedom of movement and settlement, which advanced the creation of national markets (Hintze [1929] 1975). In the United States the second revolution of 1787 and the Constitution helped to bring about a unified American market. Interstate trade, for example, was assigned to the jurisdiction of Congress, not to the individual states. The founders of the Constitution, many of whom were big landowners and merchants, also advanced markets in other ways. Otto Hintze concludes that "the great national markets . . . were brought about not only by economic developments but also by political actions intimately tied to the great revolutions in England, America, and France" ([1929] 1975, 442).

The establishment of true national markets would not be complete until much later, when means of communication such as the telegraph, the telephone, and the railroads, could tie together even the most distant localities. In the United States, for example, the modern national market came into being around the turn of the last century (Chandler 1977). Nonetheless, the foundations of the national markets were laid much earlier; and to understand the evolution of this type of market fully, it is essential to take political as well as economic interests into account. In the Middle Ages local interests in the cities had the upper hand and held the countryside in an iron grip. In Schmoller's words: "what . . . we have before our eyes in the Middle Ages are municipal and local economic centers whose whole economic life rests upon this—that the various local interests have, for the time, worked their way into agreement, that uniform feelings and ideas have risen out of common local interests, and that the town authorities stand forward to represent these feelings with a complete array of protective measures" ([1884] 1902, 11–12).

No economic power could break the local interests' hold on the economy; only political force could accomplish this. The successful activities of political powers in this situation does not, however, mean that the actions of the mercantilist state were invariably beneficial to the creation of the national market. Adam Smith has much to say on this point and notes, for example, that the bureaucratic mentality of Colbert made it impossible for him to conceive of a truly free market (Smith [1776] 1976, 663–64). Part of the mercantilist project was to create colonies, where independent economic development was effectively stifled since manufacture was allowed only in the home country.

Modern Mass Markets

The Industrial Revolution, which first occurred in England (circa 1760–1830), also initiated a new and crucial stage in the history of markets. The Industrial Revolution is conventionally defined in terms of what happened to production: a series of key inventions were made; the modern factory was introduced; and new types of fuel, especially fossil fuel, began to be used. All of these changes, however, occurred in a capitalist society, which means that the role of markets in the economy was dramatically changed. According to a famous statement by the historian who popularized the term *Industrial Revolution*, "the essence of the Industrial Revolution is the substitution of competition for the medieval regulations which had previously controlled the production and distribution of wealth" (Toynbee [1884] 1969, 58).

Another way of putting this would be to say that from now on markets began to encompass most of production and most of consumption. For this to be possible, not only new production and consumption markets had to be developed but also new financial markets and new markets in distribution. In addition, all of these markets had to be coordinated. The Industrial Revolution, according to Karl Polanyi in *The Great Transformation,* set off a development in which the traditional economy was replaced by a whole new type of economy:

> A market economy is an economic system controlled, regulated, and directed by markets alone; order in the production and distribution of goods is entrusted to this self-regulating mechanism. . . . Self-regulation implies that all production is for sale on the market and that all incomes derive from such sales. Accordingly, there are markets for all elements of industry, not only for goods (including services) but also for labor, land, and money. ([1944] 1957, 68–69)

Before the Industrial Revolution, markets were typically defined in terms of a specific place; a market took place in a clearly delineated area—say in a special square in a city or on a designated piece of land belonging to a lord. Now, however, markets were no longer confined to distinct areas but spread out geographically, a change reflected in the definitions of markets that we find in the nineteenth century. According to Cournot, for example, "it is well understood that by ***market*** economists mean, not a certain place where purchases and sales are carried on, but the entire territory of which the parts are so united by the relations of unrestricted commerce that prices there take the same level throughout, with ease and rapidity" (Cournot 1838 as cited in Marshall [1920] 1961, 1:325).

The "market economy" that now began to emerge was centered on the modern mass market. First of all there was the mass market in consumption, which soon was to provide the great majority of the population with what they needed in their everyday lives. There also existed mass markets in production, distribution, and finance. A prerequisite for the smooth functioning of all of these markets, Weber notes, was stability and order in society. Enormous amounts of capital were needed for this type of economy to operate, and the capitalists had to be able to count on a steady demand as well

as predictable behavior by the state and the legal system (Weber [1923] 1981, 161, 276–77).

At the center of this new system of markets was the modern consumer market, usually traced to England in the second half of the eighteenth century. Its full appearance, however, came roughly a century later, as part of what Douglass North has called "the second economic revolution" (1981, 171–86). The role of consumption in eighteenth-century England has been much debated in recent economic history (e.g. McKendrick 1982; Mokyr 1993; Brewer and Porter 1993). What has mainly been discussed, however, is whether the Industrial Revolution was primarily caused by consumption (demand) or by technological and related factors (supply). A growing amount of empirical material has become available through this debate, and it is today possible to say something about early mass consumption—what items were consumed, by which kind of people, and how these goods were distributed. Information about the financial side of this development—minor borrowing, credit, and the like—is considerably less known.

A common means of distribution during this period was via single stores—an institution that has its origin in eleventh-century cities (for the history of the store, see Braudel [1979] 1985, 2:60–75). By the eighteenth century the first shop windows of glass had been installed in London, to the amazement of foreign visitors, and a crude form of advertisement had come into being, which supplemented the information on shop signs and the traditional crying of goods. The two social groups that sustained the emerging mass market were the middle strata and the laboring poor; the rich preferred items made by hand and were in any case too few to matter in this context (e.g., Fine and Leopold 1990; Styles 1993). The laboring poor bought such items as cotton gowns, breeches, earthenware teapots, and watches. They also consumed an increasing amount of coal. The middle strata bought household items such as clothes, prints, cutlery, and window curtains. Ready-made clothing was marginal, and the great majority of clothes were still made by hand. The level of standardization was far from modern standards:

> In a purely numerical sense, none the less, there was in the eighteenth century a kind of mass market. Hundreds of thousands of humble consumers bought a wide range of goods from distant producers with some regularity. But caution needs to be exercised regarding the implications of a mass market in this limited sense for product design and particularly product differentiation. (Styles 1993, 540)

The first real mass markets came into being in the second half of the nineteenth century. This development took place more or less simultaneously in several countries, including the United States. The system of distribution also changed around this time, and new economic institutions to handle mass consumption emerged. Single stores, which were supplied by wholesalers, from now on increasingly had to compete with chain stores and department stores. It was during this time that Macy's was founded in New York and Bon Marché in Paris—two of the world's first department stores (Miller 1981). Advertising greatly advanced, and brand names began to appear for the first time (e.g. Schudson 1984, 147–77). The shipping of goods was much quicker than during the eighteenth century, mainly due to railroads and steamships. Customers started to travel quite far in order to shop, using trams and later automobiles. In the 1910s Henry Ford installed a moving assembly line in one of his Detroit factories; he also created the first truly standardized consumer item with the Model T automobile. Ready-to-wear clothing began to replace handmade clothing, a development set off by the invention of the sewing machine in the 1850s. Finally, science was increasingly used in production, leading to the creation of many new products.

A novel type of firm emerged around the turn of the last century—the so-called multidivisional firm—which had the administrative capacity to handle the production of enormous amounts of goods. In many cases these giant corporations also took care of the marketing of their goods since it was difficult to move huge amounts of merchandise through the existing system of distribution. According to the main historian of the multidivisional firm, Alfred Chandler, it was especially hard to market machines that had been produced for the mass market:

> The mass marketing of new machines that were mass produced through the fabricating and assembling of interchangeable parts required a greater investment in personnel to provide the specialized marketing services than in product-specific plant and equipment. The mass distribution of sewing machines for households and for the production of apparel; typewriters, cash registers, adding machines, mimeograph machines, and other office equipment; harvesters, reapers and other agricultural machines; and, after 1900, automobiles and the more complex electrical appliances

all called for demonstration, after-sales service, and consumer credit. As these machines had been only recently invented, few existing distributors had the necessary training and experience to provide the services, or the financial resources to provide extensive consumer credit. (Chandler 1984, 489–90)

Around 1900 modern mass markets had begun to dominate the economy in the United States. As part of this process, everyday life became increasingly dependent on the mass market. By 1790, for example, 80 percent of all clothing in the United States was made in the home, while a century later 90 percent was made outside the home (Boorstin 1974, 97–99). The number of people getting their livelihood from agriculture also steadily declined during the same time. This naturally changed the food habits of people as well as the number of items that had to be bought. The canning of food and refrigerated railroad cars, for example, made it possible to transport food from one part of the country to another.

All of this naturally increased the dependence of the average American on getting a wage, that is, on an employer. The owners of the factories and their managers were at the same time becoming more powerful through their control of ever larger amounts of capital. In this process they were helped not only by the emergence of national markets but by the creation of new capital markets that allowed enormous amounts of capital to be concentrated. In the late 1890s U.S. manufacturers increasingly started to use stock exchanges, and the aggregate value of stocks and bonds had by 1903 jumped from one to seven billion dollars (Roy 1997, 4–5).

International Markets

Like national markets, international markets have their own distinct social structure: a certain type of actor, a certain type of social control and regulation, and a certain type of financial order (Braudel [1979] 1985, vol. 2; Curtin 1984; Cameron 1993, 275ff.). They can also be the result of conscious political design, just like national markets; the current international market is, for example, a case in point (Bourdieu 2001, 93–108; Fligstein 2001). The embryo of international trade can be traced far back in time, more precisely to Mesopotamia circa 3500 B.C., when surplus from agriculture allowed a small part of the population to devote itself to something other than farming. The earliest forms of trade were local and long distance. The latter was often carried out with the help of so-called trade diasporas, or networks of traders who lived abroad and operated as brokers between two communities (Curtin 1984, 1–3; cf. Greif 1989).

From 500 B.C. to the time of Christ, long-distance trade typically took place within regions such as the Hellenic world, India, or China. Soon, however, the area widened, and from around 200 B.C. the Mediterranean was connected to China, through trade on land as well as by sea. The earliest long-distance trade was in luxury goods, but from the thirteenth century and onward the evolution of ship technology made long-distance trade in bulk merchandise profitable. A few centuries later, the so-called maritime revolution took place, helping Europeans to take over much of world trade through their superior knowledge of the world winds. The trade diasporas, which represented a peaceful form of trade, were now replaced by trading posts, backed up by force. A very different type of international market had come into being.

The Industrial Revolution led to an explosion in international trade and strengthened European domination. During 1780–1880 world trade increased by 20 times, and by the mid–nineteenth century some people began to speak of the "world market" (Marx and Engels [1848] 1978, 475; Kuznets 1966, 306–7). Advances in weapons technology allowed the Europeans to strengthen their hold on world trade, and the trading post system was now replaced by direct territorial control, made possible by new and superior means of communication. In the 1830s, for example, a letter took five to eight months to reach London from India, by sailing ship; in the 1850s it took 45 days, by train and steamer; and in the 1870s a message could be sent and received the same day, with the help of the telegraph (Curtin 1984, 252). A free trade ideology was formulated in England in the early 1800s and quickly spread throughout Europe, even if protectionist sentiments still were strong. "By the beginning of the twentieth century," economic historian Rondo Cameron concludes, "it was possible to speak meaningfully of a world economy, in which virtually every inhabited portion participated at least minimally, though Europe was by far the most important" (1993, 275).

It is often noted that the world market that existed around the turn of the nineteenth century did not find its equal until after World War II. The world economy started to disintegrate after World War I for a number of reasons, leading to the cre-

ation of different currency blocs as well as the introduction of autarchy by Nazi Germany (Hirschman [1945] 1980). The depression also slowed international trade. After World War II the United States rebuilt world trade, with the help of such institutions as the International Monetary Fund, the World Bank, and the General Agreement on Tariffs and Trade (GATT) (Block 1977; Shoup and Minter 1977; Wood 1986). In the 1950s national European currencies were strengthened and the foundations laid for the European Union. By the mid-1960s an international capital market had begun to emerge, thanks to the so-called Euromarkets, and soon it had grown enormously in size. The turnover in the global foreign exchange market was $1.5 trillion per day in 1998 (up from $36.4 billion in 1974; Knorr-Cetina and Brügger 2002, 905). According to some globalization theorists, the traditional world economy has been replaced by a fully integrated global economy (Castells 1996, 92; for the traditional concept of the world economy, see Braudel [1979] 1985, 3:21–22).

What is characteristic of a fully developed international market is, first of all, that people in different countries are to a large extent dependent on what happens in the economies of other countries. This goes for consumer items—food, clothes, and so on—as well as for their jobs and income. Already by the end of the nineteenth century, the exports of such countries as Great Britain, Germany, and France amounted to between 15 and 20 percent of their total national income (Cameron 1993, 283). Transborder ownership grew rapidly during the twentieth century and led to new forms of economic and political dependencies. Local capitalist elites have been challenged and sometimes replaced. The existence of a giant international market in currencies has not only tied the value of national currencies to forces outside individual countries but also decreased the power of their central banks to intervene. International corporations are also beginning to operate outside the jurisdiction of national governments.

Labor Markets

It is possible to create a typology of markets by focusing on the kind of merchandise that is traded: money, consumer goods, machines to be used in production, and so on. This division has not been done in this chapter, however, where the main concern is rather with the different social configurations that markets have assumed throughout history. Nonetheless, an exception needs to be made for labor markets, which are a unique species. According to Robert Solow, everybody except mainstream economists believes that "there is something special about labor as a commodity and therefore about the labor market too" (1990, 3). Marx's view of labor as different from other commodites is well known, including his attempt to unlock the secrets of capitalism by analyzing the values created by "this peculiar commodity" ([1867] 1906, 189). According to Marx in *Capital,* "the capitalist epoch . . . is characterized by this, that labor power takes in the eyes of the laborer himself the form of a commodity which is his property" (189).

Polanyi was as incensed as Marx by labor's being treated as a commodity to be bought and sold like any other object. *The Great Transformation* is filled with outrage over the attempt in nineteenth-century England to turn labor into a commodity. According to Polanyi, "labor is only another name for a human activity which goes with life itself, which in turn is not produced for sale but for entirely different reasons, nor can that activity be detached from the rest of life, be stored or mobilized" ([1944] 1957, 72).

The earliest labor markets appeared in the thirteenth and fourteenth centuries, when small groups of men would gather at some public place in a village or a city and offer their services for sale (Braudel [1979] 1985, 2:49–54; cf. Weber [1922] 1978, 679). Labor markets, however, did not advance in tandem with capitalism, since early capitalist production often took place in the homes of peasants and craftsmen. From the Industrial Revolution and onward, however, practices changed dramatically, and work was now transferred to the factories, where it could be better organized (and monitored) by the capitalists. The disorder and poverty created by this change in production was classically described by Engels in *The Condition of the Working Class in England* (1845). It is during this period as well that the concept of unemployment emerges. During the twentieth century it became common not only to hire people from outside the corporation, but also to promote those who already worked there (internal labor markets). Personnel departments began to emerge around the turn of the twentieth century, at which time categorization of workers into different occupations became common (Tilly and Tilly 1994).

In today's society some types of work are bought in labor markets, while others are not. Voluntary work, work in the household, and some of

the activities that take place in the so-called informal economy are typically unpaid. Crafts and professions have labor markets with distinct features. Professions, for example, control the number of practitioners and often the price and quality of the services that they offer. Buyers and sellers in ordinary labor markets typically locate each other with the help of advertisements, placement agencies, and personal connections. Networks play an important role in transmitting knowledge about vacancies (Granovetter 1995; see later in this chapter). A common career pattern in the United States is that workers explore different jobs till their mid-30s and then settle down. While some employers, such as the military and the church, exclusively rely on internal labor markets, most employers use both.

According to mainstream economics, it is the productivity of the worker that decides her salary, who gets hired and who gets promoted. Productivity, however, is notoriously hard to measure; and it is clear that many other factors play a role, such as seniority, ethnicity, gender, and whether one works in an expanding or in a contracting firm (e.g. Granovetter 1986, 1988; Farkas and England 1988; Berg and Kalleberg 2001). The number of openings that exist in one part of the economy may also be affected by the number of openings in some other part, due to so-called vacancy chains, that is, the fact that when someone gets a job, she leaves a position that needs to be filled by someone else, who in her turn leaves a job, and so on (White 1970; see also later in this chapter).

It is obvious that interests play a very special role in labor markets. The average person in modern society is totally dependent on his or her wage; and a person's status as well as personality are also deeply influenced by what he or she does at work. It is furthermore very difficult to understand such phenomena as unionization and strikes without the concept of interest. Labor history is full of events that testify to the strength with which employers and employees have defended and advanced their interests (see also the discussion of free riding in Olson 1965 for a different approach to an interest analysis of trade unions). Interest is at the very heart of what makes labor markets so different from all other markets, since what is sold are the activities of human beings with interests of their own. What is traded in labor markets also differs from inert objects through human subjectivity and through links to other people. A person's perception of what is fair pay may, for example, affect her productivity, and so may her links to other people.

Before leaving this discussion of various types of markets, it may be useful to sum up what a historical typology of markets may teach us. The material presented here shows that the role of markets in human communities has varied over time. Some markets have been located in a specific place, while others have covered a more diffuse area. The earliest markets were apparently situated at the margin of a community, while later markets are to be found at its very center. Whether located in a specific place or in a general area, markets require order, kept through norms and laws, and quite a bit of variation exists on this point as well. The act of exchange has to be regulated through norms and laws (for a discussion of the role of law in the economy, see Swedberg 2003a; Edelman and Stryker, this volume).

What can be exchanged in different types of markets has also varied throughout history. Labor is, as I have discussed, a very special commodity and demands a very special type of market. As for nonhuman goods, these come in different kinds: luxury goods, everyday items, mass-produced items, and so on. Political authorities may encourage markets and help to construct them—but they may also block them under certain circumstances since markets can upset the status quo or otherwise threaten political interests (Sachs 2000, 36). As to the role of money, there are first of all markets where barter takes place and markets where money is used. Money can be internal, external, local, national, or international, and a huge variety of credit instruments have gradually come into being. Interest, finally, highlights the importance of markets to individuals, political authorities, and society at large, by emphasizing the extent to which all of them are dependent on markets to properly function. The dependence of all of these actors on the market has increased significantly through history—and continues to grow even stronger. Interest also helps to elucidate the economic power that accumulates through markets and the economic resources that different actors command.

Several other market types could be added to the ones that have just been presented. A look at what can be called electronic markets would, for example, highlight the crucial role that communication and related technology have begun to play in the modern economy (Knorr-Cetina and Bruegger 2002; DiMaggio and Cohen, forthcoming). It would also be possible to argue that a change in the mentality of people toward markets took place in the 1500s and 1600s, along the lines described in *The Protestant Ethic and the Spirit of*

Capitalism. Whether it would make sense to speak of rational markets in a Weberian sense is arguable. Nonetheless, the general point—that a sociology of markets, at this stage of its development, would do well to start from empirical, historical material as opposed to some preconceived model of *the* market—should by now be clear. I would also argue that general insight into what accounts for the diversity of markets can be acquired by going through the historical literature on markets. Indicating what economic sociology can add to theoretical insights produced in this manner is the task to which the rest of this chapter is devoted.

Sociologists on Markets

The lack of communication between economists and sociologists in the twentieth century led to Schumpeter's quip, that economists have created their own "primitive sociology," and sociologists their own "primitive economics" (1954, 21). But there is more to the story than this; and just as it is possible to find a multitude of valuable observations in the economics literature on the social dimension of markets, one can also find interesting attempts by sociologists to understand the general operation of markets (for the former, see Swedberg 2003a). To this should be added that since the sociological literature on markets is so much smaller than the economic literature, it is considerably easier to present and evaluate the contribution by sociologists.

In what follows I have singled out the most important and useful attempts by sociologists to understand the workings of markets. These are Weber's approach, Harrison White's *W(y)* model, and what I call "markets as networks," and "markets as parts of fields." Other possible candidates are the efforts by Parsons and Smelser in *Economy and Society* to provide "starting-points for a systematic development of a sociology of markets," Karl Polanyi's analysis of markets, and the attempt to view markets from a cultural-sociological perspective (Parsons and Smelser 1956, 143–75; Polanyi [1944] 1957, [1947] 1971a, [1957] 1971b; Zelizer 1979; Abolafia 1996, 1998). All of these approaches have contributed to the sociological analysis of markets. Parsons and Smelser, for example, show very clearly that markets are part of the larger social system, and so do the sociologists who draw on a cultural approach. Karl Polanyi's argument that one should not use the modern theory of the market to analyze markets in precapitalist societies is also well taken (see the long and heated debate in economic anthropology over the status of economic analysis in early societies, as summarized in Orlove 1986). There also exist valuable studies that focus on some special aspect of markets, without suggesting a full theory of markets. There are, for example, analyses of the role of status in markets and of the formation of market identities (Abolafia 1984, 1996; Callon 1998; Garcia 1986; Collins 1990; Lie 1997; Podolny 1992; Aspers 2001a, 2001b).

Weber on Markets

Of the early sociologists Weber was by far the one most interested in markets, and especially during his last years he tried to develop a "sociology of 'the market'" ([1922] 1978, 81; see also Swedberg 2000). Also during his presociological period, Weber paid quite a bit of attention to markets. As a young scholar and professor of economics, Weber, for example, wrote voluminously on the stock exchange (1999, [1894–96] 2000; see Lestition 2000). From the writings that resulted, it is clear that Weber was convinced that stock exchanges filled a crucial role in the modern capitalist machinery and that they could be organized in different ways, depending on the attitude of the state, how experienced the local businessmen were in operating on stock exchanges, and so on. Weber emphasized the legal and ethical dimension of the dealings in the modern stock exchange but was also fascinated by its political role–its role as "a means to power" in the economic struggle between nations ([1894–96] 2000, 369).

This emphasis on struggle is also evident in Weber's lectures a few years later as a professor in economics. In the 1890s Weber lectured on economic theory in Freiburg and Heidelberg and followed primarily Menger when it came to markets. Weber, however, added his own distinct touch to these lectures by emphasizing that "the price on the market is a result of economic struggle (price struggle)" ([1898] 1990, 45). The struggle over prices, he explained, had two aspects that should be separated. On the one hand, there is a "struggle of competition" between all those who are potentially interested in an exchange; and on the other hand there is an "interest struggle" between the two parties who end up by engaging in an exchange. Weber also argued that when "the empirical price," as opposite to "the theoretical price," was to be determined in an analysis, several new

factors had to be taken into account, such as the actors' lack of perfect information.

When Weber started to define himself as a sociologist about a decade later, he reworked his analysis of the market from the viewpoint of social action. Some results of this effort can be found in *The Protestant Ethic*, with its emphasis on the creation of a rational attitude towards profit making, work, and the market more generally. Weber's sociological theory of markets, however, came to its fullest expression in *Economy and Society,* where one of the key passages reads as follows:

> A market may be said to exist wherever there is competition, even if only unilateral, for opportunities of exchange among a plurality of potential parties. Their physical assemblage in one place, as in the local market square, the fair (the "long distance market"), or the exchange (the merchants' market), only constitutes the most consistent kind of market formation. It is, however, only this physical assemblage which allows the full emergence of the market's most distinctive feature, viz. dickering. ([1922] 1978, 635)

As he had earlier done in his lectures on economic theory, Weber made a conceptual distinction between exchange and competition. Social action in the market begins, according to Weber, with competition but ends up as exchange. In phase 1, "the potential partners are guided in their offers by the potential action of an indeterminate large group of real or imaginary competitors rather than by their own actions alone" ([1922] 1978, 636). Here, in other words, there is orientation to others rather than direct social interaction. Phase 2, the final phase, is structured differently; and here the only actors involved are the two parties who end up making the exchange (635). As Weber saw it, exchange in the market was also exceptional in that it represented the most instrumental and calculating type of social action possible between two human beings. In this sense, he said, exchange represents "the archetype of all rational social action" and constitutes, as such, "an abomination to every system of fraternal ethics" (635, 637). While classes thrive on markets, they represent a threat to status groups.

In his sociology of markets, Weber also emphasized the element of struggle or conflict. He used terms such as "market struggle," and he spoke of "the battle of man against man in the market" ([1922] 1978, 93, 108). Competition, for example, is defined as "a 'peaceful' conflict . . . insofar as it consists in a formally peaceful attempt to attain control over opportunities and advantages which are also desired by others." Exchange, on the other hand, is defined as "a compromise of interests on the part of the parties in the course of which goods or other advantages are passed as reciprocal compensation" (38, 72).

Weber was furthermore very interested in the interaction between the market and the rest of society. Weber's analysis on this point can be approached through his analysis of the role that regulation (including legal regulation) plays. A market, Weber explains in *Economy and Society,* can either be free or regulated ([1922] 1978, 82–85). In precapitalistic societies there typically exists quite a bit of "traditional regulation" of the market. The more rational a market is, however, the less it is formally regulated. The highest degree of "market freedom" or "market rationality" is reached in capitalistic society, where most irrational elements have been eliminated. In order for the market to be this rational and predictable, however, several conditions have to be fulfilled, including the expropriation of the workers from the means of production and the existence of calculable law (161–62). Capitalist markets, in other words, are the result of a long historical process. How Weber envisioned the historical evolution of the market can be gleaned from *Economy and Society* as well as from *General Economic History.*

Harrison White on the Market: The W(y) *Model*

Since the mid-1980s sociologists have become more interested in the market than they have ever been before, and if one person deserves credit for having helped to ignite this interest, it is Harrison White (see especially 1981; for brief introductions to White's ideas on the market, see White and Eccles 1987; Aspers 2001b; Azarian 2003). White's research on markets, which began in the mid 1970s, represents a bold attempt to create a totally new and a totally sociological theory of markets, the so-called *W(y)* model. This theory has been shaped by White's deep dissatisfaction with neoclassical economics. Contemporary economics, according to White, has no interest in concrete markets and is mainly preoccupied with exchange markets, as opposed to production markets (or markets where the actors produce goods). As a result, White says, "there does not exist a neoclassical theory of the market—[only] a pure theory of exchange" (1990, 3).

But even if White breaks with economists' theory of the market, he has been deeply influenced by a few select economists. He refers repeatedly to the

analyses of Marshall and Chamberlain, and he makes extensive use of Michael Spence's theory of signaling (e.g. White 1990; cf. Spence 1974). Spence influences one of the key features of White's theory, namely the notion that markets consist of social structures that are partly produced and reproduced through signaling between the participants. In a production market, firms constantly check what the other firms do and adjust their actions accordingly.

White is mainly interested in production markets because they constitute the backbone in an industrial economy. In a production market the actor is either a buyer or a seller of a specific good, while in an exchange market the actor is a buyer as well as a seller. The stock exchange is the archetype of an exchange market. Being a seller *or* a buyer versus a buyer *and* a seller has, according to White, important consequences, both for the social structure of the market and the identities of the market actors. The exchange market, for example, is much closer to the neoclassical ideal of a market in which demand and supply decide the price.

Production markets, on the other hand, typically consist of about a dozen of firms that view each other as constituting a market and are also perceived as such by the buyers. The central mechanism in the social construction of a market is its "market schedule," operationalized by White as $W(y)$, where W stands for revenue and y for income. This schedule, according to White, is considerably more realistic than the economists' demand-supply analysis. Businessmen know what it costs to produce something and try to maximize their income by determining a certain volume for their product. On the other hand, they do *not* know how the consumers view their product—all they know is what items sell in which volumes and at which price. If businessmen are correct in their calculations, they will be able to locate a niche in the market for their products, which their customers acknowledge by buying a certain volume at a certain price. Depending on its structure, a market can be one of the following four types: "paradox," "grind," "crowded," and "explosive." The closest to a definition of a (production) market that can be found in White's work may well be the following:

> Markets are tangible cliques of producers watching each other. Pressure from the buyer side creates a mirror in which the producers see themselves, not consumers. (1981, 543)

Having devoted several years exclusively to markets, White shifted to other concerns in the late 1980s and early 1990s. In *Identity and Control* (1992), for example, he presents a general theory of action. Insofar as markets are concerned, this work is primarily interesting in that his earlier research on markets is integrated into a larger theoretical whole. Production markets are seen as an example of "interfaces," defined as a certain way of achieving control in a "social molecule" (White 1992, 41–43). In the interface, the individual identities of the actors (such as firms) come into being through continuous production. But control can also be achieved in a different manner; in the so-called arena it comes about via the creation of a very different and more general type of identity that is essentially interchangeable. Exchange markets are typical examples of what White here terms "arena markets" (1992, 51–52).

In a recent work entitled *Markets from Networks* White further develops his theory of production markets and also broadens its scope. Instead of focusing exclusively on individual production markets, White attempts to see how they fit into the larger whole of an industrial economy. Three different "layers of action" are distinguished: "upstream," "producers," and "downstream" (White 2001). The upstream firms basically supply the input to producers whose output goes to the downstream firms. According to White, there also exists a dynamic relationship between markets with goods that can substitute for each other.

Markets as Networks

Using networks to analyze markets appears to be more popular than any other perspective in current economic sociology (see, e.g., the studies cited in Smith-Doerr and Powell, this volume; Lie 1997). The main reason for this may well be that analysis of networks is a very flexible method, which allows the researcher to both keep close to the empirical reality and to theorize freely. On the negative side, the networks approach does not come with a theory of markets, but constitutes a general method for tracing relationships. Why people engage in an exchange, and under what circumstances a market can be established, are not part of the theory but something that has to be added—and rarely is. Harrison White's' $W(y)$ model, with its explicit focus on terms of trade that decide whether a market can exist and under what conditions an actor can become part of a market, can be used as a contrast to markets as networks. As indicated by its title, White's *Markets from Networks* includes a network approach; this part of the analysis, how-

ever, is secondary to the idea of terms of trade and basically used to add to it.

Mark Granovetter's *Getting a Job* (1974) may be the most successful networks study of a market and constitutes, more generally, an exemplary study in economic sociology. It is innovative, meticulously researched, and analytically sharp. Although *Getting a Job* was written in the 1970s, its author has claimed it for "new economic sociology" with the following motivation: "In retrospect, *GAJ* was one of the first exemplars of what I have called the 'new economic sociology,' which differed from older work in its attention to a core rather than a peripheral aspect of the economy, and in its willingness to challenge the adequacy of neoclassical economic theory in one of its core domains" (Granovetter 1995, vii).

Getting a Job represents an attempt to analyze the social mechanisms through which people find employment, and is based on a study of professional, technical, and managerial workers in Newton, a small suburb to Boston. A random sample was taken; some 280 people filled in a questionnaire, and of them 100 were interviewed. The questions tried to establish the source of information that led to new employment. Are economists correct in seeing the labor market as a place where information about jobs reaches all the participants? Is the person who gets a new job best understood as someone who engages in a job search, according to utility-maximizing principles?

Granovetter's conclusion is that "perfect labor markets exist only in textbooks" and that the idea of a rational job search does not capture what actually happens when people find jobs (1974, 25). Some people do indeed engage in a job search—but this is not necessarily the key to getting a job. For example, a sizable number of people apply for a job only if they are approached by someone with a concrete proposal ("quasi-searchers"; about 20 percent). Furthermore, those who actively look for a job are not the ones who are likely to end up with the best jobs. The job search theory of the economists misses one very important fact, namely that "much labor-market information actually is transmitted as a byproduct of other social processes" (52). What matters in many cases is *contacts*—so much so, the author concludes, that "regardless of competence or merit, those without the right contacts are penalized" (100).

What Granovetter's research showed is the following: almost 56 percent of the respondents got their jobs through contacts, 18.8 percent through direct application, 18.8 percent through formal means (half of this portion through advertisements), and the rest through miscellaneous means. The economists' assumption that information about new jobs spreads evenly throughout the labor market was clearly invalidated (39.1 percent got information directly from the employer, 45.3 percent got it via one contact, 12.5 percent through two contacts, and only 3.1 percent through more than two contacts). Of special importance to Granovetter was also the fact that in the great majority of the cases, the person who got the job associated only "occasionally" or "rarely" with the person who supplied the information (27.8 percent "rarely," 55.6 percent "occasionally," and 16.7 percent "often"). This situation was theorized by Granovetter in the following way: people whom you know intimately ("strong ties") tend to share the same limited information and are therefore rarely able to help you. But people you know casually ("weak ties"), on the other hand, have by definition access to much more distant and varied information—and can therefore be of much more help in finding a job (for a full presentation of the strength-of-weak-ties thesis, see Granovetter 1973). People who stay very long in one job, Granovetter also noted, have much more difficulty in finding a new job than those who change jobs often.

Granovetter's analysis of the labor market differs quite a bit from that of his thesis adviser, Harrison White, in *Chains of Opportunity* (1970). White's argument is that when someone gets a new job, an opening is created that has to be filled—which results in a new vacancy, which also has to be filled, and so on. When a person gets a new job, in brief, a movement is set off that traverses the labor market and which the individual is unaware of. Tested against Granovetter's results in *Getting a Job,* it is clear that White's ideas about "vacancy chains" do capture some of the dynamics in the labor market—but by no means all (in 44.9 percent of all cases, the person who got a new job was replacing a particular person; in 35.3 percent, on the other hand, the position was totally new, and in 19.9 percent the job was new but of a type that had existed before).

It should also be mentioned that in 1995, when Granovetter's study was reissued, the author noted that new evidence was now available that confirmed his assessment from 1974 that finding a job via information supplied in a network was widespread (one figure from the United States is 45 percent, one from Japan 70–75 percent; cf. Granovetter 1995, 139–41). He also noted that econ-

omists during the last few decades have continued to ignore this fact and stuck to their theory of the job search.

Among the early network studies of markets one by Wayne Baker deserves to be singled out. In his doctoral dissertation, called "Markets as Networks" (1981), Baker presented both a general theoretical argument for a sociological theory of markets and an empirical analysis. Economists, according to Baker, have developed an implicit rather than an explicit analysis of markets: "Since 'market' is typically assumed—not studied—most economic analyses implicitly characterize 'market' as a 'featureless plane'" (Baker 1981, 211). In reality, however, markets are not homogenous but socially constructed in various ways. To analyze this structure constitutes the main task for "a middle-range theory of 'markets-as-networks'" (183).

How this can be done with the help of networks analysis is clear from the empirical part of Baker's thesis, which has been published separately (1984; see also Baker and Iyer 1992 for a mathematical rendition). Using empirical material from a national securities market, Baker showed that at least two different types of market networks could be distinguished: a small, rather dense network and a larger, more differentiated and looser one. On this ground Baker argued that the standard economic view of the market as an undifferentiated whole was misleading.

But Baker also wanted to show that the social structure of a market has an impact on the way that the market operates; and to do this he looked at volatility in option prices. He found that the fragmented, larger type of network caused much more volatility than the smaller, more intense networks. "Social structural patterns," he concluded, "dramatically influenced the direction and the magnitude of price volatility" (1984, 803). Baker's study also contradicted the idea in mainstream economics that a huge number of actors results in a perfect market.

A third important network study of the operation of markets can be found in Brian Uzzi's "Social Structure and Competition in Interfirm Networks: The Paradox of Embeddedness" (1997; cf. Uzzi 1996). Drawing on an ethnographic study of some 20 firms in the apparel industry in New York, the author found that the firms tended to divide their market interactions into what they call "market relationships" and "close or special relationships" (Uzzi 1997, 41). The former more or less matched the kind of relationships that can be found in standard economic analysis, while the latter were close to Granovetter's notion of embeddedness. Market relationships tended to be more common than close or special relationships, but also to be considerably less important. Embedded relationships were especially useful in the following three cases: when trust was important, when fine-grained information had to be passed to the other party, and when certain types of joint problem-solving were on the agenda.

Uzzi interpreted his results in the following manner. For a business to operate successfully, it cannot exclusively rely on market ties (as the economists claim), or exclusively on embedded ties (as some sociologists claim); it needs a mixture of the two. The ideal is a balance between market ties and embedded ties—an "integrated network." Too many market ties makes for an "underembedded network," and too many embedded ties for an "overembedded network." A firm with an overembedded network, for example, has difficulty in picking up new information.

Uzzi's interpretation of his findings, in terms of interest analysis, is that the actors in his firms were neither selfish nor altruistic; they rather switched forward and backward between self-interest and cooperation. "[S]tringent assumptions about individuals being either innately self-interested or cooperative are too simplistic, because the same individuals simultaneously acted 'selfishly' and cooperatively with different actors in their network" (1997, 42). The author adds complexity to this analysis by arguing that cooperative behavior can sometimes be a way of satisfying interests that are difficult to satisfy in arm's-length deals: "multiplex links among actors enable assets and interests that are not easily communicated across market ties to enter negotiations" (50). This does not mean, however, that the actor simply can switch from one way of satisfying her interests to another, from market ties to embedded ties. One of the cases Uzzi discusses, in which the owner of a firm that had decided to move his business to Asia nonetheless carried out his contractual obligations in New York, clearly shows that embedded ties can acquire a dynamic of their own in which self-interest is held back.

Markets as Parts of Fields (Bourdieu and Others)

One theory of how markets behave that has not received the discussion it deserves is that of Pierre Bourdieu, most succinctly outlined in "Principles of an Economic Anthropology" (2000, 233–70 and chapter 4 of this volume; for an earlier version, see

Bourdieu 1997). Bourdieu's key idea is that economic life is largely the result of the encounter between actors with a special disposition (habitus) in the economic field; and that the market is deeply influenced by the nature of the field. The economic field can be a firm, an industry, a country, or the whole world. Its structure, if we use an industry as our example, consists of the power relations between the firms, which are maintained through capitals in various combinations (financial capital, technological capital, social capital, and so on). There are dominant firms as well as dominated firms, and a constant struggle goes on between them. What happens outside the field also plays an important role in the struggles within an industry; the state especially has the power to influence what happens in a field.

The market is conceptualized as part of a field and dominated by its dynamic. Prices, for example, are determined by the structure of the field, and not the other way around. "The whole is not the result of prices; it is the whole that decides the prices" (Bourdieu 2000, 240). Mark Granovetter's and Harrison White's theories of the market are mistaken, according to Bourdieu, because they ignore the impact of the structure of the field on the market; they express an "interactionist vision," as opposed to a "structural vision." Bourdieu's own view of the market is well captured by the following statement from "Principles of an Economic Anthropology":

> What is called the market is the totality of relations of exchange between competing agents, direct interactions that depend, as Simmel has it, on an "indirect conflict," or, in other words, on the socially constructed structure [of the field] of the relations of force to which the different agents engaged in the field contribute to varying degrees, through the modifications they manage to impose upon it, by drawing, particularly, on the state power they are able to control and guide. (Bourdieu this volume, 81)

In "Principles of an Economic Anthropology" Bourdieu refers to the work of Neil Fligstein, and there exist significant parallels between their views. At one point in "Markets as Politics"—Fligstein's most important theoretical statement on markets—the author says, for example, that "my view of markets is roughly consistent with the idea of organizational fields, in that a market consists of firms who orient their actions toward one another" (1996, 663; cf. Fligstein 2001, 67–78). Fligstein also agrees with Bourdieu that the attempt to use networks analysis to study markets is unsatisfactory since it exclusively focuses on social interaction. Networks analysis fails to consider the role of politics, the view of the actors, and what characterizes markets as social institutions.

In Fligstein's view, markets are social situations in which goods are exchanged for a price in money; and these situations can only come into being if three elements exist: "property rights," "governance structures," and "rules of exchange." Property rights are defined as social relations that determine who is entitled to the profit of a firm; governance structures consist of rules for how to organize a firm as well as competition and cooperation; and rules of exchange determine under what conditions exchange can take place and who can participate in it.

Like Bourdieu and Weber, Fligstein emphasizes the role of struggles in the market. But Fligstein adds to this analysis by proposing that what drive individual firms and characterize modern production markets are "attempts to mitigate the effects of competition with other firms" (1996, 657). This search for stability represents the basic principle of Fligstein's theory of markets (see also Fligstein, this volume). In "Markets as Politics" Fligstein suggests a number of propositions for empirical verification, all related to this principle. He proposes, for example, that the state typically tries to stabilize markets and eliminate competition—but also that its actions can inadvertently bring about disorder (and restore competition). When the largest firms in a field fail to reproduce themselves, a market crisis ensues, with interorganizational power struggles as a result. Existing markets can also be transformed through exogenous factors, such as economic crises and invasions by other firms.

The theories of Bourdieu and Fligstein may seem somewhat schematic as described here; and it should therefore be noted that these authors have made empirical studies of concrete markets. Bourdieu has, for example, analyzed the markets for individual homes in France (Bourdieu 2000). In the studies of both of these writers, the relevant field is presented in rich empirical detail, which makes Bourdieu's scheme come alive and show its potential as a tool to analyze markets. Fligstein has shown the importance of looking at property rights, governance structures, and rules of exchange, by using the Single Market of the European Union as a case study (Fligstein and Mara-Drita 1996; Fligstein and Stone Sweet 2001). How firms try to control competition and how the state can shape the market also come out with great force in Fligstein's study of the evolution of the huge firm during the

twentieth century in the United States (Fligstein 1990).

Concluding Remarks on Strengths and Weaknesses in the Sociology of Markets

This chapter starts out with the observation that neither economists nor sociologists currently have a satisfactory theory of markets, and that one way of advancing the discussion is to bring in historical material on markets. When one studies concrete markets, it soon becomes clear that markets have been structured in very different ways throughout history. There are external as well as internal markets; national as well as international markets; and markets for the elite as well as for the masses. Political authorities early in history began to keep an eye on the markets in their territories, and the modern state is deeply committed to keep the economy going. The concept of interest, as it turns out, can elucidate aspects of the structure and functioning of markets.

Sociologists have studied markets since the early 1980s, and it is today possible to summarize what has been accomplished and what still remains to be done. The idea that social relations are crucial to the existence of markets has, for example, been amply proven. Networks analysis, in particular, is a very useful tool in this context, even if Bourdieu and Fligstein are correct in their argument that studies of this type tend to ignore the role of the state as well as structural forces in general. Sociologists such as Weber, Bourdieu, and Fligsetin have paid attention to the concept of interest. By contrast, in the work of White and Granovetter, for example, the concept of interest is implicit rather than explicit.

But sociologists have barely explored some aspects of markets. One of these has to do with the popular or ideological view of markets, another with how prices are set. Markets have had their ups and downs in official economic ideologies ever since Adam Smith's attack on mercantilism in *The Wealth of Nations.* A few sociological studies of more recent economic ideologies, such neoliberalism, can also be found (e.g., Campbell and Pedersen 2001; Babb and Fourcade Gourinchas 2003). Totally missing from the current sociological literature, however, are studies of representations of markets in the media and in schoolbooks, and, more generally, studies of what role they play in the process of economic socialization in modern capitalist society.

Similarly, few sociological studies of how prices are set exist. Here, however, there are some instructive exceptions. As to the classics, Weber notes, for example, that the fixed price was pioneered by the Baptists and the Quakers (Weber [1920] 1946, 312; cf. Kent 1983). One can also find the evocative statement in *Economy and Society* that "money prices are the product of conflicts of interest and of compromises; they thus result from power constellations" (Weber [1922] 1978, 108). Weber adds that prices result from "struggle" and that prices "are instruments of calculations only as estimated quantifications of relative chances in this struggle of interests" (108). One contemporary attempt to draw on these ideas can be found in a study of price setting in the American electrical utility industry in the nineteenth century (Yakubovich and Granovetter 2001). In this study, Weber's suggestion that prices are the result of power constellations and struggle is fleshed out in an exemplary manner.

Granovetter has also used the embeddedness approach to analyze the "stickiness" of prices (e.g., Granovetter and Swedberg 2001, 13–14; see also Uzzi and Lancaster 2004). Economic sociologists have in addition begun to study price-fixing, how status affects price, and how prices are determined in different types of auctions (e.g., Smith 1989; Podolny 1992; Baker and Faulkner 1993). It has furthermore been noted that for a long time a simple rule of thumb was used to determine prices in the U.S. computer industry: three times the manufacturing cost (MacKenzie 1996, 53).

Finally, it seems that the current sociology of money, which has made many interesting advances, nonetheless needs to be much more firmly linked to the analysis of markets (cf. Dodd 1994; Ingham 1998; Zelizer 1994, 2001). Money and related financial instruments—such as bills of exchange, shares, options, and so on—have emerged in close connection to various markets. The step from barter to exchange, with the help of money, deeply affected the structure of markets, and so have many other financial innovations. The current sociology of money, however, is much too focused on money as such, and has little to say about the relationship of money to markets. What needs to be looked into, for example, is the way that new forms of money have helped to create new markets and how money itself has been transformed into new forms, from primitive forms of credit to ever new financial instruments with varying degrees of liquidity (see, e.g., Baker 1987; Stinchcombe and Carruthers 1999). To express this last point an-

other way, the sociology of money should not only study the impact of (conventional) money on social relations, but also pay attention to money as a dynamic and ever changing instrument used to acquire economic power. Money and markets, in brief, belong together.

Notes

1. This chapter is different from "Markets as Social Structures" (which appeared in the first edition of *The Handbook of Economic Sociology*) primarily in that it pays much more attention to the role of markets throughout history. It also argues that a sociological theory of markets needs to address not only social structures but also interest. Finally, much less space is devoted to economists' theory of markets. For helpful comments I especially would like to thank Neil Smelser, Alejandro Portes, and William Haller.

2. See Swedberg 1994; and for an updated version of this account, see chapter 5 in *Principles of Economic Sociology* (Swedberg 2003b).

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