I The Sociological Perspective on the Economy

Neil J. Smelser and Richard Swedberg

As a field of inquiry, economic sociology is an easily recognized field within the discipline, but among nosociologists, including many economists, its contours are not familiar. We begin, therefore, by defining the field and distinguishing it from mainstream economics. Next we lay out the classical tradition of economic sociology as found in the works of Marx, Weber, Durkheim, Schumpeter, Polanyi, and Parsons-Smelser. Finally, we cite some more recent developments and topics of concern in economic sociology.

The Definition of Economic Sociology

Economic sociology—-to use a term that Weber and Durkheim introduced—-can be defined most simply as the sociological perspective applied to economic phenomena. A similar but more elaborate version is the application of the framework of references, variables, and explanatory models of sociology to the complex of activities concerned with the production, distribution, exchange, and consumption of scarce goods and services. One way to make this definition more specific is to indicate the variables, models, etc., that the economic sociologist employs. When Smelser first put forth such a definition (1963, pp. 27-28; 1976, pp. 37-38), he mentioned the sociological perspectives of personal interaction, groups, social structures (institutions), and social controls (among which sanctions, norms, and values are central). Given recent developments in sociology as a whole and economic sociology in particular, we would specify that the particular perspectives of social networks, gender, and cultural context have also become central in economic sociology (e.g., Granovetter 1985; Zelizer 1989a). In addition, the international dimension of economic life has assumed greater salience among economic sociologists, at the same time as that dimension has come to penetrate the actual economies of the contemporary world (Stacker, Martinek, and Smelser 1982).

Stinchcombe reminds us, finally, that the definition of economic sociology must inevitably also include the ecological perspective. He puts the matter in the following way: "From the point of view of the sociological perspective on economic life... a central point is that every mode of production is a transaction with nature. It is therefore simultaneously determined by what a society is prepared to extract with its technology from nature and by what is there in nature" (Stinchcombe 1984, p. 78). This definition is useful in two ways: it highlights the fact that an economy is always anchored in nature; it also calls attention to the fact that the boundary between economy and nature is a relational one—-that is, "what a society is prepared to extract... from nature."

We now turn to a comparison between economic sociology and mainstream economics as a further way of elucidating the characteristics of the sociological perspective on the economy. This is a useful exercise only if an important cautionary note is kept in mind: both bodies of inquiry are much more complex than any brief comparison would suggest, so that any general statement almost immediately yields an exception or qualification. To illustrate:

In economics the classical and neoclassical traditions have enjoyed a certain dominance—that is why they might be called "mainstream"—but the basic assumptions of those traditions have been modified and developed in many directions. In a classical statement, Knight (1921, pp. 76-79) made explicit that neoclassical economics rested on the premises that actors have complete information and that information is free. Since that time economics has developed traditions of analysis based on assumptions of risk and uncertainty (for example,
Sociology lacks one dominating tradition. Various sociological approaches and schools differ from one another, and this circumstance has affected economic sociology. For example, Weber was skeptical about the notion of a social "system," whether applied to economy or society, while Parsons viewed society as a system and economy as one of its subsystems. Furthermore, even if all economic sociologists might accept the definition of economic sociology, we have offered, they focus on different kinds of economic behavior; some, following the lead of action (1998, p. 140) that sociologists and economists simply ask different questions, leave more important economic questions—such as price formation—to the economists and concentrate on other issues. Others, advancing what is called the New Economic Sociology (see Granovetter [1990] for a programmatic statement) argue that sociologists should concentrate on core economic institutions and problems.

Those debates recorded, there are nevertheless several areas in which a comparison between mainstream economics and economic sociology will clarify understanding of the specific nature of the sociological perspective.

### Table 1. Economic Sociology and Mainstream Economics—A Comparison

<table>
<thead>
<tr>
<th>Economic Sociology</th>
<th>Mainstream Economics</th>
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<tbody>
<tr>
<td><strong>Concept of the Actor</strong></td>
<td>The actor is influenced by other actors and is part of groups and society</td>
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<tr>
<td><strong>Economic Action</strong></td>
<td>Many different types of economic action are used, including rational ones; rationality as variable</td>
</tr>
<tr>
<td><strong>Constraints on the Action</strong></td>
<td>Economic actions are constrained by the scarcity of resources, by the social structure, and by meaning structures</td>
</tr>
<tr>
<td><strong>The Economy in Relation to Society</strong></td>
<td>The economy is seen as an integral part of society; society is always the basic reference</td>
</tr>
<tr>
<td><strong>Goal of the Analysis</strong></td>
<td>Description and explanation; rarely prediction</td>
</tr>
<tr>
<td><strong>Methods Used</strong></td>
<td>Many different methods are used, including historical and comparative ones, the data are often produced by the analyst (&quot;dirty hands&quot;)</td>
</tr>
<tr>
<td><strong>Intellectual Tradition</strong></td>
<td>Marx-Weber-Durkheim-Schumpeter-Populism-Personal/Smelser; the classics are constantly reinterpreted and taught</td>
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The author of this table have drawn on Knight ([1921] 1988); Quirk (1976); Blaug (1980); Svedberg (1986); Winter (1987); and Hirsch, Michaelis, and Friedman (1990).
The concept of the action. To put the matter without qualification, the analytic starting point of economics is the individual; the analytic starting point of sociological economy is groups, institutions, and society. In microeconomics, the individualistic approach has conspicuous origins in early British utilitarianism and political economy. This orientation was elaborated systematically by the Austrian economist, Carl Menger (see Hicks 1937), and given the label "methodological individualism." Schumpeter, who explained that "in the discussion of certain economic transactions you start with the individual" (Schumpeter 1909, p. 90). By contrast, in discussing the individual, the sociologist focuses on the actor as socially constructed entity, as "actor in interaction," or "actor-in-society." Often, moreover, sociologists take the group and social-structural levels as phenomena sui generis, and do not consider the individual actor as such.

Methodological individualism is not logically incompatible with a sociological approach, as the work of Max Weber indicates. In his introductory theoretical chapter to Economy and Society, he constructed his whole sociology on the basis of the actions of individuals. But these actions are of interest to the sociologist only insofar as they are social actions or, in his words, "they take account of the behavior of other individuals and thereby are oriented in their course" (Weber 1922, 1978, p. 4). This formulation underscores a second difference between microeconomics and economic sociology: the former assumes that actors are not connected to one another, the latter assume that actors are linked and influenced by one another. As we will indicate, this difference in first assumptions has implications for how economies function.

The concept of economic action. In microeconomics the actor is assumed to have a given and stable set of preferences and chooses that alternative line of action which maximizes utility (individual or profit). In economic theory, this way of acting constitutes economically rational action. Sociology, by contrast, encompasses several possible types of economic action. To illustrate from Weber again, economic action can be either rational, traditional, or speculative-investational (Weber 1922, 1978, pp. 63-69). It is noteworthy that, except for residual mention of "habits" and "rules of thumb," economists gave no place to traditional economic action (which, arguably, constitutes its most common form; see, however, Akerlof 1984b and Schlicth 1992).

A second major difference between microeconomics and economic sociology in this context has to do with the scope of rational action. The economist traditionally identifies rational action with the efficient use of scarce resources. The sociologist’s view is, once again, broader. Weber referred to the conventional maximization of utility, under conditions of scarcity and expressed in quantitative terms, as "formal rationality." In addition, however, he identified "substantive rationality," which refers to allocation within the guidelines of other principles, such as communal loyalties or sacred values. A further difference lies in the fact that economists regard rationality as an assumption, whereas sociologists regard it as a variable (see Steckelmacher 1986, pp. 5-6). According to the latter view, the actions of some individuals or groups may be more rational than others (cf. Akerlof 1990). Along the same lines, sociologists tend to regard rationality as a phenomenon to be explained, not assumed. Weber dedicated a great deal of his economic sociology to specifying the social conditions under which formal rationality is possible, and Parsons ([1940] 1954) argued that economic rationality was a system of norms—not a psychological universal—associated with specific developmental processes in the West.

Another difference emerges in the status of meaning in economic action. Economists tend to regard the meaning of economic action as derivable from the relation between given tastes on the one hand and the prices and quantity of goods and services on the other. Weber, on the other hand, posited that meaning has a different flavor: "The definition of economic action [in sociological] must ... bring out the fact that all 'economic' processes and objects are characterized as such entirely by the meaning they have for human action" (Weber 1922, 1978, p. 64). According to this view, meanings are historically constructed and must be investigated empirically, and are not simply to be derived from assumptions and external circumstances.

Finally, sociologists tend to give a broader and more salient place to the dimension of power in economic action. Weber ([1922] 1978, p. 67) insisted that "[i]t is essential to include the criterion of power of control and disposal (Verhältnisgrundlage) in the sociological concept of economic action," adding that this applies especially in the capitalist economy. By contrast, microeconomics has tended to regard economic action as an exchange among equals, and has thus had difficulty in incorporating the power dimension (Osbaldist
1973; 1984). In the tradition of perfect competition, no buyer or seller has the power to influence price or output. "The power . . . to restrict quantities sold and raise prices is effectively annihilated when it is divided among a thousand men, just as a gallon of water is effectively annihilated if it is spread over a thousand acres" (Stigler 1968, p. 181). It is also true that economists have a long tradition of analyzing imperfect competition—in which power to control prices and output is the core ingredient—and that the concept of "market power" is often used in labor and industrial economics (e.g., Scherer 1990). Still, the economic conception of power is typically narrower than the sociologist’s notion of economic power, which includes its exercise in society—especially political and class—contexts as well as in the market. In a recent study of the power of the U.S. banking system, for example, Mintz and Schwartz (1985) analyzed how banks and industries interlock, how certain banks cluster together into groups, and how banks sometimes intervene in corporations in order to enforce economic decisions. More generally, sociologists have analyzed and debated the extent to which corporate leaders constitute a "power elite" in the whole of society (e.g., Milt 1955; Dahl 1958; Domhoff and Dye 1987).

Constraints on economic action. In mainstream economics, actions are constrained by tastes and by the scarcity of resources, including technology. Once these are known, it is in principle possible to predict the actor’s behavior, since he or she will always try to maximize utility or profit in an economic setting. The active influence of other persons and groups, as well as the influence of institutional mechanisms, is set to one side. Knight noted this in the following way: "Every member of society is to act as an individual only, in entire independence of all other persons. To compete his independence he must be free from social wants, prejudices, preferences, or regulations, or any values which are not completely manifested in market dealings. Exchange of finished goods is the only form of relation between individuals, or at least there is no other form which influences economic conduct." (Knight [1921] 1985, p. 78).

Sociologists take such influences directly into account in the analysis of economic action. Other actors either facilitate, deflect, or constrain individuals’ actions in the market. For example, a long-standing friendship between a buyer and a seller may prevent the buyer from desiring the seller's product. This because the buyer feels the seller has not been fair, even though their transactions are relatively smooth. Cultural meanings also affect choices that might otherwise be regarded as "rational." In the United States, for example, it is difficult to persuade people to buy eggs and dairy products because they are perceived as more nutritious and cheaper than other kinds. (Subban 1976, pp. 170-79). In general, moreover, a person's position in the social structure conditions his or her economic activity. In an explication of Marx's concept of social structure, Stinchcombe (1975) evoked the principle that structural constraints influence career decisions in ways that run counter to the principle of economic payoff. For example, if a person who grows up in a high-crime neighborhood makes a career of stealing and getting a job often has less to do with the comparative utility of these two alternatives than with the structure of peer groups and gangs in the neighborhood. Stinchcombe generalized this point by constructing a map, reproduced in figure 1, of the ranges of interactive influences between actor and society that affect his or her behavior.

Figure 1. Interaction between Individual Choice and Social Structure: The Sociological Model. (Source: Stinchcombe [1975, p. 13]).
The economy in relation to society. The main
laws for the economist are economic exchange,
the market, and the economy. To a large extent,
the economy of society is regarded as "out
there," beyond where the operative variables
of economic change really matter (see Quirk
1976, pp. 2-4; Arrow 1990, pp. 138-39). To put
the matter more precisely, economic assumptions
often presuppose stable societal parameters. For
example, the long-standing assumption the eco-
nomic analysis dealt with peaceful and lawful
transactions and does not deal with force and
fraud involves some important preconceptions
about the legitimacy and the stability of the state
and legal system. In this way the societal parame-
ters—which would surely affect the economic
process if the political-legal system were to disint-
tegrate—are frozen by assumption, and thus are
omitted from the analysis. In recent times, econ-
omists have turned to the analysis of why institu-
tions rise and persist (New Institutional Econom-
ics) and have varied the effects of institutional
arrangements in experiments (see Eggertsson
1990). Nevertheless, the contrast with economic
sociology remains. The latter line of inquiry, hav-
ing grown as a field within general sociology, has
always regarded the economic process as an or-
ganic part of society, constantly in interaction
with other forces. As a consequence, economic
sociology has usually concentrated on three main
lines of analysis: (1) the sociological analysis of
economic process; (2) the analysis of the connec-
tions and interactions between the economy and
the rest of society; and (3) the study of changes in
the institutional and cultural parameters that con-
stitute the economy's societal context.

Goal of analysis. As social scientists, both
economists and sociologists have a professional
interest in the systematic explanation of phenom-
ena encompassed by their respective subject mat-
ters. Within this common interest, however, dif-
f erent emphases emerge. Economists tend to be
critical of descriptions—they have long con-
demned traditional institutional economics for
being too descriptive and ahistorical. Instead
they stress the importance of prediction. "Since
the days of Adam Smith," Blaug (1978, p. 697)
writes, "economics has consisted of the manipula-
tion of a priori assumptions . . . in the production
of theories or hypotheses yielding predictions
about events in the real world." Sociologists, by
contrast, offer fewer formal predictions, and often
find sensitive and telling descriptions both inter-
esting in themselves and essential for explana-
tion. As a result of these differences, sociologists
often criticize economists for generating formal and
abstract models and ignoring empirical data, and
economists reproach sociologists for their inca-
pacity to make predictions and their penchant for
"post factum sociological interpretations" (Merton
1968, pp. 147-49).

Methods employed. The emphasis on predic-
tion constitutes one reason why mainstream eco-
nomics places such high value on expressing its
hypotheses and models in mathematical form.
Though the advantages of this kind of formal the-
orizing are readily apparent, economists them-
selves have complained that it tends to become an
end in itself. In his presidential address to the
American Economic Association in 1970, Wassily
Leontief criticized his professor's "uncritical en-
thusiasm for mathematical formulation." "Unfor-
tunately," Leontief said, "an economist capa-
cble of learning elementary, or preferably advanced
calculus and algebra, and acquiring acquaintance
with the specialized terminology of economics
can set himself up as a theorist" (Leontief 1971,
p. 1). Later he reiterated this criticism, noting
that more than half of the articles in the American
Economic Review consist of mathematical models
that are not related to any data (Leontief 1982, p.
166).

When economists do turn to empirical data,
they tend to rely mainly on those generated for
them by economic processes themselves (for ex-
ample, aggregated market behavior, stock ex-
change transactions, and official economic statistic
sic) gathered by government agencies). Sample
surveys are occasionally used, especially in con-
nsumer economics; archival data are seldom
consulted, except by economic historians; and
anthropological work is virtually nonexistent. By
contrast, sociologists rely heavily on a great vari-
ety of methods, including analyses of census data,
independent survey analyses, participant observa-
tion and field work, and the analysis of qualitative
historical and comparative data. In an oversimpli-
fied but telling phrase, Hirsch, Michaels, and
Friedman (1990) characterized the two methodo-
dical styles as "clean models" for economists and
"dirty hands" for sociologists.

Intellectual traditions. To a degree that we
consider a matter for regret, economists and soci-
ologists not only rely on different intellectual tra-
ditions that overlap only slightly, but they also re-
gard those traditions differently (Abelot 1990, p.
...
Evidently influenced by the natural science model of systematic accumulation of knowledge, economists have shown less interest than sociologists in study and exegesis of their classics (with some notable exceptions such as Adam Smith and David Ricardo); correspondingly, economics reveals a rather sharp distinction between current economic theory and the history of economic thought. In sociology these two factors blend more closely. The classics are very much alive, and are often required reading in "gatekeeper" theory courses required of first year graduates, students. Despite these differences, and despite the persisting gulf between the traditions of economics and economic sociology, some evidence of synthesis can be identified over the years. Major theorists such as Alfred Marshall, Vilfredo Pareto, and Emile Durkheim have attempted major theoretical syntheses. Certain other figures, notably Weber and Schumpeter, have excited interest among both economists and sociologists. In addition, some economists and sociologists often find it profitable to collaborate in specific problem areas, such as poverty. Later in the chapter we will raise again this key problem of intellectual articulation among economists and sociologists.

**THE TRADITION OF ECONOMIC SOCIOLOGY**

If one attempts to establish dates of birth, it can be asserted with plausibility that the origins of economic sociology—the term as well as the idea—are to be found in the works of Weber and Durkheim around the turn of the century, several decades after the marginal utility approach was codified in the works of Menger, Jevons, and Walras. As is often the case in genealogical exercises of this sort, however, one can find seeds and protoformations in the writings of earlier thinkers. As an illustration of this, Karl Polanyi traces a kind of dialectic between societal and "economic" thinking about the economy dating back to Montesquieu in the middle of the eighteenth century. His thinking is summarized in table 2.

One must make special mention of Montesquieu and Smith. In the former's *The Spirit of the Laws* (1748) one finds a suggestive comparative analysis of economic phenomena. Smith's *Wealth of Nations* (1776) reveals his evident interest in the role that institutions play in the economy. Even earlier, in *The Theory of Moral Sentiments* (1759), Smith had tried to lay a kind of microfoundation for this kind of analysis. Another important figure in the prehistory of economic sociology (as we are conceiving it) is Karl Marx. While his persistent materialism probably constituted an obstacle to the development of an independent sociology of economic life, Marx's ideas are nonetheless central in its evolution, and for that reason we begin with a brief consideration of his works.

**Table 2. Major Figures in the Development of a Social Perspective on the Economy, according to Karl Polanyi**

<table>
<thead>
<tr>
<th>(1) Original sociological approach</th>
<th>Montesquieu (1748)</th>
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<tbody>
<tr>
<td>(2) Original sociological approach</td>
<td>Ricardo (1817)</td>
</tr>
<tr>
<td>(3) Return to sociological approach</td>
<td>Marx (1859)</td>
</tr>
<tr>
<td>(4) Return to economic approach</td>
<td>Max Weber (1905)</td>
</tr>
</tbody>
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Karl Marx (1818-1883). Marx's early work, the *Economic and Philosophical Manuscripts of 1844* (1844) (1964), holds great interest, especially the articles entitled "The Power of Money in Bourgeois Society" and "Enraged Labor." In the first Marx developed his initial ideas about the fate of social relations when everything becomes a commodity—i.e., can be bought and sold for money. In the second he focused on labor in particular, emphasizing the distortions of the work process when labor becomes a commodity. Drawing on Hegel, Marx contrasted the alienation that a worker necessarily experiences in a society dominated by private property with his or her self-realization through labor in a more humane type of society. In *The Communist Manifesto* (1848) (1978), written a few years later, Marx developed the essentials of his entire worldview: that history is propelled by the class struggle; that there exist only two major classes in capitalist society, bourgeois and proletarian; and that this proletariat will eventually usher in a classless society by revolutionary means.
Marx's first work on the economy begins with Grundrisse, a series of notebooks written in 1857–58, and A Contribution to the Critique of Political Economy (1859). In the former, which Marx himself referred to as "A Critique of Economic Categories," he developed a kind of "sociology of knowledge" analysis of economic theory, as well as a sociological analysis of money (e.g., Marx [1857–58] 1973, pp. 84–111, 156–66). By 1859 he was able to present an overview of his total system: A Contribution to the Critique of Political Economy. In that work he proclaimed that the economy constitutes "the real foundation" of society, and on this foundation—and dependent on it—"the legal and political superstructure" is built (Marx [1849] 1970, pp. 20–21). At a certain stage of development, "the forces of production" come into contradiction with "the relations of production," and the ultimate result of the accompanying crisis is a social revolution. In Capital, which Marx regarded as a kind of continuation of A Contribution to the Critique of Political Economy, he presented his most nearly complete economic analytic commodities are created through labor; these are then exchanged for money; money is turned into capital; capital generates increasing exploitation, immiseration, and class conflict. Marx's ambition in this massive work was to lay bare "the natural laws of capitalist production," which, he argued, "work with necessity towards inevitable results" (Marx [1867] 1906, p. 13). In retrospect, it appears that in this formulation Marx committed the kind of error that had caused many bourgeois economists of committing—namely, relying a set of economic categories and elevating them into more or less universal laws. At the same time, it is evident that Marx's work contains a systematic and in many ways compelling account of the rise and evolution of capitalism, without reference to which it would be impossible to understand Weber's Economy and Society or Schumpeter's Capitalism, Socialism and Democracy. As is the case with most major social thinkers, Marx's work has produced an entire literature of exegesis and controversy. Especially since his work generated a revolutionary program and became the ideological foundation for regimes in the Soviet Union, Eastern Europe, and China, that literature has been fused with antievolution. At one moment Weber claimed—prematurely, as it turned out—that the idea that economic factors decide the evolution of history was "totally finished" (Weber [1924] 1984, p. 456). At the same time, Weber saw Marx as a pioneer in the development of the new kind of social economics he himself was trying to create ([1904] 1949, pp. 63–65), and major commentators on Weber have stressed his continuing dialogue with Marx. According to Schumpeter ([1942] 1975, pp. 1–58), many of Marx's economic theses were of little scientific value. Yet Schumpeter also thought that Marx's idea that capitalism possesses internal dynamics that transform itself was a brilliant insight on which economics would Isbell (Schumpeter [1937] 1989). In more recent times the influence of classical Marxism has once again waned. Influential critics from both the neoclassical "era of ideology" school (Bell 1960) and the neocritique school (Marcuse 1964; Habermas 1975) have proclaimed his class analysis inapplicable to postindustrial society. Moreover, the collapse of communist and socialist systems legitimized in the names of Marx and Lenin in the 1980s and into the 1990s further discredited Marxist sociology, especially in Eastern and Western Europe. Yet scholars of different stripes still argue that while many parts of Marx's theory are unacceptable, other elements are valuable and enduring (e.g., Smelser 1973; Elias 1986, pp. 286–90). It is still premature, as it was in Weber's time, to declare Marx "totally finished."

Max Weber (1864–1920). Economic sociology as a distinguishable intellectual entity was created independently about the same time in Germany and in France. The most important figure in Germany was Max Weber, though there are major works by other scholars such as Georg Simmel ([1907] 1978) and Werner Sombart ([1916–27] 1987; for commentaries, see Klauser 1982 and Frube 1992). The influences on Weber were many. Among them was the Historical School of economics, whose teachings Weber absorbed as a young student at Heidelberg. When he assumed his chair in political economy in Freiburg, Weber referred to himself as one of "the younger members of the German Historical School" ([1898] 1980, p. 446). Schumpeter said he belonged to "the Youngest Historical School" (1954, pp. 815–19; see also Hennis 1987). We have already mentioned the influence of Marx. As a young man Weber became acquainted with Marx's work, and recent archival discoveries show that he lectured on Marx while a professor of economics (Weber [1898] 1990). The extent of Marx's influence is much debated. A negative influence is certainly clear, since Weber polemized repeatedly against the idea that only "material interests" (as opposed
to what Weber called "ideal interest" decisively determine human behavior (e.g., Glauber 1932; Schmitter 1985). Finally, Weber made frequent reference to marginal utility theory, especially to its Austrian version. According to Schumpeter (1954, p. 819), Weber had an "almost complete ignorance" of formal economic theory. Still, it is clear that Menger's work influenced Weber's methodology, especially his famous concepts of the ideal type (Tonnbruck 1959; cf. Holton 1989).

The first period of Weber's work in economic sociology begins with his dissertation in 1889 and continues to about 1908–10, when he decided to address the subject of Wirtschaftssoziologie directly. The second period covers the succeeding years. In his early years Weber was a student of law and later political economy. These perspectives dominated his work, but much economic sociology also appeared. It is seen in Weber's thesis on medieval trading companies, his studies of the stock exchange and his voluminous writings on industrial workers (see Bendix 1960 and Kaser 1988 for summaries).

Several specific works in Weber's early period are notable. First are his studies on agricultural workers in Germany. In tracing their migration patterns, Weber noted that they were less influenced by considerations of economic gain than by their desire to be free from the oppressive conditions on the landed estates. What mainly made them decide to leave was "the magic of freedom" (Weber [1895] 1980, p. 183). Through his studies of Rome, Weber intervened with full force in the contemporary debate whether or not capitalism had existed in antiquity (e.g., Weber [1896] 1976). By the late 1890s Weber had come close to the position that we can also find in his last works, namely that there had existed a fully developed "political capitalism" in Rome but little "rational" capitalism (cf. Love 1991). Finally, his The Protestant Ethic and the Spirit of Capitalism advanced the imaginative thesis that a certain type of Protestantism had helped create a new economic ethic, which in turn helped further the rational type of capitalism distinctive of the West (1904–6) 1988). After Protestantism had thus worked to legitimate rational economic behavior, secularization diminished the religious element but not its ultimate effects. Weber regarded this development as somewhat dismal; he used the famous term "iron cage" to describe the capitalist world minus religion. Needless to say, Weber's thesis has proved controversial over the generations, and continues to be debated (see Lehmann and Roeh 1993).

The year 1908 is important in the development of Weber's economic sociology. In that year he was asked to edit a giant handbook in economics—what was to become the Grundris der Sozialökonomik (12 vols., 1914–30; see Winkelmann 1986, Schieffter 1989). Weber's choice of the term Sozialökonomik is significant; by it he meant a new type of economics, a broad multidisciplinary field of inquiry that would include economic theory, economic history, and economic sociology. In studying economic phenomena, one has to draw on all three perspectives and not permit any one to monopolize. Representatives from both the Historical School and the Marginal Utility School—which at this time were involved in a bitter academic debate known as the Battle of the Methods—were asked to participate in the handbook. Weber produced the section on economic sociology.

Weber's contribution to Grundris der Sozialökonomik is known to the English-speaking world as Economy and Society, a two-volume study consisting of diverse manuscripts, most of which Weber neither coordinated nor edited. The economic sociology at the core of the work focuses on the economy itself and on the links between the economy and other parts of society. As for the latter, Weber remarked, "The connections between the economy and the social order [such as law, politics, and religion] are dealt with more fully [in this work] than is usually the case. This is done deliberately so that the autonomy of these spheres vis-à-vis the economy is made manifest" (1914, p. vii).

The theoretical groundwork for the analysis of the economy itself is laid out in chapter 2 of Economy and Society, "Sociological Categories of Economic Action." It is a kind of founding document in economic sociology. It parallels the first chapter in which Weber developed the basic categories of his general sociology—categories such as "social action," "social relationships," "organizations," and "associations." His economic sociology begins with "economic action," "economic organizations," and so on. As we mentioned earlier, what distinguishes the concept of "economic action" in his economic sociology from that used in economics is three ingredients: it conceives economic action as social, it always involves meaning, and it takes power ("Verfügungswürdichkeit") into account. These three dimensions are expounded in chapter 2 of Economy and Society. For example,
Weber incorporated the dimension of power as follows: An exchange is defined as formally free, but, in addition, it involves a "compromise of interests" (Weber [1922] 1978, p. 72). The market is an arena for "the struggle of man against man." Money "is primarily a weapon in this struggle," and prices are "the products of conflicts of interest and of compromises" (ibid., p. 108).

We mention finally Weber's *General Economic History*. This volume is based on a series of lectures delivered in 1919–20 in response to students who complained of the difficulty of grasping his sociological approach. The book was assembled from students' notes after Weber's death and should be read with some caution. Notwithstanding this caveat, the book is notable in that it summarizes his economic sociology in an accessible manner, drawing on historical material stretching back to antiquity (cf. Collins 1980; 1986). He reiterated his fundamental proposition that economic sociology—contrasted with economic theory—must take both meaning and the material dimension into account. His chapter on "The Evolution of the Capitalist Spirit" is brilliant. In less than twenty pages Weber summarized his thesis in *The Protestant Ethic and the Spirit of Capitalism* followed by his theory of the increasing rationalization of the economy in the West. In addition, he presented some of his ideas on "the economic ethic of world religions"—on which he worked furiously during his last years (Weber [1914A] 1915b; 1914B] 1946; see also Weber [1915] 1951; 1916–17] 1958; 1917–20] 1952). The chapter also contains a sketch of Weber's answer to a question that fascinated him, namely, why did capitalism develop in the West and not in other parts of the world? (Emile Durkheim (1858–1917). The economic sociology of Durkheim is less comprehensive and systematic than Weber's. At the same time, it is historically original and deserving of study. Durkheim was a few years ahead of Weber in seeing the possibilities of a distinctively economic sociology. In the mid-1890s he introduced a section on "Sociologie économique" into *L'Année sociologique* (1896–97, pp. 487–818), and in 1900 he presented a multiprogram for economic sociology ([1909] 1970, pp. 146–53). In contrast to Weber, Durkheim neither studied nor taught economics at the university level, but absorbed it on his own. Among the authors he had read were Adam Smith, John Stuart Mill, Jean-Baptiste Say, and Simonde de Sismondi (e.g., Almann 1962; see also Stein 1992). As an early stage of his life he also came into contact with the Historical School of economics in Germany (Assoun 1976; Durkheim 1887). It is doubtful, however, that he knew much about marginal utility economics. It may finally be noted that his knowledge of Marx was limited, and he claimed repeatedly that socialist doctrines should not be confused with social science. Durkheim disliked most of what he read in economics—no doubt because of his sympathy toward utilitarianism, individualism, and speculative thought. He stated several times that economics should become "a branch of sociology" (e.g., Durkheim [1888] 1970, p. 163; [1909] 1970, p. 151, for an account of French economists' attitude to Durkheim, see Leroi 1908 and Steiner 1992). Like Auguste Comte, an important influence on him, Durkheim regarded most economics as pure metaphysics (Comte [1839] 1869, pp. 192–204; Mauss 1928). Durkheim accepted the German Historical School from this position, arguing that it had developed an empirically and sociologically approach to economics, especially through the concept of *Wirtschaftsgeist* (which he translated as "social economy"). But most economists, he believed, took a different approach to research than the historians Schmoller and Wagner. To him, orthodox economists in France and England only acknowledged the reality of the individual, which was totally unacceptable. Durkheim also accused economists of creating an "economic world that does not exist" by relying exclusively on arbitrary assumptions and logical connections (Durkheim and Faumont 1903, pp. 887–88). He summarized his polemic as follows:

Political economy... is an abstract and deductive science which is occupied not so much with observing reality as with constructing a more or less desirable ideal; because the man that the economist talks about, this systematic egoist, is little but an artificial man of reason. The man that we know, the real man, is so much more complex: he belongs to a time and a country, he has a family, a country, a religious faith and political ideas... (Durkheim [1888] 1970, p. 85)

In a more positive vein, Durkheim carried out several studies of interest to economic sociologists. The most important of these is *The Division of Labor in Society*, published in 1893. Its core polemic is that economics are mistaken in portraying the division of labor solely in economic terms—that is, as a means to create wealth and further efficiency. For Durkheim, the division of
labor serves a much broader function. It is a principal vehicle for creating cohesion and solidarity in modern society. As the division of labor advances and roles differentiate from one another, he argued, people cease to bond together on the basis of their similarities (mechanical solidarity). Rather, they come to depend on one another because they all have different tasks, and thus need each other for their well-being (organic solidarity). In advanced societies, duties and rights develop around the interdependencies that divide the labor and produce and it is these duties and rights—and not exchange or the market structure—that hold society together.

At the same time, Durkheim acknowledged that the integration bred of differentiation was imperfect. Reasoning from an often-employed biological analogy, he regarded society as a series of organs that must be in constant contact with one another if “the social body” is to function properly. When this fails to occur, pathologies due to lack of regulation (anomie) result. Applying this logic to modern industrial societies, Durkheim argued that the economy had developed so rapidly over the past two centuries that the development of the requisite rules and regulations had not kept pace. In this state of “economic anomy,” people and society suffer. Having no firm guidelines about what to expect or what to do implied, for one thing, that people’s desire for pleasures and consumption became boundless and impossible to satisfy. “Weed is aroused [and] nothing can calm it, since its goal is far beyond all it can attain” (Durkheim [1897] 1951, p. 256). Advocates of industrial society like Saint-Simon, Durkheim charged, had no remedy for anomie since they believed that increased production was the answer to everything (Durkheim [1895-96] 1962). More generally, the theories of both economists and socialists were equally hopeless because both regarded the economy as the most important aspect of society. In fact, Durkheim was convinced that this view was an integral part of the problem: the economy had become the raison d’être for the new society. For him morality, not the economy, had to be at the center of society if it was not to fall apart. Durkheim’s own suggestion for improvement was that professional bodies, organized by industry and trade, had to permeate society and become the basis of true communities through rituals, feasts, and other solidarity-enhancing mechanisms.

Durkheim’s contributions to economic sociology extend beyond the analysis of integration and anomie. Among these are his studies of economic institutions such as exchange and property. In a characteristic argument, he pointed out that an exchange implies more than a voluntary arrangement involving free individuals, as economists conceive it to be. Rather, it entails a whole structure of norms and regulations that surround it and make it possible ([1892] 1984, pp. 149-75, 316-22). With respect to property, Durkheim traced its origins—as he did that of so many other economic phenomena to religion. The taboo that surrounds property, he argued, ultimately resides in the conception in prudential times that all land belonged to the gods. Land was sacred and surrounded by a protective normative wall, traces of which are still to be found in the respect held for private property (Durkheim [1895-1900] 1983, pp. 121-70). Finally, Durkheim helped to develop economic sociology through his young collaborator at the magazine Anna:向社会学运动, encouraging them to do work in this field. The result was a number of studies on gifts, money, consumption, and the evolution of salaries in France (e.g., Mauss [1925] 1969; Simian 1932, 1934; Halbwachs 1933, see also Bouglé 1934, Cedronio 1987).

Joseph Schumpeter (1883-1950). Schumpeter’s work holds particular interest because he stands as the only leading economist who became deeply interested in and contributed to economic sociology.4 Many economists have of course discussed institutions in their works, but none besides Schumpeter has done so by drawing directly on the sociological tradition. He was trained in the Austrian school of Marginal Utility analysis as well as in the Historical School. As a young student in Vienna he was familiarized with Marxian as well as sociological thought generally. Though he never received formal training in sociology (apart from a course that he audited for Edward Westermarck in London), Schumpeter nevertheless pronounced himself ready to offer courses in sociology when he received his teaching certificate as an economics professor in 1908 (Swe- berg 1991b). In his early career he gave courses in the history of social science as well as lectures and seminars in sociology. He attempted to keep abreast of developments in sociology until around 1930, when he appears to have lost interest.

As an economist Schumpeter cast his main task as developing a distinctive Wirtschaftswissenschaft—a term picked up from Weber, with whom Schum- peter actually collaborated on several occasions in the 1910s. Following Weber, Schumpeter meant
economic theory. In a that an argument as to the rational action of decision-makers, a multidisciplinary kind of economics that consisted of several fields: (1) economic theory, (2) economic history (including economic anthropology), (3) economic sociology, and (4) economic statistics. His main contribution to Socialism was his discussion of this new type of understanding economic science in more detail than Weber. He also attempted to develop some principles for the division of labor among its constituent fields (1926; 1954, pp. 12–31). Schumpeter’s concept of economic sociology, it should be noted, was a restricted one—at least in comparison to that of Durkheim and Weber. For him, economic sociology was to deal only with the institutional context of the economy but not with the economy itself.

By “economic sociology” (the German Wirtschaftssoziologie) we denote the description and interpretation of economically relevant institutions, including habits and forms of behavior in general, such as government, property, private enterprise, customary or “rational” behavior. By “economics”—or if you prefer, “economics proper”—we denote the interpretative description of the economic mechanisms that play within any given state of those institutions, such as market mechanisms. (Schumpeter [1949] 1989, p. 298)

In his own work, however, Schumpeter found difficulty in drawing a sharp line between what belonged to economics and what belonged to economic sociology. As a result, one of the engaging aspects of his work is that his economics often came close to being sociology. This is especially true in the case of his famous theory of economic change and the entrepreneur, as first presented in his The Theory of Economic Development (1911, 2d ed. 1926). His accounts of how the entrepreneur tries to break through the wall of tradition and how an innovation slowly spreads throughout the economy are both situated at that borderline between economics and sociology.

Schumpeter’s own assessment of his economic sociology was that it consisted of some chapters in Capitalism, Socialism and Democracy and three essays: “The Crisis of the Tax State,” “The Sociology of Imperialism,” and “Social Classes in an Ethnically Homogeneous Environment” (Schumpeter [1918] 1991, [1919] 1991; [1927] 1991). The essay that is most relevant at present is the one on the tax state, with its powerful statement on the relations between the state and the economy. He developed a kind of “sociology of finance” and, within that, a number of ideas on taxation, fiscal policy, and the like (see the use of these ideas in O’Connor 1973). Capitalism, Socialism and Democracy exposes Schumpeter’s famous diagnosis of the capitalist system and, despite its evident flaws, still makes fascinating reading. In that work Schumpeter develops the provocative thesis that capitalism is slowly undermining its own foundations and will be replaced by socialism. The reasons for this are many, but the individual entrepreneur, Schumpeter argues, capitalism does not combat its own enemies vigorously enough, and so on. The collapse of socialist states in the former Eastern bloc gives pause in considering the proposition that socialism will replace capitalism; we see some signs of the reverse effect—but as a diagnosis of capitalism itself, Schumpeter’s thesis merits continued reflection.

Beyond Schumpeter’s famous declaration about the general fate of capitalism—“Can capitalism survive? No I do not think it can”—([1942] 1975, p. 61), Capitalism, Socialism and Democracy contains a number of additional insights into capitalism. For example, he highlighted the importance of “creative destruction” and, more generally, of the role that change plays in the capitalist economy. His work also contains a thoughtful analysis of Marxism, in which he attempted to sort out what is useful and what is not useful in that work (ibid., pp. 1–58; cf. Bottermann 1993) and which Schumpeter’s general conclusion is that Marx’s economic theories—both his labor theory of value and his theory of exploitation—are practically useless. He gave Marx’s sociology higher marks, however, especially his theory of classes and his views on the impact of the economy on the development of society. Schumpeter also admired Marx for the way he emphasized that the capitalist economy was in a constant process of transforming itself from within—an insight that constitutes the central core of Schumpeter’s own work on capitalism.

Schumpeter’s last work, the posthumously published History of Economic Analysis, contains a great deal of economic sociology as well. In it we find Schumpeter’s most extensive discussion of his theory of Socialism (1994, pp. 12–21). As part of his attempt to write the history of that theory (as well as the history of formal economics) Schumpeter tried to trace the sociological ideas of the major economists from Aristotle onward. And, finally, the History of Economic Analysis contains a long section on “the sociology of economics” or how to look at the development
of economic theory in sociology of science terms (Schumpeter 1954, pp. 33-47). Ester Polanyi (1886-1964). Our knowledge of Polanyi's early relationship to economics is limited. We do know that he rejected Marxist economics as a young man and that he advocated a kind of decentralized, socialist economy in a debate with von Mises in the 1920s (e.g., Block and Sorrenti 1984; Polanyi-Levitt and Mestdagh 1987; Polanyi-Levitt 1990). Polanyi himself would later say that before the mid-1930s, when he discovered English economic history, it was as if he had been asleep (Polanyi 1977, pp. xvii-xviii). From the mid-1930s and onward, however, Polanyi devoted all of his energy to developing his own vision of the economy (e.g., Polanyi 1966; 1971; 1977). To judge from his writings and from his students' commentaries, Polanyi was familiar with the works of Marx, Weber, and Karl Bücher as well as that of some economic historians and economic anthropologists. In the 1920s Polanyi had also studied the works of the key figures in the marginalist revolution, especially Menger. In all this breadth, however, Polanyi knew little about the technical side of modern economics.

Two major themes dominate Polanyi's writings: the birth and further development of a market-dominated society in the nineteenth and twentieth centuries, and the relationship of economy and society in primitive societies. His major writings on the first appeared in the 1940s and include "Our Obsolescent Market Mentality" and The Great Transformation. In the former Polanyi argued that the problems of contemporary America could only be solved if people changed their dominant ways of thinking about the economy (Polanyi 1971, pp. 59-77). These immodest ideas portray the economy—or more precisely, the market—as the most important part of society and human beings as driven primarily by material interests. All this is wrong, Polanyi argued, and little can be accomplished until it is understood that the economy has to be subordinated to society and people viewed from a holistic and humanistic perspective.

In The Great Transformation, published during World War II, Polanyi expressed many of the same ideas, but his main emphasis was on the historical evolution of the market mentality. He argued that fascism has its roots in the attempts to introduce a market-dominated economy in England in the early nineteenth century. "In order to comprehend German fascism, we must return to Ricardian England" (Polanyi [1944] 1987, p. 30).

More precisely, Polanyi dated the emergence of the idea of a "self-regulating market" to 1824 when the Poor Law reform was introduced in England and a totally free labor market was created for the first time. The immediate reason for introducing this law, according to Polanyi, was an attempt to undo the destructive consequences of the Spencorum Act of 1795, which inhibited labor mobility by supporting the rural poor and thus weakening their motivation to seek work elsewhere. In any event, the legislation of 1824 had a devastating impact on the English working population. For Polanyi, the very idea of a totally unregulated labor market was repulsing, and he considered the market ideology of the British economies as a kind of evil utopia. A society dominated by the market principle, he wrote in words not unlike those of contemporary environmentalists, could not endure.

To allow the market mechanism to be sole director of the fate of human beings and their natural environments, indeed, even of the amount and use of purchasing power, would result in the demolition of society... Robbed of the protective covering of cultural institutions, human beings would perish from the effects of social exposure; they would die as the victims of acute social dislocation through warfare, poverty, crime and starvation. Nature would be reduced to its elements, neighborhoods and landscapes defiled, rivers polluted, military safety jeopardized, the power to produce food and raw materials destroyed (ibid., p. 75).

Nineteenth-century civilization was indeed centered around the notion of a self-regulating economy, separate from the state. In the late nineteenth century, Polanyi argued further, people and political readers reacted to the evils of the self-regulating market by trying to curb it. However, countermoves of this time proved both ineffective and destabilizing of society—a destabilization that contained the seeds of both World War I and the subsequent rise of fascism.

At first glance Polanyi’s second theme—the relationship of the economy to society in primitive societies—is of interest only to economic anthropologists. But his vision was to develop a new conception of the economy that would be valid for all the social sciences. His major work on this theme is Trade and Market in the Early Empires, a book edited with colleagues at Columbia in the mid-1950s. Practically all of Polanyi’s conceptual innovations can be found in the essay entitled "The Economy as an Instituted Process."
The Sociological Perspective

In 1934 an English economist wrote in his famous treatise: "The human economy is embedded in institutions, economic and non-economic. Inclusion of the non-econometric is vital..."

For Polanyi, this constituted an absolution of economic activity, the economy is something that is institutionally visible and centered around the notion of generating a livelihood.

In contrast, Polanyi and his colleagues developed a classification of types of economic action, each of which could be found in all societies: "extravasation," the exchange among persons and groups on the basis of mutual obligation; "re-distribution," the movement of goods and services to a "ceteris" and then outward, as in many systems of taxation and philanthropy; and "exchange," or transactions in the market proper.

One of Polanyi's purposes in advancing this typology was to demonstrate that the economy should not be identified with the market ("the economic efficacy") and that, indeed, the market itself is a system embedded in society. "Trade and Market in the Early Empires," it might be noted, set off a lively debate between "formalists" and "substantive" within economic anthropology, a debate that echoes up to the present (see LeClair and Schneider 1988; Orlove 1986). Historians have also discussed and challenged some parts of Polanyi's work (e.g., North 1977; Silver 1983; Gurrin 1984).

Talcott Parsons (1902-1979) and Neil J. Smelser (1908-1983). Among modern sociologists Tal- cott Parsons has made the most significant contribution to economic sociology (see, e.g., Holton and Turner 1986). As an undergraduate at Am- herst, Parsons became interested in institutional economics and defined himself as an institutionalist during much of the 1920s (Camic 1991). In the course of his doctoral studies at Heidelberg in 1925-26, Parsons became familiar with German historical economics, especially through the works of Weber and Sombart. As a doctoral candi- date he majored in economics and sociological theory, and his thesis adviser was Edgar Sisin, an economist who was close to Max and Alfred Weber. On returning to the United States, Parsons was appointed instructor in economics at Harvard. During this period he became familiar with modern neoclassical economics—especially Alfred Marshall—and attended courses with Frank Tussig and Schumpeter. In studying Pareto he became fascinated with the relationship between economic theory and sociological theory. In 1931 he transferred to the newly created department of sociology at Harvard, where he continued his interest in economic and sociological theory up to the point of completing his first major work, The Structure of Social Action (1937). At this point he lost contact with economics until 1938, when he was invited to deliver the Marshall Lectures at Cambridge (1953) (1991). These lectures were the first step in his ultimate collaboration with Neil Smelser in the writing of Economy and Society (1956). Smelser, having read economics at Oxford, introduced most of the technical economic material into that volume. In general, then, Parsons could be said to have been very fa- miliar with the theoretical foundations of econ- omics, but knew little of and did little within the technical apparatus of that field.

Parsons's major work during his institutionalist years was his dissertation, Der Kapitalismus bei Zumbrunnen und Max Weber (Parsons 1927). His most important contribution to economic sociologi- cal in these years, however, was his translation into English of The Protestant Ethic and the Spirit of Capitalism (1930). Some years later Parsons also translated a few chapters of Economy and So- ciety—including chapter 2, on the sociological categories of economic life—and wrote a re- mains one of the best introductions to Weber's economic sociology (Parsons 1947).

Under the influence of neoclassical economics at Harvard Parsons quickly lost sympathy for the institutional economics, coming to regard it as hopelessly antibureaucratic. In this "major intellectual turn," as he described it, he took up the analy- sis of the relationship between economic and sociological theory (Parsons 1976, p. 175). This interest, Parsons later said, constituted the "most important single thread of continuity in [my whole] intellectual development" (1981, p. 195); By 1939 Parsons had worked out a systematic view of the relations between those two bodies of thought, and this view came to provide the founda-
tended his approach "the analytical factor view."
Its basic theme was that social sciences like economics and sociology each focus on different aspects of social action. Thus economics deals with "alternative uses of scarce means to the satisfac-
tion of wants," and sociology investigates "the role of ultimate common ends and the attitudes associated with and underlying them" (Parsons 1934, pp. 526–29). This approach has appeared timid to some subsequent critics (e.g., Grun-
ower 1960), because it Iaves many economic topics outside the realm of sociological analysis. His formulation was, however, novel and forceful at the time. In addition many of his writings of this early period— especially his essays on Max Weber, and Parsons (Parsons 1951)—hold out continued interest, and his critique of "economic imperialism" (Parsons 1934) reads as though it was written today.

Parsons's main contribution to economic sociol-
y was, however, in the 1950s with *Economy and Society*, conceived and written together with Neil J. Smelser (for its history, see Smelser 1981). In many ways this book represents a new stage in Parsons's attempt to fathom the relations between sociology and economics. In a break from
the "analytic factor view," economic thought was now conceptualized as a special case of a general theory of social systems and the economy is seen as a subsystem of the social system. The primary function of the economy, Parsons and Smelser re-
garded, was to deal with society's problem of adap-
tion to its environment, as conceptualized ac-
cording to Parsons's AGIL scheme (see fig. 2).
The authors also stressed the systematic ex-
changes between the economy and society's other subsystems. Money wages, for example, were ex-
changed against labor at the boundary between the economy and the latency (or cultural-motiva-
tional) subsystem. Capital was regarded as an exchange between the political and economic sub-
systems, with banks playing an interstitial role. In
*Economy and Society* Parsons and Smelser also developed the notion of money as a generalized medium—a notion later to be extended to the general analysis of social systems—and applied the sociological theory of structural differentia-
tion to the development of economic institutions.

After *Economy and Society*, Parsons lost interest in economics and turned to other topics. Some years before his death, however, he began to write on the role of symbolism in economic affairs. His intent was to "go a step beyond the analysis of the
economy's place in the society as a whole to con-
sider the broader cultural framework as also of major importance" (Parsons 1979, p. 4.36).

Parsons's work in economic sociology has been continued by Smelser. His doctoral dissertation, *Social Change in the Industrial Revolution* (Smel-
ser 1959) was an attempt to apply the theory of structural differentiation, in historical detail, to the evolution of both economic and social ar-
rangements—including child labor laws, trade unions, and savings banks—during the British in-

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**Figure 2. The Social System and the Eco-

demic Subsystem (1956).** The top diagram de-

picts the differentiated subsystems of soci-
y; the one below is a schematic representa-
tion of the primary boundary interchanges
within any system: (A = Adaptation; G = 

Goal attainment; I = Integration; and L = 

Latent pattern maintenance.) Source: Par-

sons and Smelser (1956, pp. 53 and 68).
Economic Sociology Today

In the mid 1950s, when Parsons and Smelser wrote *Economy and Society*, they observed a great gulf between economics and sociology. "Few persons competent in sociological theory," they wrote, "have any working knowledge of economics, and conversely...few economists have much knowledge of sociology." (1956, p. xviii). In their view, there had been little or no progress in the attempts to relate economic and sociological theory to one another since Weber and Marshall. "Indeed, we feel that there has been, if anything, a retrogression rather than an advance in the intervening half century" (1956, p. xxi). To explain that mutual alienation, Parsons and Smelser mentioned that economists had become preoccupied with the technical apparatus of economics and that the theoretical level of sociology was not advanced. To this might be added that industrial sociologists in the 1950s also had a tendency to stay away from larger economic questions, focusing on "plant sociology"—i.e., small group dynamics in factories and offices—in isolation from the rest of the economy (e.g., Lazarsfeld 1956; Hirsch 1975). Economic sociology also seemed to fragment into a series of sub-areas, such as industrial sociology, sociology of consumption, and sociology of leisure (see, however, the valuable studies of Roethlisberger and Dickson 1939; Worrall et al. 1955; Stinchcombe 1959). The larger picture faded into the background.

The 1960s and early 1970s witnessed a resurgence of neo-Marxist and neo-Weberian influence, dominated by the class and political dimensions. Nevertheless, the macrosociological stress clearly reemerged. And within the past ten or fifteen years, the field of economic sociology has enjoyed a kind of renaissance, of which this *Handbook* stands as major testimony. The sharp boundary between economics and sociology seems to be weakening—i.e., if that assessment is too optimistic, at least the excursions across the boundary have become more frequent. This statement applies to both economists and sociologists. During the past twenty years prominent economists have made serious efforts to incorporate a social perspective (e.g., Hirschman 1970; Arrow 1974; Becker 1975; Akerlof 1984; Solow 1990). A new school of institutionalism—New Institutional Economics—has appeared and there are some signs of revival of "old" institutional economics (see Hodgson, chap. 3 in this *Handbook*). On the sociological side, some sociologists, such as James Coleman (1990) and Michael Fligstein (1987) have incorporated conceptions of rational choice and methodological individualism into sociological analysis.

Tanglisch: institutional evidence of this ferment is also available. Coleman initiated and edits an interdisciplinary journal called *Rationality and Society* (1989--). In 1989 Amato Etzioni pioneered the formation of the Society for the Advancement of Socio-Economics (SASE), which brings the social perspective into mainstream economics through annual conferences, a journal, and other publications (e.g., Etzioni 1988; Etzioni and Lawrence 1991). The field of economic sociology itself has witnessed the appearance of several anthologies on the "New Economic Sociology" as well as a new reader in the sociology of economic life (Friedland and Robertson 1990; Zukin and DiMaggio 1990; Granovetter and Swedberg 1992; Swedberg 1992). The Research Committee on Economy and Society of the International Sociological Association has been among ISA's most active groups.

The "sociology of knowledge" that might explain this resurgence of interest is not clear. It is claimed that the oil shocks and the stagflation of the 1970s shook both the outlook and the confidence of some economists. We mentioned the revival of Marxism in the 1960s and early 1970s as another factor. The intellectual consolidation of feminism in the 1970s and 1980s also introduced and consolidated many dimensions of gender in economic life. Whatever the mix, it is evident that a number of economists came to the conclusion that the mainstream of economic sociology was too narrowly defined and decided to extend it. Mention should first be made of the development called "behavioral economics," which has involved numerous modifications of neoclassical conceptions of decision making and has introduced a more empirical note into economic research (e.g., Simon 1987). This effort, however, has forged links mainly with psychology, and has attended only slightly to the social dimension. Evidence of the more sociological side of this extending process is seen as early as the late 1950s with the appearance of Gary Becker's *The Eco-
nomic of Discrimination (1967) and Anthony Down's An Economic Theory of Democracy (1957). It gained momentum in the 1970s, when the movement got its name--Becker's "The Economic Approach to Human Behavior" (1976) as well as its first treatise (Tullock and McKenzie 1975). The approach began to work its way into a number of social sciences, including demography, sociology, law, political science, and economic history. By the mid-1970s New Institutional Economics also began to attract attention, especially through Oliver Williamson's Markets and Hierarchies (1975). In a survey article in the mid-1980s, entitled "The Expanding Domain of Economics," Jack Hirshleifer (1985, p. 53) ventured the judgment that "economics constitutes the universal grammar of social science" (see also Stigler 1984; for a critique see Uzilov 1991).

Perhaps it was this territorial overconfidence among some economists--which was read negatively as a new kind of imperialism--that helped stimulate sociologists to renew their own interest in economic phenomena. It is difficult to date the onset of this renewal, but mention should be made of Harrison White's (1981) attempts to develop a sociology of markets since the mid-1970s. One of White's students, Mark Granovetter, subsequently authored a major article revising a version of economic sociology tracing to Polanyi. The article was called "Economic Action and Social Structure: The Problem of Embeddedness" (Granovetter 1985). The key concept--embeddedness--was inspired by Polanyi and implied a comparable critique of "disembedded" economic theory. Also reminiscent of Polanyi, Granovetter criticized economists who attempted to apply neoclassical economics to non-economic areas. Granovetter especially singled out the notion of "efficiency" used in New Institutional Economics to explain the emergence and structure of economic institutions. "The main thrust of the 'new institutional economics' is to deflect the analysis of institutions from sociological, historical, and legal argumentation and show instead that 'the main thrust of the 'new institutional economics' is to deflect the analysis of institutions from sociological, historical, and legal argumentation and show instead that the stability of the 'new institutional economics' is to deflect the analysis of institutions from sociological, historical, and legal argumentation and show instead that the stability of the 'new institutional economics' is to deflect the analysis of institutions from sociological, historical, and legal argumentation and show instead that the stability of the 'new institutional economics' is to deflect the analysis of institutions from sociological, historical, and legal argumentation and show instead that the stability of the 'new institutional economics' is to deflect the analysis of institutions from sociological, historical, and legal 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networks, which are then "locked into" a single institutional pattern (see Granovetter 1992; forthcoming).

Another point of evident interest is the sociology of markets, a central but somewhat elusive category of economic discourse (Barber 1977). Contemporary economic sociologists approach markets mainly as different kinds of social structures, depending on the focus—labor, financial, and so on (e.g., Kalleberg and Sorensen 1979; Adler and Adler 1982). Within this general frame, attention is paid to the phenomena of the differential power of market agents. Capital has a flexibility that labor lacks (e.g., Ollé and Worsley 1980); the power dimension infuses the relations among banks (Mintz and Schwartz 1985); and firms prefer to be in a position of "structural autonomy," where they can dominate their customers and suppliers by virtue of having few competitors (Burt 1982). Market processes have also come into view. In his 1981 study White concentrated on a producers' market with few participants, and concluded that the participating firms create the market by watching each other and then act in consequence. Burns and Flan (1987) have identified an intricate rule system within which markets operate as complex networks (Baker 1981).

Another recent focus of interest has been corporations. One impetus for this has been developments in organization theory since the 1950s. Another more specific stimulus has come from the confrontation with New Institutional Economics, especially the work of Williamson in *Markets and Hierarchies*. Some sociologists have questioned the distinction between markets and corporations, arguing that a whole range of intermediary forms can be observed empirically (e.g., Eccles 1981; Stinchcombe 1985). Some sociological work on corporations has been stimulated by Alfred Chandler's work on the rise of the giant corporation. Some sociologists have criticized his somewhat mechanistic emphasis on the role of technology and markets; others have supplemented this criticism by pointing to the central role played by the state and by power in general (Ferrera 1988; Fligstein 1990). Empirical studies following the work of John Meyer also raise the question whether multivisional firms develop because they are behaving in a traditional, economically rational way—as Chandler argues—or because some firms imitate other firms in the hope of becoming successful (Fligstein 1989; Powell and DiMaggio 1991).

As indicated, much research in current economic sociology emphasizes gender. Two central loci are work in paid employment and household work. With respect to the former, much research has been devoted to documenting and explaining the gender gap in pay and gender segregation of work (see, e.g., England and McCreary 1987; England 1992). That women continue to do most household work is well established, but less is understood about why men remain reluctant to change their household work behavior even when their wives are employed full time. Another line of research deals with the relationship between female earnings and power in the household. As a general rule, women who generate earnings in the market enjoy more power in the household than their nonemployed counterparts. Little is understood about the dynamics of dividing money within the household (see Sorensen and McAnahan 1987), even though different gender strategies for dealing with money within the household—for example, allowances, "pin money," joint accounts—have been identified (Zelizer 1989). The role of women in corporations is another item on the agenda of the increasing volume of gender studies (e.g., Kanter 1977; Bhatti 1985).

Finally, a few words should be said about the dimension of culture in contemporary economic sociology. While the term has proved to be somewhat unmanageable historically, it is nonetheless argued that the cultural dimension—meaning historically constructed sets of group meaning and social "scripts"—is an essential category of economic activity. Programmatic statements, such as those of Zelizer (1989a), DiMaggio (1990), and Holton (1992), stress the danger of narrowness of investigation if culture—in addition to social structure—is not included in the study of market, consumption, and workplace interaction. The works of Bourdieu (1984), Boltanski (1987), and Zelizer (1988, 1987) all make an explicit attempt to build the cultural dimension into the analysis of economic institutions and behavior (see also DiMaggio chap. 2 in this *Handbook*).

**A Concluding Note**

Space has constrained our review of both historical developments and contemporary highlights (the latter are amply covered in the chapters that follow). We have seen enough, however, to permit a few, equally brief, evaluative comments.
on the field of economic sociology today, and more particularly in the relations between economics and sociology.

What is unique about the situation today is that for the first time since the sixteenth century, mainstream economics has begun to analyze economic institutions again. This has already led to a number of interesting developments within economics proper as well as to a tentative dialogue with sociology. It is important that efforts be made, by sociologists as well as economists, to deepen this dialogue, since both disciplines are needed to fill the void created by nearly a century of neglect of economic institutions.

The "imperialistic" mode, whether in its sociological form or in its economic form, seems unreasoning as a way of dealing with either economic behavior or economic institutions (or for that matter, behavior and institutions in general). The complexity of determinants and effects on every kind of behavior suggests the greater scientific utility of approaches that are less monolithic. It is true that "imperialistic" works have greatly stimulated the debate around economy and society. Eventually, however, this approach becomes counterproductive scientifically, leading to excite territorial battles rather than disparate inquiry.

Consequently, it is in our opinion more fruitful to pursue the kind of approach to economic sociology taken by Weber and Schumpeter in their social economy, or Socialökonomie. Such an approach is broad-based and multidisciplinary. Economic sociology, in other words, should have its own distinct profile as well as cooperate and corral with economic theory, economic history, and economic anthropology.

While the current "phallic" approach moves along the right lines, the holier efforts of the classics in the area of theoretical synthesis are notably missing. Without that complementary line of theorizing, the field of economic sociology—like any area of inquiry that spans the social sciences—faces a steep climb. Continuing efforts to sharpen the theoretical focus of economic sociology and to work toward synthetic interpretations of its findings are essential.

One of the most promising modes of relating the fields of economics and sociology remains that which might be termed "complementary articulation." Of necessity, any line of disciplined inquiry focuses on certain operative variables and determinants, and "deceives" others into parametric assumptions. Often the territory thus frozen is that very territory that is problematical from the standpoint of some other line of social science inquiry. It is this dialogue about the precise role of operative variables and the conceptual status of parameters that holds out the best promise for communication and theoretical development in both economics and sociology. This duality appears much more engaging that the central others we have identified in our survey—imperialism, potentiometric hierarchy, mutual separation and toleration, or shapeless eclecticism.

Given the void after a century's neglect of economic institutions, we also expect that new questions will be raised that cut across the conventional boundaries between economics and sociology. For this reason it is essential that there exists a willingness among economists as well as sociologists to entertain new and unfamiliar ideas. An opportunity such as the current one is rare and should not be neglected.

NOTES

1. The authors would like to especially thank Gerda Erings-Boven, Geoffrey Hodgson, Alfonso Ferrera, Philippe Steiner, and Oliver Williams for helpful comments on an earlier version of this chapter.

2. The field has also been called "the sociology of economic life," as Smelser (1976), Fred Block (1990) preferred term is "sociology of economics." As far as we are concerned there is little if any difference in denotation as between these terms and "economic sociology" so for convenience we will use the terms that emerged in the classical literature. As a term for all social scientists interested in the economy—economics, sociology, and anthropology—economic sociology and economic anthropology are appropriate.

3. The term "economic sociology" has occasionally also been used to denote a reaction to a certain choice perspective as applied to social behavior in general (see Becker [1990]). This usage is, of course, inextricably connected to the analysis of the economic proper.


5. A few words need to be said at this point about Schumpeter's great two-volume work, The Theory of Economic Development (1934-1939). Two volumes of economic sociology and as a social type of analysis in his studies on "applied sociology" (e.g., Perkin 1956). Thorstein Veblen (1867-1929) published a number of articles in the American Journal of Sociology around the turn of the century, and his work illustrates the fact that a certain type of institutionalism is very close to economic
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