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SOCIOLOGY OF MARKETS

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ABSTRACT

This paper surveys sociological approaches to the study of markets. After considering the economic approach, I delineate the wide range of theoretical schools, including alternative schools in economics, economic anthropology, cultural sociology, the embeddedness approach, and the new political economy. I also briefly discuss recent debates on the transition from planned economy to market and on globalization. I conclude by noting the difficulties of theorizing about the historical and institutional complexity of markets.

Introduction

We live in the age of the market. The category of the market dominates everyday discourse and political reality. Jobs, spouses, and commodities are all said to be obtained in their respective markets. After the collapse of communism, the market appears as the desirable and perhaps even the only viable form of exchange or coordination in a complex economy.

The triumph of the market, in turn, elevates the standing of a science devoted to its explication. Neoclassical economics, in spite of persistent and powerful criticisms, emerges as the paradigmatic framework to analyze all spheres of social life, as evinced by the ascent of rational choice theory in political science and sociology. Nonetheless, the spread of the economic approach—orthodox microeconomic theory or neoclassical economics—to noneconomic spheres is problematic. More important, broadly sociological approaches challenge the economic approach even in the study of markets.

In this paper, I survey the major sociological approaches to the study of markets. Several caveats are in order. Excellent recent reviews describe the extensive and expanding literature on markets in particular (Friedland & Robertson 1990, Swedberg 1994) and economic sociology in general (Swedberg 1987,

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1990, 1991; Smelser & Swedberg 1994). I am not vigilant in demarcating markets from economies *tout court*; the blurred boundaries are symptomatic of different conceptualizations of markets. Although I am not overly concerned about disciplinary distinctions, this paper has very little on labor markets or on the social psychology of market exchange.

The Neoclassical Market and the Economic Approach

The market is a central category of economics. Mark Blaug (1985:6), the indefatigable chronicler of economic thought, writes: "The history of economic thought. . . is nothing but the history of our efforts to understand the workings of an economy based on market transactions." It is then curious that the market receives virtually no extended discussion in most works of economic theory or history. A promising title such as *Theory of Markets* (Allingham 1989) does not describe what constitutes a market or explain how it operates (cf Isachsen et al 1991). Similarly, three recent tomes on market and history offer but one sentence on the market itself (Anderson & Latham 1986, Galenson 1989, Haskell & Teichgraeber 1993). In point of fact, the absence or ambiguity of the market concept is as old as economics itself. JE Cairnes (1888:100), for example, criticized Adam Smith because "it is not quite clear. . . in what sense he [Smith] uses the word 'market'. . . ." The market, it turns out, is the hollow core at the heart of economics.

What is the market in orthodox economics? Most economists follow Cournot (1897:51) in suggesting that price uniformity within a particular area signifies the existence of a market. The market clears—supplies are exhausted, while demands are satisfied at a given price. But what is the sociological description of the market? Milton Friedman (1962:14), for example, writes: "the central characteristic of the market technique of achieving co-ordination is fully displayed in the simple exchange economy that contains neither enterprises nor money." This accords with the usual dictionary definition: "Generally, any context in which the sale and purchase of goods and services take place. There need be no physical entity corresponding to a market" (Pearce 1986:263). In other words, the neoclassical market is shorn of social relations, institutions, or technology and is devoid of elementary sociological concerns such as power, norms, and networks.

The very abstraction of the market—its ontological indeterminacy—allows for its universal applicability (cf Rosenberg 1992). The analytical structure developed for the abstract market, in other words, can be used for nonmarket spheres precisely because there is nothing particular about the institution or the structure of the abstract market. According to the economic approach, the phenomenological diversity of markets—from the medieval marketplace to the modern placeless market—in fact reveals deep isomorphism, or market essentialism. For explanatory purposes, diverse relations and institutions of economic exchange can be analyzed as the singular market. Rather than analyzing markets, the market is used to explain different instances of market exchange.

The indisputable intellectual leader of the economic approach is Gary Becker. Ranging from racial discrimination to crime to marriage and the family, Becker has colonized literally all of the social sciences as grist for his analytical mill. The economic approach starts from the assumption that "all human behavior can be viewed as involving participants who maximize their utility from a stable set of preferences and accumulate an optimal amount of information and other inputs in a variety of markets" (Becker 1976:8). As he declares, the economic approach "is applicable to all human behavior" and to all types of human beings (Becker 1976:8). Pierre Bourdieu, in this regard, resembles Becker in applying the market or economic metaphor to other realms of social life (Bourdieu 1977). In a different vein, exchange theorists such as Blau and Homans sought to apply the essential exchange framework to disparate spheres of social life (Ekeh 1974). However, just as market theories are not the same as theories of markets, exchange theorists did not always theorize exchange. Rather than explaining markets or exchange, they employ markets or exchange to explain social and economic life.

The most concerted effort to apply microeconomic theory has occurred in the realm of politics. From the late 1950s, social scientists have used neoclassical economic analysis to make sense of governments and movements (e.g. Downs 1957). It is ironic that a presumed shortcoming of neoclassical economic analysis—the absence of power—turns out to be the sphere where it has had its most widely recognized success (e.g. Green & Shapiro 1994). In sociology, James Coleman (1990) has championed the use of the economic approach. Centered around the journal *Rationality and Society*, rational choice theory sustains a devoted, albeit still small, network of scholars. Its influence, owing in no small part to Coleman, is manifest in the diffusion of and the obeisance made to the choice-theoretic language in contemporary US sociology.

The economic approach has also been criticized in the very sphere—the market and the economy—from which it originated. Consider the US securities market, which is the paradigmatic instance of an actually existing market. To the extent that neoclassical economists consider the sociological grounding of the market, they usually envision a modern stock market as in Walras's (1954:83–84) classic account. The social organization of Wall Street, however, reveals little resemblance to the neoclassical imagery. The prevalence of network ties and the premium on inside information make market operations far from the ideal of individual utility maximization with perfect information. Indeed, stock markets across space and time are rife with political interventions, social networks, and power considerations. Hence, neoclassical economic analysis is problematic in making sense of either eighteenth-century London financiers or contemporary Wall Street moguls (Abolafia 1997, Baker 1984, Mirowski 1988:210–32, Carruthers 1996).

The social landscape of the economic approach is like a desert—far from the sociological concern with actual towns and cities. Externalities and institutions—the very areas of sociological research interests—are neglected (Hodgson 1988, Block 1990, Papandreou 1994). Thus, large corporations and the interventionist state are generally passed over (Chandler 1977, Sklar 1988, Fligstein 1990, Block 1994). It is not surprising, then, that corporate power remains a virtually untouched topic in the economic approach (cf Schwartz 1988, Granovetter 1994). Although the economic approach would apply economic logic to politics, it seems more appropriate to apply political logic to economics (cf Piore & Sabel 1984).

The economic approach is, moreover, antisociological. Consider Gary Becker's (1976:8) claim that the economic approach is applicable to all human beings: "rich or poor persons, men or women, adults or children, brilliant or stupid persons, patients or therapists, businessmen or politicians, teachers or students." In advancing this universalist claim, the economic approach elides social differences. Inequality—the backbone of contemporary sociology—does not play a significant role in the economic approach (Lie 1992). In other words, class, race and ethnicity, gender, or any other social attribute remains essentially outside the theoretical purview of the economic approach (e.g. Ferber & Nelson 1993, Folbre 1994, Nelson 1996). And what assumption would be more inimical for contemporary US sociology than the assertion of the abstract individual that renders social inequality and difference irrelevant?

In criticizing the economic approach, I do not mean to dismiss it altogether. The economic approach is, after all, not all of one piece (for latest developments, see *Journal of Economic Literature* and *Journal of Economic Perspectives*). Furthermore, the dialogic character of academic discussion ensures that once a criticism is raised against a particular view, it evolves to meet the criticism (and to deny that it had subscribed to one naive assumption or another).

Some Alternatives in Economics

Many economists have opposed historically orthodox positions and challenged dominant paradigms (Heilbroner & Milberg 1995). Thorstein Veblen, Karl Polanyi, Piero Sraffa, Joan Robinson, Paul Sweezy, Gunnar Myrdal, and John Kenneth Galbraith are but some of the illustrious dissenters. Even in contemporary US economics, dominated as it is by the marginalist orthodoxy, there are evolutionary, institutionalist, Neo-Marxist, Post-Keynesian, Neo-Austrian, and other schools of thought (e.g. Bowles & Edwards 1990, Hodgson et al 1994). Journals, such as *Cambridge Journal of Economics*, *Economy and Society*, *Journal of Economic Issues,* and *Review of Radical Political Economics,* feature information and insights unavailable in mainstream publications. Be that as it may, very few have made sustained efforts to analyze the market or to probe its theoretical foundations (cf Robinson 1980:146–167, Vickers 1995). Ironically, even some of the most vociferous dissenters often accept the orthodox position on the market. Let me, however, briefly survey some of the revisionist movements within the American economics profession.

Numerous theoretical leads have yet to be fully developed. It is unfortunate, for example, that so few economists have built on the early theories of monopoly competition, such as Chamberlin (1933) and Robinson (1933) (cf Blanchard & Kiyotaki 1987). A variety of post-Walrasian economics seeks to supersede the restrictive assumptions of orthodox microeconomic theory (Bowles et al 1993, Colander 1996). The innovative works of George Akerlof (1984) also articulate the consequences of considering assumptions different from those of orthodox theorizing. Some economists take conflict seriously (Garfinkel & Skaperdas 1996), while Telser (1987) argues that excessive competition undermines economic efficiency. John Hicks (1989) argues for the interdependence of methods of exchange, media of exchange, and market structures.

Industrial organization—a longstanding subfield of economics—is notable for its institutionalist orientation. Its primary task is to analyze the relationship between market structure and performance (Bain 1968, Scherer 1980, 1992). In analyzing barriers to entry, for example, students of industrial organization focus on issues ranging from advertising and product differentiation to monopoly power (Bain 1956, Schmalensee & Willig 1988). The leading scholars, however, analyze markets or industries that do not fit the condition of perfect competition, and hence they leave the orthodox economic theory intact. These exceptions are, however, probably more of a rule. In a relative vein, anti-trust economics analyzes institutions and the legal system (e.g. Williamson 1987). Another noteworthy development is the theory of contestable markets, which is, however, less concerned with institutions (Baumol et al 1982).

New institutional economics, inspired by Coase's theory of the firm, has also sought to overcome the limitations of orthodox economics (Williamson 1975, Coase 1988). In considering transaction costs, they incorporate the assumption of bounded rationality and regard the firm as a governance structure (cf Granovetter 1985). New institutional economics has inspired innovative works in economic history (e.g. North & Thomas 1973). In a relative vein, there are evolutionary economists who consider history and institutions in their analyses (Nelson & Winter 1982, Hodgson 1993).

Institutional economists also remain active (Hodgson 1988, Rutherford 1994). Inspired by the fundamentally sociological insights of John Commons and Thorstein Veblen, they analyze markets as patterned behavior following institutionalized rules. Their starting point is ownership; its transaction constitutes the ultimate unit of analysis. The old-style institutionalists criticize new institutional economics for failing to take seriously concrete institutions, historical variations, and power relations. In particular, radical institutionalists stress the role of corporate power in the US economy (Eichner 1976, 1991, Peterson 1988, Dugger 1989). Their marginality in the American economics profession stems from their putative focus on description (and lack of formalization) and their normative thrust (as opposed to the presumed neutrality of neoclassical analysis). The neglected works of John Kenneth Galbraith (1956) and Robert Brady (1943) on business power also deserve reconsideration.

Marxist economists have generally accepted the neoclassical conceptualization of the market, albeit usually dismissing it on political grounds (cf Moore 1993). Most notable theoretical developments—whether the revival of classical political economy via Piero Sraffa or the rise of analytical Marxism and the fusion of Marx and Walras—have also moved Marxists away from considering empirical markets (Sraffa 1960, Roemer 1981). A notable exception is Samuel Bowles and Herbert Gintis's (1990) effort to theorize contested exchange. In addition, William Lazonick (1991) challenges a number of cherished neoclassical economic assumptions, including the efficiency of competition.

Intellectual history has also provided powerful critiques of neoclassical economics (Tribe 1981, Hont & Ignatieff 1983; cf Winch 1996). Philip Mirowski's *More Heat Than Light* (1989) demonstrates the transposition of the mathematical formulae and thinking of classical mechanics and physics to marginalist economics, thereby questioning the foundations of neoclassical economics. Intellectual historians, however, do not propose an alternative framework (cf Fonseca 1991).

Finally, the popular writings of Greider (1992), Kuttner (1987, 1997), Heilbroner (1988), Silk & Silk (1996), and others have useful insights for understanding markets (see also Thurow 1983, Hirschman 1986). They should certainly not be dismissed as mere journalism.

The Moral Economy

A persistent and powerful response to the market—whether the theory or the reality—is to reject it on moral or political grounds. An exemplary figure in this regard is John Ruskin, whose passionate and prophetic writings influenced generations of radical thinkers (Sherburne 1972). His criticism of greed and its negative consequences—such as the unraveling of the social fabric or the destruction of nature—have redounded throughout the twentieth century. Indeed, the development of markets is in many ways coeval with its critics (Thompson 1988).

The moral critique of the market has a long pedigree. Aristotle's economic thought is, for example, inextricable from his moral philosophy (Meikle 1995). The entwinement of markets and morals is not just a matter of intellectual history. The operations of the open market in seventeenth-century England cannot be told apart from extensive political regulations and the moral economy of the time (Thompson 1991, Lie 1993). Indeed, there are no self-sustaining markets without some form of rules and regulations—the Hobbesian problem of order remains a perennial predicament (cf Parry & Bloch 1989, Lie 1992).

Social economics and socioeconomics both take off from deep engagement with moral questions. Social economics, centered around the journal *Review of Social Economy*, is a variant of institutional economics. It seeks an interdisciplinary understanding of socioeconomic behavior with an explicit intent to enhance social welfare (Lutz 1990, O'Boyle 1996). Social economists therefore criticize the neoclassical market not only on scientific but on moral grounds as well. Similarly, Amitai Etzioni has called for socioeconomics, which is inspired in part by Talcott Parsons's insight that the economy should be analyzed as a subsystem of the larger social system, as well as by Kantian moral philosophy. He stresses the role of duties, trust, cooperation, and other integrative principles and mechanisms not only as descriptive tools but also as prescriptive principles (Etzioni 1988, Etzioni & Lawrence 1991). Etzioni's socioeconomics is thus far more notable for its humanistic impulse—as his advocacy of communitarianism suggests—than for its scientific accomplishments (cf Cantor et al 1992).

In addition, numerous writings combine scientific and moral impulses in the study of markets. This is explicit, for example, in the advocate of the market and laissez-faire economic and social policy (Waligorski 1990). Radical critics, in turn, denounce the market and its deleterious consequences. The market is blamed for social inequality, environmental destruction, and communal disintegration (Herman 1995, Baum 1996, Glasman 1996). In this vein, Robert Lane (1991) makes the most sustained case for changing the evaluation of market performance from purely economic to more political and moral standards (cf Scitovsky 1992).

Moral criticisms are an indispensable part of public discourse and play a significant role in shaping social-scientific theories of markets. The intersection of economic and moral theory has become an especially fertile field of intellectual inquiry (Farina et al 1996, Hausman & McPherson 1996). Nonetheless, moral critiques and concerns are inadequate in and of themselves to advance the effort to clarify our understanding and explanation of markets.

Economic Anthropology and Culture

In surveying economic anthropology in the 1990s, the formalist-substantivist debate no longer offers a compelling starting point (cf Halperin 1994, Wilk 1996). The putatively sharp division between market and nonmarket (e.g. gift) exchange obscures the diversity of markets, just as the insistent distinction between the West and the rest exaggerates the difference between us and them

(Thomas 1992). The blurring of the boundaries between the industrial and nonindustrial economies leads some to anthropological analysis of the West (Carrier 1995). At the same time, others stress the motive of gain and the importance of market exchange in nonindustrial societies (Davis 1992, cf Gregory 1982:8–9).

Several lines of inquiry in economic anthropology are of interest. G. William Skinner's classical work (1964–1965) on the rural Chinese trading networks takes seriously the impulse to generalize and to consider geography and history. Developed as regional analysis, several formal models exist to make sense of local and regional trading networks (Smith 1976), although their applicability to different cultures and time periods remains contested (Wanmali 1981). Polly Hill's (1972) analysis of the Hausa economy (Nigeria) demonstrates sophisticated understanding of macrosociological and historical forces impinging on local markets (see also Hart 1982). Macfarlane (1987), Halperin (1988), and Gudeman (1986, Gudeman & Rivera 1990) stress the importance of culture in shaping economic categories and institutions. There are interesting works on gendering gift exchange (Strathern 1988) and on women traders (Clark 1994). Roy Dilley's edited collection (1992) deserves special mention (see also Plattner 1985, 1989).

Ethnographic observations yield descriptive richness missing in the economic approach (Gregory & Altman 1989), and ethnographies are veritable treasure troves of insights on markets (Firth 1939, Bohannan & Bohannan 1968, Strathern 1971, Beatty 1992). Paul Bohannan's (1955) discussion of distinct spheres of exchange and Mary Douglas's (1967) analysis of controlled exchange are redolent with implications for analyzing contemporary markets. There are also excellent studies of the relationship between inequality and markets (Hill 1982, Harriss 1984a) and that between states and markets (Bates 1981, Harriss 1984b). Nonetheless, in the age of globalization, fieldwork by itself may very well miss translocal and historical factors (cf Roseberry 1988, Thomas 1991, Carson & Harris 1995).

In addition to anthropologists, historians and sociologists have also investigated the interaction of culture and markets. Two contributions at the intersection of economic and cultural history are noteworthy. Jean-Christophe Agnew's (1986) *Worlds Apart* grounds its cultural history of England in the shift from an economy dominated by marketplaces to one dominated by placeless markets. The economic change underpins his analysis of the changing cultural tropes of early modern England. William Reddy's exploration of modern French society stresses the "mirage" of market society. According to Reddy, France became not so much a market society as a market culture—"when the language of the mirage insinuated its assumptions into the everyday practice" (Reddy 1984:1–2); the dominance of the market category contributed to the hegemony of capitalist order. Reddy argues that reformist and revolutionary efforts failed in part because they did not articulate a critique of market categories (see also Reddy 1987).

Sociologists have also explored the interrelationship between culture and markets (Chang 1991, DiMaggio 1994). Viviana Zelizer's books (1983, 1987) exemplify a cultural approach to the study of markets. Zelizer (1988:618) calls for a "multiple markets" model: "the market as the interaction of cultural, structural, and economic factors." In so doing, she seeks to avoid both the oversocialized and undersocialized conceptions of economic action and institutions (see also Blau 1993).

Inspired in part by the cultural turn in the social sciences, consumption has become a popular terrain of inquiry. Here there are several distinct threads. Economic, social, and cultural historians analyze the birth of modern consumer practice and society (Thirsk 1978, McKendrick et al 1983, Shammas 1990, Lebergott 1993, 1996). Several anthropological studies link the study of consumption with that of markets (Colson & Scudder 1988, Miller 1995). There are, furthermore, Marxist and Weberian theoretical frameworks for analyzing consumption (Campbell 1987, Fine & Leopold 1993, Fine et al 1996). In addition, a large literature on marketing research is at once diverse and informative (Brown 1995, Thomas 1995).

Embeddedness and Social Networks

The revival of economic sociology in North America has catapulted Mark Granovetter's 1985 article into prominence as its programmatic text and the embeddedness approach as its primary framework (Swedberg 1991). Consciously departing from the old economic sociology of Talcott Parsons and his colleagues, the proximate theoretical inspiration of the embeddedness approach is Karl Polanyi's work, especially his collaborative book *Trade and Market in the Early Empires*: "The human economy... is embedded and enmeshed in institutions, economic and noneconomic" (Polanyi et al 1957:250).

The bedrock assumption of the embeddedness approach is that social networks—built on kinship or friendship, trust or goodwill—sustain economic relations and institutions. The basic idea is as old as sociology itself, such as in Durkheim's critique of Spencer—the existence and necessity of pre-contractual elements in contracts. To be sure, the insight is not unique to sociology. In *Industry and Trade*—one of the few texts where market is discussed by a prominent economist—Alfred Marshall (1920:182) wrote: "Everyone buys, and nearly everyone sells... in a 'general' market.... But nearly everyone has also some 'particular' markets; that is, some people or groups of people with whom he is in somewhat close touch: mutual knowledge and trust lead him to approach them... in preference to strangers." Although Marshall was responsible for widening the gulf between the study of economy and of politics, his work contains acute sociological insights (cf Collini et al 1983: Ch. 10). Goodwill, trust, and special tastes are but three of the many factors that sustain network ties that circumvent the simple calculus of utility maximization.

Most contemporary American economic sociologists work under the banner of the embeddedness approach. In particular, network analysis is central to the embeddedness approach (Powell & Smith-Doerr 1994, cf Axelsson & Easton 1992). The central motif of Granovetter's oeuvre is that "social relations are fundamental to 'market processes"' (Granovetter 1985:500). Granovetter (1994) himself expands on his programmatic article by considering a number of spheres ranging from the labor market to business groups.

Along with Granovetter, two sociologists exemplify the embeddedness approach. Harrison White's (1981) analysis of production markets as role structures was the first substantive work of the new economic sociology. He extends his analysis by stressing struggles for control and autonomy that generate the market as a social category (White 1992, 1993). Ronald Burt (1983, 1992) pursues a broadly network approach in his studies of contemporary US markets and competition. His conceptualization of structural hole—the agglomeration of ties with fewer relations among themselves—is not only a provocative idea but a fully operationalized empirical project.

Several scholars extend the work of Burt, Granovetter, and White. In addition to his study on corporate behavior (Baker 1990), Wayne Baker, in conjunction with Robert Faulker, incorporates structural, interactionist, and network considerations into White's analysis of markets as role structures (Baker & Faulkner 1991). Joel Podolny (1993) argues for the salience of status order and positions, rather than roles, in making sense of production markets (cf Han 1993). Brian Uzzi (1996) combines various threads in order to better operationalize the embeddedness approach. In another vein, Neil Fligstein (1996) advocates a political-cultural approach that combines the insights of the embeddedness approach with that of the cultural frame approach. He employs his framework to analyze the problem of the European Union (Fligstein & Mara-Drita 1996).

The embeddedness approach is salutary in stressing social relations and networks. In avoiding both the oversocialized (e.g. the substantivist school in economic anthropology) and undersocialized (e.g. the economic approach) approaches, it seeks to strike a correct balance in analyzing markets and other economic phenomena and institutions. In so doing, it registers the existence of disparate market relations and institutions. Harrison White (1992, 1993), in particular, emphasizes power and control struggles as a crucial constituent of markets. The embeddedness approach, in other words, avoids market essentialism and incorporates power.

Nonetheless, there are several grounds of criticism. The structuralist tenor of the embeddedness approach generally neglects nonsocial or nonstructural factors, such as culture, technology, and even macroeconomic forces. In spite of avoiding market essentialism, the embeddedness approach in practice largely eschews analyzing historical and cultural variations in markets. Power, especially in the noneconomic realm, remains elided—there is nary a mention of the state in many accounts. In addition, Marx's crucial insight—the structured inequality underlying the formal equality of the market—is well worth recovering. Social networks exist inevitably within the larger historical and structural context. The embeddedness approach must itself be embedded in larger, historically transient, social structures—not only state institutions and suprastate organizations, but also historically shifting transnational relations and structures.

Politics and Markets

The classic question of power and wealth and the concern with big structures and large processes continue to be fundamental. But the economic approach, as I noted, disentangles markets from power considerations. As OH Taylor (1955:116) observed in 1934, "the real economist's utopia is now and forever laissez faire... of a scheme of policy eliminating all interference of all 'politics'... ." The disembedded economy—an idea traced to seventeenth-century England (Appleby 1978)—accompanies the belief in the separation of politics from markets as a desirable condition. Power is, however, a crucial fact of economic and social life, whether one seeks to understand corporate behavior or the interventionist state. Even in an ostensibly abstruse economic phenomenon, such as inflation, the politics of social classes is important (Goldthorpe 1978). Or, consider the fact of corporate downsizing in the 1990s. Although many economists would attribute massive lay-offs to market forces, David Gordon (1996) argues for the crucial importance of corporate decision-making. In other words, corporate or managerial power is important, and its neglect obscures the crucial forces at work in the economy.

The locus classicus of the new political economy approach that brings power and markets together is Charles Lindblom's *Politics and Markets* (1977) (see also Shonfield 1965). The relationship between states and markets has generated a large scholarly literature (Hall 1986, Freeman 1989, Przeworski 1991, Hollingsworth et al 1993, Schwartz 1988). Particularly noteworthy are comparative studies that explore the different parameters of state intervention and market structure (Sabel & Zeitlin 1985, Dobbin 1994, Herrigel 1996, Schmidt 1996). There are also interesting works on the role of regulation in shaping market structure and competition (Vietor 1994, Mercer 1995).

The new political economy approach demonstrates the extensive state intervention in the modern economy. Furthermore, political institutions and processes are viewed as constitutive of economic institutions and processes. This is especially true for East Asian economies such as Japan (Sheridan 1993, Vestal 1993, Uriu 1996). Similarly, studies of South Korean and Taiwanese development repeatedly find the preponderant role of the state in markets (Wade 1990, Fields 1995). Simon Reich (1990) argues that the post–World War II successes of Japan and West Germany are due in part to the institutional legacy of prewar state intervention. The debate over the decline of the British economy is an interesting case study (Alford 1993). Although some argue that state intervention in markets led to sluggish economic performance (Middleton 1996), others point out the deleterious consequences of Thatcher's market revolution (Gamble 1994).

Beyond the nation-state, there are studies on governance structures in the global economy (Michie & Smith 1995, Cox 1996). International trade and global markets remain areas of political intervention (Hirschman 1980, Milner 1988, Salvatore 1993). The interpenetration of interstate relations, state economic policies, and markets is a promising area of inquiry (Wurm 1993, Keohane & Milner 1996).

From Plan to Market

In the early 1990s, perhaps the most salient market-related issue was the transition from planned economy to market, especially in Eastern Europe. Indeed, as *World Development Report 1996* noted in its subtitle, "From plan to market," privatization or market transition is a problematic for virtually all of the world (World Bank 1996).

The end of communism created an avalanche of proposals to privatize the formerly communist economies and to effect a transition from planned economy to market. There are several overarching overviews (Ramanadham 1993, Jeffries 1996; see also Centeno 1994). In general, economists advocate privatization and marketization (Blanchard et al 1991, Sachs 1993). To the extent that there are problems with privatization, they stem largely from the prevailing political power groups (Boycko et al 1995). What neoclassical economists prescribe is a wholesale transformation from plan to market. Empirical investigations, however, reveal the complexity of institutional legacies that differ across Eastern Europe. Just as pretransition economies were not simply centralized (Prout 1985, Szelényi 1989, Berend 1990, Åslund 1992; cf Kornai 1992), the posttransition strategies and outcomes are not all of one piece (Stark 1990, 1992, Burawoy & Lukács 1992, Bryant & Mokrzycki 1994, Kovács 1994). The same can be said about the market transition in China (Nee 1989, 1992, Shirk 1993, Wank 1993). In particular, comparative studies illuminate the diversity of the seemingly singular transition (Nee & Stark 1989, Walder 1995).

Globalization has also generated a great deal of hype and debate, leading some to proclaim the imminent arrival of a global market without national borders (cf Hirst & Thompson 1996). As with the transition in Eastern Europe, discussions of globalization are impoverished by the assumption of market essentialism. Historical or comparative variations are elided in favor of the quintessential market. In the economic approach, the expansion of the world market occurs across frontiers without prior structures of exchange relations, but such an image ignores the extensive commodity exchange networks in noncapitalist economies (Hill 1986).

Following Karl Polanyi's *The Great Transformation* (1957), scholars have sought to depict both globalization (market expansion) and its deleterious consequences (social responses) (Overbeek 1993, Stallings 1995, Walton & Seddon 1994, Mittelman 1996). The impact of globalization is especially interesting in Latin America, where many accounts depict far more negative portraits of privatization and market expansion than do their counterparts in Eastern Europe (Taylor 1990, Smith et al 1994, Collins & Lear 1995, cf Ryan 1995).

Conclusion

As the empirical literature on market transitions suggests, the neoclassical market concept elides different types of market exchange. The most important and compelling evidence of market diversity is the work of Fernand Braudel (1982), especially the second volume of his magnum opus *Civilization and Capitalism*. Braudel synthesizes a staggering amount of information to present the sheer diversity of trade and markets across history and cultures. In spite of the rich array of materials he gathers, Braudel eschews formalistic or abstract presentations (see also Polanyi et al 1957, Hodges 1988). In the absence of a compelling theoretical alternative, however, we are left with descriptive diversity but theoretical monism.

The assumption of market essentialism forecloses considerations of alternative forms of exchange relations and structures. Given the historical and comparative diversity of market relations and institutions, there is at least a prima facie reason to consider alternative arrangements. If the only alternatives were plan and market, then market socialism, for example, would be an oxymoron. This claim has been made by both neoclassical economists and Marxists (cf Putterman 1990, McNally 1993, Arnold 1994, Stiglitz 1994). In fact, however, there are interesting studies on market socialism based both on empirical studies and on theoretical speculations (Brus 1975, Nove 1983, Le Grand & Estrin 1989, Miller 1989, Bardhan & Roemer 1993, Roemer 1994). In addition, alternative conceptualizations of exchange mechanisms include cooperatives and participatory economies (Clayre 1980, Elster & Moene 1989, Albert & Hahnel 1991, Ellerman 1992, Archer 1995).

In closing, I should stress that empirical eclecticism provides no panacea. Theoretical questions about the significance and role of power in social life or of macrosociological foundations provide contradictory answers. The economic approach is, in this view, incompatible with an elementary understanding of sociology (as much as there are sociologists who would wish to remedy this situation). In order to advance theoretical works on markets, the assumption of market essentialism should be jettisoned in favor of describing and analyzing the empirical diversity of actually existing markets. In addition, power and macrosociological foundations need to be better theorized. One possibility is to seek an integration of the embeddedness approach with the new political economy ("politics and markets") approach.

Many sociologists would regard sociology of markets or even economic sociology as outside the domain of sociology proper. I would argue that it is, in fact, quite crucial for sociologists to study markets. Consider only its valence in policy discussions. James Tobin (1980:46) notes: "The view that the market system possesses… strong self-adjusting mechanisms that assure the stability of its full employment equilibrium is supported neither by theory nor by capitalism's long history of economic fluctuations." But free market policies remain popular, whether in employment policy or macroeconomic policy. As we consider the intellectual and political significance of understanding markets, Wicksteed's (1950:784) conclusion remains relevant today: "the better we understand the true function of the 'market,' in its widest sense, the more fully shall we realise that it never has been left to itself, and the more deeply shall we feel that it never must be. Economics must be the handmaid of sociology." The study of markets is too important to be left to economists.

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