Prospects for Economic Sociology:

A Review of Richard Swedberg (ed.) (2005) *New Developments in Economic Sociology*, 2 vols, Cheltenham, UK and Northampton, MA, USA: Edward Elgar.

Geoffrey M. Hodgson

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The Business School, University of Hertfordshire, De Havilland Campus, Hatfield, Hertfordshire AL10 9AB, UK
www.geoffrey-hodgson.info
g.m.hodgson@herts.ac.uk

BIOGRAPHICAL NOTE

Geoffrey M. Hodgson is a Research Professor in the Business School at the University of Hertfordshire, in Hatfield in the UK. His books include *Economics in the Shadows of Darwin and Marx* (2006), *The Evolution of Institutional Economics* (2004), *How Economics Forgot History* (2001), *Economics and Utopia* (1999), *Economics and Evolution* (1993), *Economics and Institutions* (1988) and he is the author of over a hundred articles published in academic journals. He is Editor-in-Chief of the *Journal of Institutional Economics* and his website is www.geoffrey-hodgson.info.

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ABSTRACT

Swedberg's two-volume collection of essays covering *New Developments in Economic Sociology* contains some excellent material, worthy of study by both economists and sociologists. However, there are definitional and conceptual problems in the whole project of 'economic sociology' exacerbated by the disappearance of any consensus concerning the boundaries between the disciplines of sociology and economics. Neither has 'economic sociology' acquired an adequately clear identity through the use of distinctive concepts or theories. Its future prospects are further questioned by recent changes within economics itself, including greater attention to institutional structures, and the abandonment of strictly self-interested and context-independent rationality.

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Geoffrey M. Hodgson[1]

Imagine entering a shop selling paintings and sculptures and being generally impressed by the quality and creativity of the artistic work. Some pieces are rather special. You are also enthused by the choice of items to view, including important works by leading artists, and by the overall introduction to the items by a highly knowledgeable shop manager. However, the building in which the items are housed looks rickety: there are fissures in the walls and signs of damp. Consequently, you worry about the long-term preservation of the pieces of art. You also have information that the property rights to the building and its contents are insecure. Furthermore, ownership rights of several of the items within are under dispute. Finally and inexplicably, there are several important and valuable pieces of art left outside the building on the waste ground to its rear, and you are very concerned that they have been left to deteriorate.

This is a metaphor for modern economic sociology. I shall explain why there are problems with the building, the property rights and the omitted items below. Let me start by praising the items that are housed in the collection.

Richard Swedberg’s rich collection of essays in these two volumes is an unrivalled collection of readings in the genre, supplementing and updating his 1996 anthology. Overall, 42 essays are included in the 2005 collection, by leading names such as Mitchell Abolafia, Wayne Baker, Fred Block, Pierre Bourdieu, Paul DiMaggio, Frank Dobbin, Neil Fligstein, Mark Granovetter, John Lie, Victor Nee, Douglass North, Herbert Simon, Harrison White, Viviana Zelizer and several others. There are also reprints of earlier works by George Simmel, Joseph Schumpeter and Max Weber. In addition, there is a very useful and astute introduction by the editor.

The essays are grouped in ten parts namely: Theory, The Tradition of Economic Sociology, Economics/Sociology Interface, Networks, Markets, Firms and Entrepreneurship, Finance, Law and the Economy, Stratification and Wealth, and Historical and Comparative Economic Sociology. A number of the essays are essential reading for both economists and sociologists. Some economists may need more convincing of this, but only the most blinkered will fail to see the value of these perspectives in enhancing our understanding of firms, markets and other phenomena of interest to the economist. Those already acquainted with ‘economic sociology’ will be familiar with some of the classic texts in the volume. But in addition there are several thoughtfully selected and less familiar essays that deserve careful study. Overall, this is one of the very best up-to-date introductions to the growing field described as economic sociology.

[1] The author wishes to thank John Davis, Ronald Dore, Dave Elder-Vass, Tony Lawson, David Reisman, Arthur Stinchcombe, Viviana Zelizer and several others for comments on a previous draft of this essay.

My problems with this collection are less with its contents, although one could raise detailed criticisms in several places. My concerns are more with the definition, aims and prospects for the project of 'economic sociology' that it encapsulates. Accordingly, this review essay is divided into three sections. Section 1 asks what is meant by 'economic sociology' by its practitioners and finds some problems with their answers. Section 2 examines some key concepts employed by economic sociologists and argues that they do not provide an adequate identity for their discipline. The third and concluding section explains why these problems of disciplinary demarcation and identity are important for economic sociology and social science as a whole.

1. What is economic sociology?

In his introduction to this collection Swedberg (p. ix) writes: 'Economic sociology is usually defined as the attempt to analyze economic phenomena with the help of sociology – that is, with the help of sociological concepts and theories.' This definition rests critically on the meaning of the terms 'economic phenomena' on the one hand, and 'sociology' and 'sociological' on the other. Similarly, in an encyclopedia entry on 'economic sociology' – reprinted in the volume under review – Viviana Zelizer (2001, p. 4128) explains that 'economic sociology offers a sociological account of economic phenomena, more specifically, the production, consumption, distribution, and transfer of assets, goods and services.' At least this has the advantage of hinting at what 'economic phenomena' might involve, but the meaning of 'sociological account' remains unclear.

Importantly, these definitions do not necessarily point to the chosen label of 'economic sociology'. Chemistry is defined as the science of chemical phenomena, physics is the study of matter, biology is the science of life, psychology is the study of the human psyche, and so on. If 'economic sociologists' were to follow these conventional views of the relation between a science and its object of study, and likewise uphold the view that disciplinary boundaries should be defined in terms of different objects of analysis, then their claim to be studying 'economic phenomena' (however defined) would instead warrant the term 'sociological economics' to describe their subdiscipline. The noun 'economics' would relate to the 'economic phenomena' under investigation and the adjective 'sociological' to the theoretical methods, concepts or scope.

However, the situation is more complicated. In contrast to other sciences, since the 1930s many mainstream economists and sociologists have abandoned the idea that their disciplines are defined in terms of distinctive objects of analysis. They have relied instead on demarcating their disciplines in terms of different concepts and methods. Nevertheless, the latter tokens of distinctive identity have proved less useful in recent decades, as some sociologists have enthusiastically adopted 'economic' concepts and tools such as rational choice analysis and game theory. There is now deep confusion throughout the social sciences on how its separate disciplines can be identified and defined.

To get to grips with some of these definitional issues some more historical background is required. The identities of economics and sociology, and the boundaries between them, have changed radically several times since Auguste Comte defined the word 'sociology' in the nineteenth century. For Comte, sociology was the study of society. 'Economics' or 'political economy' was concerned with that subset of the social system devoted to the production and distribution of wealth.

These disciplinary definitions changed radically after the 1930s, when Lionel Robbins (economics) and Talcott Parsons (sociology) established a new consensus concerning their meaning. Basically, economics resolved to concern itself with the rational choice of means to serve given ends, and sociology with the explanation of the social origin of those purposes or ends. This set out a division of labor between the two disciplines that survived with little challenge until the 1970s. Even today a significant number of social scientists would define these two subjects in these terms.

Note, however, that the Robbinsian definition of 'economics' is not 'the study of the economy' and it does not demarcate a separate 'economic' sphere in which economists are supposed to be interested. Robbins (1932) explicitly rejected the notions that 'economics' was about pecuniary, market or production-related phenomena. Instead, the framework of rational choice under constraint with given preferences was the defining feature of the discipline. Similarly, Parsons's conception of sociology was at odds with the original Comtean view of the discipline. Neither economics nor sociology defined themselves in terms of distinctive and mutually exclusive sets of objects of analysis. Instead, the subjects were separated in terms of core concepts and approaches to analysis. Economists would emphasize individual rationality. Sociologists would emphasize the roles of structures, culture and values.

Accordingly, Robbinsian and mainstream definitions of 'economics' do not give us a ready answer to what 'economic phenomena' are. Consider the work of Gary Becker, who won the Nobel Prize for applying the economists' concept of rational utility-maximizing behavior to 'social' phenomena such as the family. Similarly, others have attempted to analyze 'political' phenomena such as the state or bureaucracy in terms of a similar concept of individual rationality.

There are several possible meanings of the term 'economic phenomena'. The *Oxford English Dictionary* associates the word 'economic' with 'business' activities 'maintained for profit'. This everyday meaning is narrower than the non-Robbinsian definition of 'economics' in the same dictionary as the 'science of the production and distribution of wealth'. Within the literature in the social sciences the term 'economic' carries a multiplicity of meanings, ranging from connotations of 'material production' to being concerned with 'economy' in a sense of cost-reduction or efficiency. If the 'economic' concerns the production and distribution of wealth, then structures such as the family and the state could also be regarded alongside firms as 'economic institutions'. Alternatively, if we adopt the Robbinsian definition of 'economics' as 'the science of choice' then we are faced with an even broader set of 'economic' phenomena, involving all situations of choice under scarcity.

With the decline of the Robbins-Parsons consensus in these disciplines since the 1970s, both their shared boundaries and the meanings of defining terms such as 'economic' and 'social' has become even less clear. Today, confusion remains on the fundamental issue of whether economics and sociology are defined in terms of either (i) the study of distinct sets of phenomena in reality, or (ii) the application of different concepts and techniques of analysis.

If the disciplinary boundaries are defined in terms of different objects of analysis – i.e. (i) – then we need to be clear whether the 'economic' is defined, relatively narrowly on the one hand in terms of pecuniary, market-related, or business phenomena, or, more broadly on the other hand in terms of the production and distribution of wealth.

Alternatively, if the boundaries are defined in terms of different concepts and techniques of analysis – i.e. (ii) – then a different set of problems arise. This is because it has become less clear what these distinguishing concepts and techniques of analysis are. Following Robbins, many economists defined their subject in terms of the application of the axioms and principles of rational choice. However, sociologists such as James Coleman (1990) have also put the principles of rational choice at the forefront. I once asked Coleman what the difference was between his work and mainstream economics. His answer was that he also used the concept of 'social capital'. However, it is obvious today that this concept is also widely used by economists.

The foray by rational choice theorists into sociology has successfully defended itself against counter-attack and resistance. Its rhetorical success is illustrated by Mark Granovetter's (1985) insistence on the importance of rationality in one of the seminal articles in economic sociology. However, rationality also has several meanings and it is not clear that Granovetter would follow Coleman by advocating standard utilitarian rational choice analysis. Rationality can mean (a) deliberative behavior, (b) unlimited computational capacity, (c) full use of available information, (d) self-interested behavior, (e) utility-maximizing behavior, or (f) choice consistency or transitivity. These are entirely different and separable meanings. In the literature described as 'economic sociology' some equivocation remains on the significance and meaning of rationality.

While arguing against 'over-socialized' conceptions of the individual, Granovetter has argued for the importance of social structure, which has been often neglected by economists. However, there have been changes in this respect on the economists' side of the fence. Since the 1970s, mainstream economists have become much more interested in the nature and role of institutions. As Kenneth Arrow (1994) has made clear, even within general equilibrium theory, specific social structures were assumed, even if the rhetorical emphasis by economists was on the individual.

People describing themselves as sociologists have also borrowed game theory from people describing themselves as economists. Swedberg (2001) documents this in a very useful article reprinted in the volume under review. Although game theory was originally developed by 'economists' John von Neumann and Oskar Morgenstern (1944), it was used by 'sociologists' as early as the 1950s. Game theory, in various 'low-tech' or 'high-tech' forms, is currently enjoying a 'current revival' in sociology (Swedberg, 2001, p. 313). On the penultimate page of his article Swedberg, 2001, p. 324) asks whether a 'distinctly sociological version' of game theory might emerge. He makes a few suggestions but is unable to point convincingly to an actual or potential version of game theory that would sometime be employed by sociologists but not by economists. Despite Swedberg's apparent wish that a 'distinctly sociological version' of game theory will emerge, the adoption of game theory by sociologists is yet another piece of evidence that the contemporary boundaries between 'economics' and 'sociology' are at best ill-defined, save for the labels on the university departmental doors. As Olav Velthuis (1999, p. 645) has argued, 'the question of what the new division of labor should be between economics and sociology, is almost completely ignored in New Economic Sociology'.

This artificial and anachronistic disciplinary segmentation is a result of history and has no apparent contemporary rationale. It curtails creative discussion and sometimes results in a degree of ignorance about the doctrines in the other department. For example, the leading economic sociologist Neil Fligstein (2001, p. 13) repeats in an important and otherwise invaluable book on markets: 'Economic theory begins with the idea that individuals are profit maximizers. … If social actors are profit maximizers, then their social relationships are, by definition, efficiency enhancing' Both sentences are wrong. No economist to my knowledge upholds that *individuals* are profit maximizers. It is widely upheld by economists that individuals are *utility* maximizers, but that is not the same thing. Some, but not all, economists uphold that *firms* maximize profits, but again that is not the same. Finally, even if individuals were profit maximizers then this does not necessarily result in overall efficiency. The Prisoners' Dilemma in game theory shows that maximizing behavior can lead to suboptimal outcomes. This is just one example of the damage caused by unjustified and inappropriate disciplinary segmentation.

2. What are the distinctive concepts within economic sociology?

Just as it is now difficult to define both economics and sociology in terms of hallmark concepts of analysis, similar problems arise within economic sociology itself. Following Karl Polanyi, economic sociologists have made 'embeddedness' a key concept, and it received much refinement by Granovetter (1985) and others. Embeddedness itself has various definitions, but it is often used to describe the relation of 'economic' to 'social' phenomena.[2]

Following Polanyi, claims have been made that the economy is generally 'embedded' in its social context, and more specifically struggles for the supremacy of markets amount to attempts to 'dis-embed' the economic from the social. However, the very meaning of the term 'economic' remains unclear. Polanyi never defined it adequately, and alluded instead to market exchange and issues of 'material want-satisfaction' (Polanyi, 1944, p. 153). The lack of consensus on the meaning of this crucial word, and consequently whether institutions such as the family are 'economic' or not, has undermined the key concept of 'embeddedness' and any role it may have in helping to define economic sociology.

These problems are now widely recognized. In an essay reprinted in the collection under review, Fligstein (1996, p. 656) reports that the 'empirical literature has failed to clarify the precise nature of social embeddedness.' Elsewhere, Granovetter himself has written: 'I rarely use "embeddedness" any more, because it has become almost meaningless, stretched to mean almost anything, so that it therefore means nothing' (Krippner *et al.*, 2004, p. 113).

Another concept favored by economic sociologists that might be held to be one of the defining concepts of the subdiscipline is the network. In an essay in the collection under review, Joel Podolny and Karen Page (1998, p. 59) write: '*We define a network form of organization as any collection of actors (N≥2) that pursue repeated, enduring exchange relations with one another and, at the same time, lack a legitimate organizational authority to arbitrate and resolve disputes that may arise during the exchange*.' This definition depends critically on what is meant by 'enduring exchange relations' and 'legitimate organizational authority'.

Consider 'exchange relations'. A feature of the transformation of both economics and sociology by the Robbins-Parsons axis in the 1930s was the shared attempt to reconstruct the core concepts of both these disciplines in highly general and purportedly ahistorical terms (Hodgson, 2001). One outcome was Peter Blau's (1964) famous 'exchange theory' where he and his co-workers proposed that a wide range of activities – including gift-giving and interpersonal communications – are 'exchanges'. This universal concept of exchange goes far beyond its specific, contractual form in a market society. When Podolny and Page use the term 'exchange relations' there is no indication that they mean the term in anything but the broadest sense suggested by Blau. Consequently, despite the claim that the network is an

[2] This issue among others is raised in a useful overview of Polanyi's (1944) classic work in an essay by Fred Block (2003) reprinted in the collection under review.

intermediate form between ‘market’ and ‘hierarchy’, there is nothing in the term ‘exchange relations’ that necessarily denotes the elusive ‘economic phenomena’ that Swedberg and others see as central to the project of economic sociology.

Let us now turn to the concept of ‘legitimate organizational authority’ and the claim that its absence is definitional for the network. Clearly, many ‘networks’ broadly defined do emerge spontaneously in society, and continue without any overall coordination or control by a person or group. Culture itself involves interpersonal interactions, and it evolves largely without supreme authority, design or control. So far so good. The problem arises when this network concept is applied to contractual and business phenomena such as ‘joint ventures, strategic alliances, business groups, franchises, research consortia, and outsourcing agreements’ (Podolny and Page, 1998, p. 59). The difficulty is whether the contractual exchange relations involved in such forms can indeed be sustained without a ‘legitimate organizational authority’, namely the state and the courts.

This is a controversial question, currently disputed by economists. There is a tradition, particularly within post-1945 American economics, that emphasizes the spontaneous development of enforceable property rights through interactions between individuals rather than the imposition of government authority. There is some evidence of the spontaneous development and self-organization of systems of property rights enforcement in medieval trade, gold rush towns, and elsewhere. Interestingly, two essays discussing such possibilities are reprinted in the collection under review (Greif, 1998; North, 1991).

However, the mechanisms through which such enforceability emerges typically depend on small numbers, reputation effects, and relatively low levels of complexity. Itai Sened (1997) has shown that with larger populations and more complex systems these mechanisms become unreliable and some external authority is required. If this argument is correct, then ‘networks’ based on the contractual exchange of property rights in goods and services in a modern complex society cannot exist without some external enforcement authority. For different reasons, Polanyi also argued that a competitive market is unsustainable without state intervention. Fligstein (1996, p. 660) similarly upholds herein that ‘states are important in the formation and ongoing stability of markets’. The same is likely to be true of networks. Accordingly, the Podolny and Page definition of a network without an authority would be untenable.

There is a consistent emphasis on modern economic sociology on the importance of cognitive processes and the study of the meanings that agents attribute to actions and outcomes. Furthermore, economic sociologists argue that it is important to study the formation of individual preferences and the cultural and institutional contexts of rational deliberation. These are extremely important points, often expressed with force and sophistication.

A problem for economic sociology is that cognitive issues are now discussed in economics, alongside the gradual abandonment of the idea of the strictly self-interested individual with context-independent preferences. Since the 1990s behavioral economics has become part of the mainstream and it is now possible to entertain ideas of bounded rationality (Simon, 1957) that were previously shunned. Endogenous and context-dependent preferences are beginning to return to economics, after fifty years when they were taboo (Akerlof and Kranton, 2005; Bowles, 2004). Experimental economics has also given credence within mainstream economics to the idea of ‘social preferences’, involving non-selfish and cooperative motives (Fehr and Fischbacher, 2002). Generally, mainstream economists are paying more attention to psychology (Rabin, 1998). Taking similar considerations into account, Fabio Rojas (2006) gives a ‘mixed’ verdict on whether economic sociology can make a distinctive contribution to our understanding of business or market phenomena, which is additional to that found in economics itself.

In sum, if there are defining conceptual and theoretical components of ‘economic sociology’, then it is not clear what they are, and leading contenders have proved both controversial and problematic.

3. What’s left outside in the wind and rain?

In the opening paragraph to this essay I mentioned that economic sociologists had admitted several works and theorists into their abode, but left others conspicuously outside. One consequence of the failure of economic sociology to define adequately its boundaries is that a similar lack of justification exists for these exclusions.

Economic sociologists generally acknowledge the importance of Marx, but where Marxism fits in their scheme of things is rarely considered in depth, and Marxist works are omitted from the volume under review. Other relevant streams of thought are almost entirely ignored. In this section I discuss five further exclusions in more detail. But first I turn to another major and symbolic figure.

The economist Joseph Schumpeter is embraced by economic sociologists and seems a particular favorite of Swedberg, who includes works by the Austrian economist in these volumes under review and has elsewhere made him the subject of an important intellectual biography (Swedberg, 1991a). Of course, the contribution of Schumpeter to our understanding of the modern world is immense and extremely important. Furthermore, Schumpeter himself played a major role in promoting the term ‘economic sociology’. Let us look at Schumpeter’s definition of the term and the context in which he promoted it.

When Schumpeter studied economics, the German historical school dominated German-speaking academia. Germany in turn was the global powerhouse of research in the social and natural sciences up to the First World War. In the 1880s Carl Menger opened the famous *Methodenstreit* with his attack on the theory and methods of the German historical school. Influenced by both sides in this debate, Schumpeter (1908, pp. 6-7) came to the conclusion that ‘both sides are mostly right … their sole difference lies in their interests in different problems.’ Foreshadowing Robbins, Schumpeter argued that ‘economic analysis’ or ‘pure economics’ was concerned with the outcomes of interactions between individuals, taking their preferences and beliefs as given. Much later Schumpeter (1954, p. 21) wrote similarly: ‘economic analysis deals with the questions how people behave at any time and what the economic effects are they produce by so behaving; economic sociology deals with the question how they came to behave as they do.’

Crucially, one of Schumpeter’s purposes in making this disciplinary demarcation was to consign almost the entire contribution of the German historical school to ‘economic sociology’ and to exclude their work from the hallowed domain of ‘economic analysis’. More generally, Schumpeter believed that the study of institutions, including ‘economic institutions’, was the subject matter of sociology rather than economics. One awkward consequence of this is that if markets are institutions, as modern economic sociologists persuasively uphold, then the study of markets is not the subject of economics. Returning to the German historical school, Schumpeter (1954, pp. 815-16) saw Max Weber as one of its later and most ‘eminent’ members, alongside Gustav Schmoller, Werner Sombart, Arthur Spiethoff and others.

By including some of his works in this collection, Swedberg follows Schumpeter in consigning Weber to economic sociology. However, Weber himself held a chair in economics, and was opposed to the creation of separate professorships of sociology in German universities (Weber, 1949, p. 106; 1978, p. 3; Hennis, 1988; Swedberg, 1998).

Now we come to the next huge omission involved. If we put Weber in the camp of ‘economic sociology’ – perhaps by following Schumpeter’s argument – then why exclude other leading members of the German historical school? No reason is given. On this point Schumpeter is ignored. There is almost complete silence on the contributions of this great and globally influential school that prospered from the 1840s to the 1930s. It was highly praised by Alfred Marshall who, like many other contemporaries, studied under their leaders in Germany (Hodgson, 2001, 2005).

Werner Sombart, who was an associate of Weber, is mentioned a few times. However, Wilhelm Roscher (who is said to have founded the German historical school) and Gustav Schmoller (who led this school after the 1870s) receives one brief mention in the collection under review, in an essay by a sociologist on the development of economics (Fourcade-Gourinchas, 2001). Throughout the collection, no explicit attempt is made to place this school in the tradition of economic sociology. Elsewhere Swedberg (1991b) mentions the German school of *Wirtschaftssoziologie* and acknowledges its origins in the German historical school, but does not consider the latter as itself an example of ‘economic sociology’. Why do modern economic sociologists not follow the example of Schumpeter and give due credit to the historical school as a leading component of ‘economic sociology’?

Yet another huge omission is the original institutional economics, led by Thorstein Veblen, Wesley Mitchell and John Commons. This school dominated American economics in the interwar period. None of their essays is reprinted in the collection under review. These three institutionalist authors receive some citations, but there is no concerted attempt to consider this hugely influential tradition as a possible part of ‘economic sociology’. Elsewhere Swedberg (1991b) mentions the ‘affinity’ between the original institutional economics and economic sociology. Nevertheless, the outstanding problem of dealing with the definitional relationship between the original institutionalism and modern economic sociology receives little attention. Importantly, the original institutionalism is not a dead tradition. It lives on within organizations such as the Association for Evolutionary Economics and the European Association for Evolutionary Political Economy, and in publications such as the *Journal of Economic Issues* and the *Journal of Institutional Economics*.

How can we explain the neglect of the German historical school and the original institutional economics from the economic sociologists’ hall of fame? One viable hypothesis would be that their exclusion results from their historical labeling as part of ‘economics’. But this again begs the question of what is meant by this disciplinary label. As noted above, economic sociologists have tended to ignore such questions.

This excuse would not apply to a further omission. I refer to new tradition of ‘socio-economics’ founded by Amitai Etzioni (1988) and the internationally prominent Society for the Advancement of Socio-Economics (SASE) and its *Socio-Economic Review*. Etzioni is regarded as a sociologist rather than an economist. So why do ‘economic sociologists’ almost entirely ignore ‘socio-economics’? Etzioni receives two brief mentions in two essays in the collection under review. However, given the similarity of the descriptive labels and the current popularity of both, a more extensive discussion would be required. Socio-economics is an elephant in the room that few economic sociologists discuss.

The next neglected current is the longstanding Association for Social Economics (ASE), whose *Review of Social Economics* has existed for over sixty years. Little discussion exists between this group and ‘economic sociology’. ASE was formerly a group of Catholic economists but is now secularized. As with the similarly-titled SASE, engaging in such a discussion would again raise the pressing problem of clarifying the very meanings of the ‘economic’ and ‘social’, and the scope definitions of the two associated disciplines. Again, there is some unexplained reluctance to consider these issues.

The final omission is less dramatic but I also wondered why there was no discussion in the collection under review or in Swedberg (1996) of the work in organizational sociology by Michael Hannan and John Freeman (1989) and William McKelvey (1982). Significantly, this work makes extensive use of ideas and concepts from biology. My fear is that the historical aversion of sociologists to all things biological is having an impact here.[3]

Overall, there is inadequate explanation for these omissions from the territory of ‘economic sociology’. If ‘economic sociology’ wishes to give the impression of a broad and inclusive school of thought then these exclusions must be reconsidered.

4. Conclusion: why does it matter?

My argument is that especially since the breakdown of the Robbins-Parsons consensus since the 1970s, terms such as ‘economic’, ‘social’, ‘economics’ and ‘sociology’ have lost clear meanings and boundaries. Consequently, the term ‘economic sociology’ and its attempted definitions are problematic.

I have made these points several times to sociologist friends and I am often greeted with polite disdain. Many seem confident that they know what these terms mean. I am treated as a hair-splitter and timewaster, who should get down to some empirical work, instead of raising silly definitional questions. But are these questions silly? How can we claim with Swedberg in his introduction to this collection, that ‘economic sociology’ is a lively area of research that ‘has continued to develop very strongly’, ‘is represented’ in leading US universities and ‘is here to stay’, when we cannot adequately identify its boundaries or explain what it is? Is not the task of establishing modern economic sociology made more difficult when no adequate definition of its scope and content is available to university professors and administrators?

The problem is made more severe by the failure by economic sociologists to establish a common conceptual framework to identify their approach. If alternatively they wish to promote it as a inclusive and pluralistic set of approaches, then the exclusions from their hall of fame have to be explained, namely their inadequate consideration of the historical school, the original institutional economics, and contemporary ‘socio-economics’.

Empirical work is invaluable, and leading economic sociologists have made several major contributions in this area. But this does not mean that the problems of labeling and conceptual scaffolding are secondary. No empirical work is possible without a conceptual framework to guide us. These frameworks are developed through critical engagement with the works of

3 The essay by James Baron and Hannan (1994) on ‘the impact of economics on contemporary sociology’ is reprinted in Swedberg (1996) but Hannan’s contribution to the study of organizations is not represented.

others. Disciplinary organization serves to focus and channel these critical conversations. However, inappropriate disciplinary labels can become barriers: work by economic sociologists is largely published in sociological journals that are often ignored by economists, and the inadequate level of conversation across the disciplinary boundaries leads to problems on both sides.

As explained above, before the 1930s, economics was defined as the science that studied 'economic phenomena' such as markets and firms. Under the Robbins-Parsons consensus that prevailed in economics and sociology from the 1940s to the 1970s, both disciplines acquired new definitions. After the breakdown of the Robbins-Parsons consensus, the two disciplines lost their former sense of identity and abandoned their agreed division of labor, but no clear alternative definitions or agreements have since emerged. Instead, the boundaries of both disciplines have shifted through evolution rather than design, and there has been widespread trespassing by practitioners from each discipline on territory formerly occupied by the other. Any clear demarcation of territory between 'economics' and 'sociology' has been lost.

It was into this growing disciplinary chaos that modern economic sociology was born. The strategy of its leading practitioners has seemingly been to ignore the demarcation problem and to get down to empirically oriented work instead. In the collection under review and elsewhere, there is ample evidence of the immense value this empirical and conceptual contribution. Indeed, it is not possible to obtain an adequate understanding of such phenomena as corporations and markets without reading key works by economic sociologists in this area.

However, this does not mean that the future of economic sociology is assured. Economic sociology is much an outcome of the narrowness and omissions of the economics that prevailed from the 1940s to the 1970s. During those years, economists talked a lot about markets but very little about their institutional structures. Before the 1970s, the firm was generally treated as a 'black box'. However, changes in economics in the last two decades of the twentieth century have largely overcome these limitations. Oliver Williamson and others opened the black box of the firm and subsequent economists have paid increasing attention to the roles of corporate structures and cultures. Current work by several economists on markets treats them as institutional phenomena where different market structures and mechanisms can lead to different outcomes (McMillan, 2002). Institutional issues now occupy center stage.

Consequently, unless economic sociologists face up to the problem of inadequate disciplinary demarcation they may well be overtaken by developments within economics itself. Furthermore, the regrettable use of different disciplinary labels to apply to different groups of social scientists studying the same kind of phenomena will continue to detract from the full development of our knowledge and understanding of the vital processes and structures governing the generation and distribution of wealth.

The argument here is not that all boundaries have to be sharp and well defined. The problem is that currently there is inadequate justification for any boundary whatsoever between sociology and economics. Interdisciplinary dialogue here is invaluable, but one may have to reflect not only on the content of the conversation, but also on the inadequate scientific justification for the labels use to describe one's disciplinary location.

In the interests of social science it has become increasingly important to challenge the existing and obsolete disciplinary labels and boundaries. Economic sociologists are one of the best positions to do this. I further suggest that that such a strategic move is also in their best long-term interests. It would also help to open up the prospect of the creation of a less compartmentalized and more unified social science.

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