

economic sociology

_the european
electronic
newsletter

19.3

Content

1 Note from the editor

Networks for economic sociology
(and not the other way around)

by *Olivier Godechot*

4 Is social network analysis useful for
studying the family economy?

by *Céline Bessière and Sibylle Gollac*

11 Networks of Corporate Ancestry

by *Lasse Folke Henriksen et al.*

19 Embeddedness and decoupling in
innovation activities

by *Michel Grossetti*

25 A tale of two cities: the regional
dimension of the Ecuadorian securities
market

by *Andrés Chiriboga-Tejada*

36 Neo-structural economic sociology
beyond embeddedness

by *ORIO Network*

50 Book Reviews

Editor

Olivier Godechot, Sciences Po,
CNRS, and MaxPo, Paris

Book Reviews Editor

Lisa Suckert, Max Planck Institute
for the Study of Societies

Editorial Board

Patrik Aspers, Uppsala University; Jens
Beckert, Max Planck Institute for the Study
of Societies, Cologne; Johan Heilbron,
Centre de sociologie européenne, Paris;
Richard Swedberg, Cornell University, Ithaca

Note from the editor

Networks for economic sociology (and not the other way around)

Olivier Godechot

More than thirty years ago, Granovetter (1985) launched a research program for economic sociology which rested to a large extent on networks as both conceptual and methodological tools. In order to understand concrete economic exchange, he not only argued in favor of a third way between under- and over-socialized views of the economy; he also proposed a path that differed from Williamson's (1985) articulation of market arm's length ties and hierarchical subordination. Network embeddedness was thus the solution for understanding concrete patterns of both market and organizational life.

Early work in economic sociology insisted first on the informational dimension of networks (Granovetter, 1973). Social net-

works are not only the warm social glue of kinship and friendship ties underlying social cohesion. They also act as information processors, and they enable not only the success of some individuals in specific network positions, but they also improve global welfare beyond them. However, social networks' contribution to the economy is not only positive. They also produce or fuel many inequality-generating mechanisms. Laboratory experiments have thus shown that actors dependent on a limited set of contacts to access key resources tend to accept unfavorable terms of exchange (Cook and Emerson, 1978), thereby contributing to the power of structural holes (Burt, 1992). Opportunity hoarding (Tilly, 1998) is based not only on categorical assignment and identification, but

also owes much to homophilic relations, contributing to discrimination and inner circles phenomena. Mechanisms of asymmetric social comparisons following the pattern of concrete social networks fuel relative frustration (Fligstein et al., 2017) and contribute in return to hierarchization (De Vaan et al., 2018).

Networks therefore appear as a promise for a deep and sound understanding of economic life, ranging from micro-interactions of actors in markets (Baker, 1984) or organizations (Burt, 2004) to solidified chains of suppliers (Gereffi et al., 2005). As such, they became an important branch of economic sociology for the last forty years. However, for a long time, scientific results did not always meet the expectations. Informal networks underlying economic activity leave few traces, and social scientists lacked sufficient data to make breakthrough contributions. Moreover, in areas where social networks were easier to collect, such as US board interlocks, results have long been quite disappointing (Mizruchi, 1996). Economic sociologists might also have been discouraged by the high level of technicality in this subfield, with its large number of metrics (Wasserman and Faust, 1994) – be they measures of centrality or techniques of clustering – or by the inherent complexity of its econometric models (Cranmer and Desmarais, 2011), including QAP regressions, ERGM, TERGM, or SAOM models.

Indeed, the incursion of economic sociology into the study of networks led this branch to integrate the concepts, tools, and methods of network science – an interdisciplinary scientific field at the frontier of mathematics, physics, computer science, and social sciences. While this encounter is very welcome, enabling economic sociology to use more reliable and robust tools and to avoid networks' tricky artifacts, it also comes with some risks. Rather than using the network techniques as a tool for proxying thoughtfully coined economic relations, economic sociology could instead only provide empirical data for testing concepts coming from network science. This last objective is of course perfectly legitimate, but it does more to help network scientists understand networks than it does to help economic sociologists understand economic activities.

Hence, those of us who sometimes venture into network workshops – for instance, the excellent INSNA Sunbelt annual conference – might have been struck by a sense of “désà-vu” in many presentations. These often include the display of a spaghetti bowl graph; a listing of the most central actors; the delimitation of network clusters thanks to a given block-modeling technique; and the use of an ERGM type of regression for estimating many network effects parameters, including transitivity, k-stars, popularity, assortativity effects, etc. This is fun and fine. But some-

times, comparatively little energy has been devoted to analyzing the underlying social mechanisms that are to be modeled. Some authors tend to apply the standards of the network science field and forget that the meaning of a given measure (centrality, transitivity, etc.) in one social setting might have little to do with its meaning in another social setting. The network is reified, and we tend to forget that the coded network is at best a very crude proxy of the underlying social relations.

Conversely, many inspiring contributions in economic sociology only use rough and simple network measures. However, they innovate in forging relational mechanisms and finding simple network proxies for testing them. Hence, Granovetter's approximation and test of weak ties (1973) was very rudimentary: “Of those finding a job through contacts, 16.7% reported that they saw their contact often at the time, 55.6% said occasionally, and 27.8% rarely (N=54).” Padgett and Ansell (1992) proved that the Oligarch-Medici divide was network-based rather than status-based using four pivot tables and one graph. The more complex block-modeling played little role in the paper. Uzzi (1996) implemented the concept of embeddedness with a simple “first order network coupling” index that captures the concentration of trade among business partners. More recently, Wilmers (2018) gave empirical content to the notion of captive value chains (Gereffi et al., 2005) and showed how they decreased workers' power. To achieve this aim, he looked at how workers' pay in supplier firms declined with the existence of dominant corporate buyers.

This reminder is not a rejection of sophisticated network measures and models. Moreover, simple crude measures are often quite complex to implement, simply because they are not provided in standard network software packages. This editorial tries to remind the reader that concepts of economic activity should determine the choice of the network measure rather than the reverse.

Following this line of thinking, the current issue of *economic sociology_the european electronic newsletter* shows that networks are still a major tool for the understanding of economic activity, provided that they are subordinated to economic sociology's theoretical agenda.

Céline Bessière and Sibylle Gollac open this issue with a very inspiring reminder. Families are a) economic units and b) a complex bundle of differentiated relations. The ethnographic analysis of family exchange networks therefore uncovers a householding phenomenon which goes beyond the taken-for-granted frontier of “households.”

Also inspired by the mechanisms of family relations, Lasse Folke Henriksen, Anton Grau Larsen,

Christoph Houman Ellersgaard, and Jacob Lunding propose a very intriguing innovation for the study of corporate networks. They analyze the appointment of executives by chairmen as a form of genealogical succession. This enables them to establish a typology of “patrilineage” structures at the head of Danish firms.

Michel Grossetti presents the notion of “decoupling,” when a given network tie between actors acquires an existence beyond the two actors that initiated it, thereby becoming a frame of reference for all actors. A common form of this phenomenon can be found when an initial tie between two individuals turns into an institutionalized relationship between two firms. Decoupling can be viewed as the opposite of embeddedness and can take several forms, including collectivization, formalization, and materialization.

Andrés Chiriboga studies the structure of the exchange between brokers in the Ecuadorian stock exchange and suggests that the geographical split of the country around two centers, Quito and Guayaquil, is a major factor in the clustering of economic transactions and could hamper the development of an integrated modern financial market.

Finally, Emmanuel Lazega’s contribution with Julien Brailly, Catherine Comet, Sébastien Delarre, Fabien Eloire, Guillaume Favre, Lise Mounier, Jaime Montes-Lihn, Mohamed Oubenal, Elise Penalva-Icher, Alvaro Pina-Stranger, and Marta Varanda demonstrates the liveliness of network sociology in France. This group of researchers shows how a niche of dense social exchange in a diversity of social settings serves as a way of mitigating market competition and as a base for defining norms.

References

- Baker, Wayne E. 1984. “The social structure of a national securities market.” *American journal of sociology* 89 (4): 775–811.
- Burt, Ronald S. 1992. *Structural Holes: The Social Structure of Competition*. Cambridge MA: Harvard university press.
- Burt, Ronald S. 2004. “Structural holes and good ideas.” *American journal of sociology* 110 (2): 349–399.
- Cook, Karen S. and Richard M. Emerson. 1978. “Power, Equity and Commitment in Exchange Networks.” *American sociological review* 43 (5): 721–739.
- Cranmer, Skyler J., and Bruce A. Desmarais. 2011. “Inferential network analysis with exponential random graph models.” *Political Analysis* 19 (1): 66–86.
- De Vaan, Mathijs, Benjamin Elbers, and Thomas A. DiPrete. 2018. “Obscured Transparency? Compensation Benchmarking and the Biasing of Executive Pay.” *Mimeo*.
- Fligstein, Neil, Orestes P. Hastings, and Adam Goldstein. 2017. “Keeping up with the Joneses: How Households Fared in the Era of High Income Inequality and the Housing Price Bubble, 1999–2007.” *Socius* 3: 2378023117722330.
- Gereffi, Gary, John Humphrey, and Timothy Sturgeon. 2005. “The governance of global value chains.” *Review of international political economy* 12 (1): 78–104.
- Granovetter, Mark S. 1973. “The Strength of Weak Ties.” *American Journal of Sociology* 78 (6): 1360–1380.
- Granovetter, Mark S. 1985. “Economic action and social structure: The problem of embeddedness.” *American Journal of Sociology* 91 (3): 481–510.
- Mizruchi, Mark S. 1996. “What do interlocks do? An analysis, critique, and assessment of research on interlocking directorates.” *Annual review of sociology* 22 (1): 271–298.
- Padgett, John F., and Christopher K. Ansell. 1993. “Robust Action and the Rise of the Medici, 1400–1434.” *American journal of sociology* 98 (6): 1259–1319.
- Tilly, Charles. 1998. *Durable Inequality*. University of California Press.
- Uzzi, Brian. 1996. “The sources and consequences of embeddedness for the economic performance of organizations: The network effect.” *American sociological review* 61 (4): 674–698.
- Wasserman, Stanley, and Katherine Faust. 1994. *Social network analysis: Methods and applications*. Cambridge UK: Cambridge university press.
- Williamson, Oliver E. 1985. *The Economic Institutions of Capitalism. Firms, markets and relational contracting*. New York: Free Press.
- Wilmers, Nathan. 2018. “Wage Stagnation and Buyer Power: How Buyer-Supplier Relations Affect US Workers’ Wages, 1978 to 2014.” *American Sociological Review* 83 (2): 213–242.