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Discussion Forum

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Reflections on the field of socio-economics

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We are all political economists now

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The Society for the Advancement of Socio-Economics (SASE) was born in 1989 out of the normative aspiration to anchor economic institutions and processes in communitarian values as opposed to egoistic ones. The name socioeconomics was chosen explicitly to signal this commitment, and mark a rejection, almost wholesale, of mainstream economics and the neoliberal politics with which a significant segment of the field had become associated. There was some urgency to this critique. The Eastern bloc was crumbling, a transformation that left only one world superpower standing and bolstered the notion that markets were a superior mode of economic governance. In the West, politics had already made a sharp turn away from the Fordist compromise of the postwar period and the welfare state was embattled. Emblematic of the new Zeitgeist was Ronald Reagan's 1981 assertion that 'government is not the solution to our problem. Government is the problem.' Over in the UK, Margaret Thatcher famously declared in an interview in *Women's Own* magazine that 'there is no such thing as society. There is a living tapestry of men and women and people, and the beauty of that tapestry and the quality of our lives will depend upon how much each of us is prepared to take responsibility for ourselves and each of us is prepared to turn round and help by our own efforts those who are unfortunate.' Talking about community—and about the relevance of communitarian principles to theories of the economy—sounded quaint, at best, and impossibly utopian, at worst.

Another site of intellectual action was the economic sociology section of the American Sociological Association, which was formally incorporated in 2000 after a few years of gestation. Compared to early SASE, the emphasis was less normative and more scientific, with a strong contingent of members coming from business schools and the sociology of organizations. The section also entertained an uncomfortable, if not unfriendly, relationship to Marxism, arguably the other major intellectual current concerned with the study of the economy. Between the two Karls, Polanyi was the more acceptable role model, and he was brought in to ceremonially affirm economic sociologists professed belief that society is real. The leading minds of the field debated the social embeddedness of economic action, the path dependency of institutions and the role of culture and especially social networks in shaping economic outcomes. Debunking economic theories and methods was a central, almost ritualistic, intellectual task. Taking their cues from their nemesis, economic sociologists talked about 'markets' rather than 'capitalism'. Their critique centered on denouncing the poverty of homo economicus, the reductive parsimony of economic models and the teleology of economic reasoning. Even though they lacked an alternative 'paradigm', what united them was that they did not fall for the epistemological naïveté of rational choice and methodological individualism (Granovetter and Swedberg, 2001). And that was enough, for a while.

The third source of engagement came from science and technology studies, which after scrutinizing social processes in the hard sciences, started turning its lens toward economics. Although that perspective was critical, too, it was more inspired by realpolitik than by denial. The point there was not to contest economics' dominant position, but to show how this position mattered to concrete outcomes (Callon, 1998). It was the recognition that whether we wanted it or not, economists were changing our world. Perhaps they were even changing us from within, bringing about the self-interested, rational homo economicus that their models posited. Economic technologies framed people's behavior in ways that sociologists ought to pay attention to.

It was all useful and important and intellectually exciting. Economic sociology courses fiercely debated the merits of these different approaches. But for all of sociologists' efforts at a critique of economics, it was probably economists who gave the hardest blow. And they did it largely by side-stepping the stale theoretical debate over their own theoretical foundations and going straight to the data. Starting in the 1990s, the field that had prized mathematical abstraction so much over real-world relevance experienced a bit of an empirical revolution. From labor to development economics, many in the new generation cared first and foremost about running randomly controlled experiments or trials (RCTs), building historical databases and establishing stylized statistical facts. Some of these developments, aimed at fixing the world's problems one RCT at a time, were rather annoying and in some cases seriously misguided (Deaton, 2010). But the most daring of the new economists asked a deadly serious, and hugely consequential, question: for the mass of people, did capitalism actually deliver? The answer, formulated by Thomas Piketty and his associates through easily digestible graphs and an elegant theory, was damning. In fact, it seemed to vindicate Marx's prediction: left alone, in the absence of taxation or war, the logic of capital only

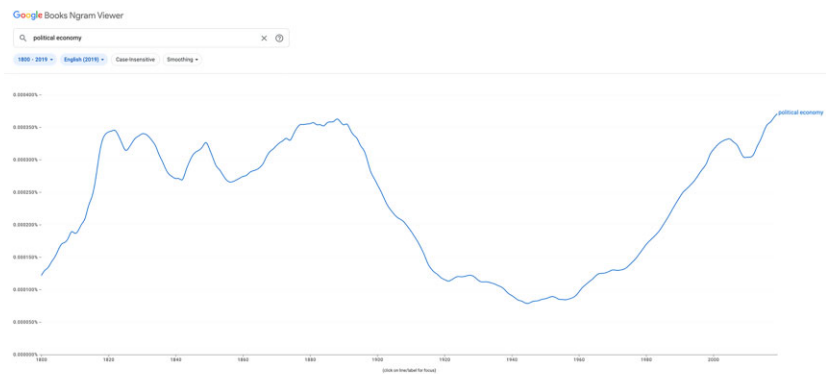

Figure 1 Frequency of mentions of 'political economy' in the Google Ngram books corpus.

brought relative impoverishment at the bottom and exploding income and wealth at the very top. To make sure everyone understood the intellectual lineage, Piketty proclaimed that 'capital is back' (Piketty and Zucman, 2014) and titled his book *Capital in the 21st Century* (Piketty, 2014).

There were other sources of intellectual change. Outside of economic sociology and outside the USA, Marxism was alive and kicking. Within economic sociology, Polanyi was starting to loom larger. A bigger story was in sight. Finance was increasingly recognized not simply as one sector of the economy—financial markets—but as an inexorable logic—financialization—that transformed corporate governance, profoundly reshaped the operation of the state and firmly installed credit and risk-taking at the center of the economic engine. Those who never stopped paying attention to history saw the unfolding of a Great Transformation. After the whole house of cards came crashing down in 2008, this line of analysis gained even more urgency. The crisis also reminded everyone that the market was not so mighty after all—the state was there all along to prop it up or bail it out (Krippner, 2011; Quinn, 2019; Fligstein, 2021). After a bit of soul-searching, economists mostly acknowledged that, too.

But while finance forged ahead from one bubble to another, it left immense suffering in its wake. People lost their houses, their livelihood and their pride. They started looking at their neighbor in a funny way. A new politics was born, which the social media platforms greedily profited from. Facebook, too, was a creature of capital. And thus, this shifting socio-technical ground, which was characterized by the rapid rise of enormously powerful digital firms, appeared like a natural subject for students of the economy. The new was calling for them from within their computer.

The old, meanwhile, had not lost its relevance. In fact, the past had gained a new purchase on the present. The critical shift there came from the discipline of history, which quietly (re)discovered the role of racial domination in the ascent of Western capitalism. Far from being seen as 'pre-modern' drags on the development of industry, slavery and colonialism were now understood as dynamic precursors, essential to the process of capitalist primitive accumulation and the emergence of new approaches to trade, labor control and accounting. The long shadow of layers upon layers of racialized labor exploitation reached far out into the present, too, including in the digital economy itself.

The restoration of inequality, resource extraction, crisis, digital exploitation and racial oppression at the forefront of the scientific debate—and soon the political debate as well—transformed the field of economic sociology once again. Distribution and pre-distribution were now more central issues, in the great tradition of nineteenth-century economic and social theorists. The new generations abandoned their initial discomfort and started thinking of themselves as political economists. They softened their references to markets and claimed that they were studying capitalism after all. Out in the philanthropic world, funders took notice and started pouring money into non-mainstream economics and the non-economic social sciences. Soon capital was back in sociology, in law, in information studies—not only conceptually but as real cash. A sign of the times, the term 'political economy' roared back into common usage. In 2019, its frequency in the Google Ngram corpus surpassed the previous peak—from 1888 (Figure 1).

It is still rising today.

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Economic sociology as microfoundation of a theory of capitalism

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1. The new economic sociology

Since the 1980s, sociologists have embarked on the investigation of a plethora of new topics, concepts and ideas concerning the economy. Under the umbrella term 'embeddedness' they found innovative ways to investigate the economy and to reconnect to a crucial tradition of the discipline that has one of its foundations in studies of the economy as a social, political and cultural realm.

The new economic sociology emerged within a specific political constellation. The coordinated western post-war economies went through a profound crisis from the 1970s onwards and a new policy regime began to take shape that relied on liberalized markets instead of state coordination. At the same time, workers' collective organizations were greatly weakened in many countries, conglomerate firms were dismantled and the state was expected to reduce its redistributive functions and focus instead on providing a regulatory framework in which markets would do the work of coordinating the economy. These policies began to take hold in the 1980s, very much in parallel with the birth of the new economic sociology, which seized the opportunity and brought the sociological analysis of markets into the foreground. A few years later, the general trend of market liberalization was reinforced globally with the market-based transformations of Eastern Europe and China. While sociologists dealing with the economy during the post-war period did so primarily from an organizational and a (Marxist) political economy perspective, the shift from the state and conglomerate firms to globalized markets opened up new research topics around market operations.

A further underpinning came from developments in economics and sociology. Economic imperialism of the kind spelled out by Gary Becker, transaction cost theory, institutional economics and the advances of rational choice theory in sociology all encroached on traditionally sociological research domains and approaches and brought up the question of what distinctive contribution sociology could make in the social sciences. Shifting attention to the workings of the economy with the instruments provided by sociology was also an attempt to leave behind the defensive position in which sociology found itself in the 1980s. The work of Amitai Etzioni (1988), the founder of SASE, is a prime example of this.

The new economic sociology had its founding manifesto in Mark Granovetter's (1985) article 'Economic Action and Social Structure', which addresses the core question of sociology: How is social order possible? In the debate between Thomas Hobbes (Oliver Williamson), Adam Smith and Talcott Parsons, he carved out a niche for a sociological approach to the economy by proposing that order in the economy—be it in markets or organizations—emerges from networks of social interaction. In the same article, he suggested 'embeddedness' as an umbrella term defining the sociological approach to the investigation of order in the economy. These two connected moves proved to be extraordinarily powerful in bringing together a 'thought collective' (Ludwik Fleck) that would institutionalize the new economic sociology as a research field.

Why did Granovetter's article become so influential? First, in the 1980s, network analysis was probably the most exciting new methodological tool in sociology. It had already found its first innovative applications in studies of the economy, in Granovetter's own dissertation but also by his teacher Harrison White and other of White's students. Second, the term 'embeddedness' is at the same time sufficiently sharp to promise a distinctively sociological angle to investigate economic phenomena and sufficiently vague to accommodate scholars with different theoretical vantage points. This facilitated the mobilization of a wide spectrum of sociologists to participate in the institutionalization of the new economic sociology, for instance, by forming a section in the American Sociological Association and by contributing to the many handbooks and readers in economic sociology that were edited during the 1990s, mostly under the leadership of Richard Swedberg.

The new economic sociology developed during the 1990s and early 2000s into arguably the most intellectually exciting field within sociology, attracting many of the best professors and graduate students. This is not the place to pay tribute to the many accomplishments of economic sociologists. But it is fair to say that the different studies, primarily of markets of all kinds, have significantly sharpened our understanding of how the economy and social structures are inseparably interwoven and that economic phenomena can be adequately understood only with reference to these social structures. By producing a wealth of studies of markets of all kinds, using different methodologies—often historical—covering almost every part of the world, and emphasizing different social structures, the new economic sociology has become a success story.

2. Critiques and diversification

Today, the new economic sociology is a mature field. It has been institutionalized in all regions of the world. It has found its home in sociology departments and in business schools, has its own newsletters and blogs and there is a flow of often fascinating new studies on a scale that is probably larger than ever.

At the same time, the common traits of the field and the direction—if any—it is moving in seem far less clear. This does not take away from the often superb quality of individual studies, but it does make economic sociology much less a center of gravity to which sociologists look with high expectations for new developments in the discipline. To understand why this is the case, it is helpful to return to Granovetter's seminal article.

For the first two decades after the article's publication, the notion of embeddedness served as an umbrella term that brought together the new economic sociology as an identifiable academic field. In more recent developments, the concept of embeddedness has lost much of its power to integrate the field intellectually. There were already significant differences between approaches when the field took off, but over time they have become more pronounced and more visible. Today the specialized fields operate at a greater distance from each other and 'embeddedness' is seen as too unspecific a term to characterize them.

The notion of embeddedness has increasingly been criticized from three sides. First, especially in American economic sociology, the term became much identified with social network analysis, an approach that particularly more culturalist scholars in the field found too limiting. Second, the use of embeddedness in the new economic sociology was criticized from a Polanyian perspective, on the ground that the meaning Granovetter gave to it leaves out markets' much broader institutional and political dimensions. In much of economic sociology 'the concept of embeddedness posits that the world of the market exists apart from society' (Krippner, 2001, p. 798). An approach that limits itself to the concrete social interactions on markets does not include how these relations are related to and formed by the universe of relations that constitute the capitalist system. Third, scholars started to critique the fact that the term 'embeddedness' is too vague to anchor a distinctive research program. After all, 'all economies are embedded' (Barber, 1995). These critical assessments increasingly led to a neglect of the concept since the mid-2000s, without any other concept assuming a similar organizing role for the field.

The increasing critique of embeddedness was an indication of the underlying diversification of the new economic sociology, which became more pronounced with its expansion, its internal specialization and real-world changes. One demarcation took place between the network approach and more culturalist approaches. Another differentiation took place with the emergence of the sociology of finance, which brought the functioning of financial markets fully to the attention of sociologists but was often anchored in science and technology studies, where scholars frequently did not even see themselves as part of the new economic sociology. The third differentiation took place especially after the financial crisis of 2008, which had many economic sociologists turning much more strongly to the macro side of the economy and the role of the state, aligning closely with the political economy.

The unfolding of these different strands of economic sociology during the past 20 years has been very fruitful because it has demonstrated the wide angles from which sociologists can look productively at economic phenomena and because the different strands allowed innovative insights to be gained from connecting economic sociology to other research fields and disciplines. The 'let many flowers bloom' approach led not only to the development of the beautiful but also somewhat blurred meadow that economic sociology is today. While there are many beautiful flowers to look at, it is much less clear how they relate to each other and how we can (or want to) identify and explain patterns in the meadow.

3. Economic sociology as a microfoundation of a theory of capitalism

To move forward and remain an appealing research field, economic sociology needs to overcome this impasse. This will not be achieved by adding more empirical studies—as important as these are—but by pushing forward a theoretically anchored agenda. Economic sociology is vulnerable because there is so little theory. To be sure, there is a plethora of middle-range concepts that authors introduce and that help to make sense of the phenomena they analyze. Very little effort has been made, however, to combine concepts into larger edifices, and sometimes concepts do not reach beyond a narrow group of specialists who use them as an idiosyncratic cognitive coordination device among themselves.

What might a theoretically anchored agenda in economic sociology look like? Reflection upon this question starts by considering what the discipline of sociology can contribute to an understanding of the economy and how investigation of the economy contributes to the knowledge of societal processes. Sociology explains social interaction and social outcomes in their interrelations with social structures, such as norms, categories, networks, power and institutions. In its treatment of economic phenomena, this differs from economics in at least two regards. It differs from standard economics (and large parts of institutional economics) by rejecting a decontextualizing efficiency perspective, anchored in utilitarianism and heroic assumptions of information. This was Granovetter's (1985, p. 483) point about economic theory, that it has an 'undersozialized conception of human action'. It differs from behavioral economics in that it does not see 'irrationality' as being caused by decision-makers' cognitive biases but instead sees outcomes as being rooted in the social structures just mentioned, as historically anchored and as the result of 'skillful action' (Fligstein, 2001). Actors are not looked down upon for not living up to the maximizing assumption, but rather their actions are explained in terms of the multiple intersections of actors and structures. In principle, the concept of embeddedness could express exactly this. But the notion of embeddedness, at least as used in the new economic sociology, focused the field on meso-level research questions of how markets were constituted from the interaction of social structures and individuals and left out issues of how the organization of economic processes is not only determined by structures of social interaction, but also by systemic properties specific to capitalism. In this sense, the new economic sociology did not take up the challenge from classical sociologists who were investigating the functioning of economic processes from a perspective of a theory of societal order and change.

The suggestion I want to make is to see the general task of economic sociology as being to explain capitalist dynamics from the interplay between micro and macro levels. To proceed from capitalism as an organizing concept redirects economic sociology to understand economic phenomena in their connection with the totality of societal structures writ large. This differs from Granovetter (1985, p. 506), who positioned economic sociology on a 'rather proximate' level of causal analysis. His focus was on the analysis of the structure of network ties. In 1985, Granovetter readily stated that he had 'little to say about what broad historical or macrostructural circumstances have led systems to display the social-structural characteristics they have' This differs from Granovetter (1985), who positioned [...] characteristics they have (Granovetter 1985, p. 506). Granovetter did not say that these larger questions are uninteresting, but rather argued that a theory of macrosocial change needs a micro-sociological base. I do subscribe to this, but I believe that the focus on structures of social interaction is limited as long as it does not shed light on how these structures are themselves predisposed by the properties of the socioeconomic system in which they emerge. After 40 years of research in economic sociology that concentrated much on the 'proximate level', it is essential to bring questions of how the micro and macro levels interact much more into the research focus.

For the most part, theories of capitalism in the political economy do not fill this gap. They focus on the macro level, paying mostly only scant attention to the practices of actors, and if they include the micro level, they mostly follow the behavioral assumptions of economics. Economic sociology is especially well-positioned to address the question of how microprocesses are constituted by macro conditions and vice versa because there is a rich sociological tradition, reaching from Max Weber to Pierre Bourdieu, that does exactly this.

At the highest level of abstraction, Karl Marx described the dynamic reproduction of capitalism in the famous formula M-C-M′. While this is the defining skeleton of capitalism, 'making a profit' is a complex and socially presuppositional process that needs to be accomplished. It is accomplished through the 'enactment' of social structures by actors who shape the interactions in organizations, markets and households that, in the end, produce profits and reproduce the societal preconditions for further profit-making (or resistance to it). The abstract processes of capital accumulation operate only through concrete decisions, which turn the unstructured promises entailed in capitalism into concrete forms. These processes of enactment do not follow a general script that could be applied universally, because they are characterized by uncertainty and are situationally specific, meaning they are anchored in the concrete historical manifestations and interpretations of institutions, power, norms, worldviews, networks and so on. Hence, the importance of historical and comparative studies of the economy that demonstrate the multiple ways in which capitalism is made a reality and continuously challenged by actors, including those resisting the subsumption of their personhood by capitalist logic. Such a perspective immediately rebuts the idea of a separation of economy and society and instead proceeds from the insight that economic action is social action (Beckert and Streeck, 2008). Any economic action is structured by the institutions and systems of the capitalist economy and makes (parasitic) use of, violates and at the same time builds upon the social life-worlds in which it partakes.

To give just one example: In order to generate profits, labor must be used productively. This takes place within the confines of labor law and labor regulations, property law and the workings of labor markets. Despite this structuration of the situation, one of the enduring challenges of corporations is to motivate actors to participate in utility maximization and not fall back into traditionalism. Weber and Marx but also E. P. Thompson famously showed the long-lasting and often violent process of molding workers so that they show up on time, actually work, and become interested in attaining higher consumption levels. What has been called the labor extraction problem stands behind many of the economic institutions investigated by economic sociologists, be it executive compensation, credit, human relations management or marketing. But rarely are these investigations connected to the underlying fundamental problem of capitalism, which prospers only if it imposes an economic logic upon actors who have no natural propensity to maximize utility. Current debates on 'the great resignation', the demand for working from home, or 'quiet quitting' just show a new facet of a centuries-old problem of capitalist reproduction that emerges in ever new forms, which needs to be investigated on the level of social interactions and their relation to institutionalized principles of capitalist profit-making.

The research program following this focuses on the concrete doings of market actors and how they contribute to the reproduction, dynamics and contestation of capitalism through their interaction with institutions, norms, categories, power, expectations, social relationships, technologies and taken-for-granted rules that structure the way in which they make sense of and respond to a given situation. In the investigation of economic action, attention is on the interaction between macrostructures and micro-interactions. Following Christoph Deutschmann (2020, p. 187), three questions can be identified '(1) Which are the relevant social systems and institutions, and how do they predetermine social action? (2) How do actors perceive their given social and institutional contexts, and how do these perceptions influence individual and collective action? (3) How are social systems and society as a whole, in their turn, being transformed by the aggregate outcomes of individual and collective action?' Randall Collins (1987, p. 195) suggested in a similar vein that 'macrostructure consists of nothing more than large numbers of microencounters, repeated (or sometimes changing) over time and across space.' Macro variables, such as class, property or the state, are metaphorical and 'never do anything; it is only persons in real situations who act' (ibid.). The behavior of actors in situations, however, is itself shaped by social macrostructures, a point that Collins made with particular reference to Emile Durkheim. Despite this impact, structures are not 'a script to which everyone passively adheres' (Collins, 1987, p. 202), but rather become enacted contingently in a struggle between actors based on the interpretation of the situation.

Research in economic sociology frequently does one part of what Collins describes. It investigates micro-encounters. But empirical studies often treat the phenomena at hand as an interesting singular event and not in connection with the much larger picture of capitalist reproduction. The same studies would achieve a different interest and a general perspective if related more directly to encompassing questions of capitalist development: How are the interactions shaped by power relations that produce exploitation and the reproduction of social inequalities? How are conflicts between the logic of capital and the logic of life-worlds unfolding? How are positions of power reproduced? How does the newness emerge that opens up new profit opportunities that carry capitalism forwards? How do the phenomena observed contribute to making the social world economically commensurable? By focusing on these and similar questions, economic sociology would show how capitalism is constituted from a web of social interactions which are themselves structured by the operating logics of the capitalist system, and would thus demonstrate the practical operation of macrostructures.

By focusing on capitalism as its explanandum, economic sociology would be 'sociological' not only in the sense of providing explanations of economic phenomena that are anchored in social structures but also by contributing to a theory of society. It would bring to light the conflicting relationship between a systemic logic and the life-world of which the economy is part. And it would focus on the interactions that reproduce and renew the capitalist economy, which is a principal mover also of social development writ large. To give an example: scoring systems or other technologies to determine creditworthiness aim at resolving an essential cooperation problem on financial markets (who is trustworthy?), but at the same time, they create social inequalities that play out in urban development, race discrimination and educational achievement.

The goal of such an advance is not primarily to show how specific social structures and their enactment either lead to efficiency gains or inhibit the efficient use of resources. The goal is rather to contribute to our knowledge of how the capitalist order is dynamically reproduced (and challenged) through investigation of social processes that 'enact' capitalism and lead to the social inequalities, wealth developments, technological advances, changes in family structure and environmental destruction that sociologists observe.

4. Topics

Especially in the wake of the financial crisis of 2008, parts of economic sociology have moved in the direction described here. The financial crisis brought financial markets and the implications of financialization for the life chances of different social groups into the spotlight of economic sociology. Many economic sociologists have contributed to a more precise understanding of the practices of financialization by connecting them to the abstract logic of profit-making and capital accumulation. But there are further topics at the core of the capitalist economy where sociological studies seem especially promising for gaining theoretical insights into the interactions of microprocesses and macrostructures that constitute capitalism.

The first of these, in the wake of Thomas Piketty's work (2014), addresses the increasing wealth inequalities to be observed in many countries. Piketty explained this development in the abstract formula $r > g$ and showed how profit rates depend on the volume of invested capital. To understand how 'durable wealth' is reproduced long-term through the practices of wealth owners in asset management, bequest practices, charitable giving, off-shoring and socialization of offspring adds a crucial dimension to the macro-oriented studies on the development of wealth inequality conducted primarily by economic historians and in stratification research. Economic sociologists can unveil how the long-term continuity of capital concentration is connected to the practices of the family, social networks and the legal profession and where it stands in a conflicting relationship to norms of individuality and solidarity.

The second field is the advance of digital technologies and their impact on economic and social life. This relates to practices in financial markets (for instance, credit-scoring technologies) and to profound changes in labor relations through platform work and new surveillance technologies, but also to pricing technologies in consumer markets and new forms of marketing, for instance through social influencers. Digital technologies have a profound impact on existing economic practices and huge implications for the distribution of economic opportunities and the concentration of profits in a handful of companies and individuals, as well as for almost all social spheres. But digital technologies also entail an important theoretical challenge for economic sociology. The markets that come into existence do not emerge like traditional markets by political fiat and slowly developing conceptions of control, but are designed markets. Digital markets come into existence through algorithms, which means that coordination problems are resolved (or not) by software engineers from within profit-oriented organizations and not in the social arena of the market itself. This poses new systematic questions for understanding markets to be addressed in economic sociology (Rilinger, 2021).

Finally, the third pressing topic is climate change. While social scientists cannot contribute to the assessment of climate futures, they can learn much from analyzing reactions to the knowledge provided by climate science. These reactions can be understood particularly fruitfully within a framework of a theory of capitalism. Climate change introduces a new complication to the reproduction of capitalism: it brings into focus the natural preconditions of economy and society which were hitherto simply taken for granted but now become a central object of concern because of their fragility. One question is how and to what extent economic practices can be transformed in ways that internalize environmental damage. Can capitalism be organized in ways that do not further destroy the natural basis on which it depends? The challenge is to understand the potential of and obstacles to an economic transformation that is not triggered by market signals, but by anticipated future consequences of present forms of profit-making. A related question concerns the quasi-markets created politically to limit ecological damage. Are these markets capable of resolving the distributional and allocative problems they are meant to solve, given the incentive structures arising from the profit logic of capitalism?

By highlighting these topics I am not suggesting limiting the scope of economic sociology. One of the strong features of economic sociology always was the broad variety of topics whose investigation allowed for diverse insights into the actual functioning of markets. My intention is only to point out that the topics mentioned here are of great economic and social significance and at the same time allow for theoretical insights that advance our knowledge on the interplay between micro and macro levels.

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Political economy and the sociology of markets

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I would like to do two things here. First, I will quickly review the terrain of our main ideas about political economy and the sociology of markets with the idea of summarizing some key points about how we think about them theoretically and what we know empirically. Then, I would like to propose where we ought to go from here.

Political economy concerns the links between states and markets. The varieties of capitalism literature posit that national capitalisms emerged historically and produced unique political and institutional features that complement each other. Once in place, these existing structures help explain the stability and change in national economic systems. Hall and Soskice (2001) proposed two ideal types: liberal and organized capitalism. But the empirical literature has offered mixed support for this general idea. For example, in a paper in *SER*, Witt *et al.* (2018) taking the cases of 61 large economies, find at least nine distinct clusters. This suggests that the idea of complementarities is weak as national capitalisms have very different configurations. At the same time, the literature does provide support for the idea that national capitalist models exist and persist and are part of how nations deal with both crises and opportunities.

An alternative political economy begins from a more Marxist perspective. It emphasizes a more structural view of global capitalism suggesting that the shifting exigencies of how large corporations make money are at the core of making sense of what governments and citizens do. For many, the emergence of global finance and the spread of tactics around financialization explain the current dynamics of capitalism (Krippner, 2005; Arrighi, 2010; Harvey, 2010).

At the heart of a lot of this analysis is the idea that America is the core economy where this financial capitalism emerged. As global finance has expanded dramatically in the past 20 years, pressures to use these tactics have spread as financial markets push firms everywhere to conform to the American model (Streeck, 2009). This has caused some to wonder if financial markets constrain governments to cut back on their social welfare as well. Scholars have spent the last 30 years predicting the demise of the European welfare states. The empirical literature shows this has not happened. This provides support for the idea that national capitalist and welfare state models persist even in the face of a globalized financial system.

The sociology of markets focuses on the world of corporations that create new product markets, work to stabilize production and innovate to stay in place. I review two of the main perspectives. One uses organizational/institutional theory and network analysis (Fligstein, 2001). This literature focuses on the growth of corporations, their links to government and the emergence of new technologies. In more stable markets, piecemeal change is driven by large incumbent firms who innovate to stay ahead. Firms watch one another and imitate what seems successful. One mechanism that drives this is networks that provide information, partners and financing (Powell *et al.*, 2005).

The other perspective emphasizes expert knowledge, market devices and mechanisms of commensuration as structuring markets (Espeland and Stephens, 1998; Muniesa *et al.*, 2007; Karpik, 2010). Michel Callon (1998) argued that economists make markets by positing ideal structures for markets and convincing actors to create them. Scholars have also focused on market devices, the many ways in which buyers and sellers get information about each other and learn about product qualities. For markets to exist, extensive architectures structuring the various exchange of goods and services have to emerge (Callon, 2021).

Now, an astute reader will notice that all of these schools of thought cannot be right. If finance runs the world, why do national capitalisms exist? If new industries constantly emerge, stabilize and we get new ones, how does finance dominate everything? If markets emerge because of the creation of market devices to structure the interface of exchange, then how do we explain the persistence of national differences in capitalist organizations and the dominance of firm-organized markets?

I would like to propose that rather than rejecting the myriad empirical results supporting parts of these arguments, we consider instead looking at the links between political economy and the sociology of markets as a set of Russian dolls, where more macro ones house more meso and micro ones. So, there exists at the international level, a system of global organizations and institutions, both political and economic, public and private. Open the doll and you find nation-states that participate in these institutions with varying amounts of power and influence. Open another doll, and we find national economies with firms and industries and their links to government, some of which are mainly lodged within a single nation, others of which are transnational. Transnational markets dominated by multinational corporations represent firms from many countries competing with one another with linkages to multiple states. If one unpacks the history of these markets, local, national and international, then at the most micro level, we end at the processes by which exchange occurs through the creation of market devices to help make all of this work.

If I am right, then figuring out exactly how these varying arenas (or what I would call 'fields', Fligstein and McAdam, 2012) interact is where we are right now. I am skeptical that any single field will dominate all others. The world's polities and economies are too complex and too multilayered to allow for a single set of actors be they a single set of capitalists or finance to dominate everything. A theory that views states and other forms of multinational governance, firms and markets, the role of market devices and the conflict between them gives us a better read on any empirical case.

But much of this is descriptive and to the degree that there is anything normative going on, it is mostly critical without regard to how these relationships can provide positive outcomes. I think we can go farther than this. Rather than describe what is, we should work to assess whether or not the arrangements that exist produce good or bad outcomes for societies. The rhetoric we should adopt is to figure out how current arrangements either hinder or facilitate innovation in markets, innovation in government regulation and innovation in social welfare. This gives justification for supporting strong forms of government intervention including industrial policies to promote investment in research and development, education, competition policies and public policies to allow citizens to have access to healthcare and reasonable protection against the vagaries of markets. To see how some economists are thinking about this, see Aghion *et al*. (2021).

Our tools can be helpful in analyzing whether or not there are forces preventing forms of innovation as well. Powerful incumbent firms in markets will do anything they can to maintain their positions, lessen competition and work against all forms of innovation. They will buy out their competitors, work to lessen competition by coopting new technologies and enlist the support of their governments to maintain their power. They will work to lower taxes for themselves and shareholders and limit government intervention that might undermine their positions. There is a current debate going on in economics about whether or not the slow economic growth of the past 20 years and the slowdown in product innovation and productivity growth in the USA is the result of businesses doing exactly that (Wessel, 2018). The evidence suggests that there has been a massive increase in concentration across product markets in the past 20 years.

By focusing on innovation, we can make normative arguments in favor of one set of arrangements over another. This means we should try to discover whether the mechanisms from our theories can be used to discover whether current arrangements increase innovation in various social and economic spheres and work to create collective welfare or alternatively, reveal that they work to preserve the power of incumbents or disproportionately deliver the benefits of innovation to a small group of people. Using our theories to understand who benefits and who does not from innovations gives our work an urgency and substance that has the additional benefit of making it more relevant to policy discussions.

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Reflection on economic sociology†

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A resurgence of economic sociology followed publication of Mark Granovetter's influential 1985 AJS article (now cited almost 50 000 times, according to Google Scholar). Building on the foundational ideas of Karl Polanyi, Max Weber and Karl Marx, and adding some new ones, this renaissance enriched my own professional identity as a comparative-historical

† Here, I have forgone the usual citations. There are many publications exemplifying the points I make, and with minimal effort readers can easily track them down.

sociologist. It was not just that I was drawn to economic history even as others studied social revolutions, state formation, gender, class struggle and the rise of the welfare state: now there was a new specialty to consecrate my strange curiosity. Thereafter, my interest in financial history could enjoy a new second home. Soon, economic sociology became a full-blown operation, offering intellectual opportunities to all its new recruits. The economic and political transformation of Eastern and Central Europe, China's transition to a market economy, widespread financialization, economic rivalry between the USA and Japan (and later China), and the global diffusion of neoliberal ideas and policy, provided no shortage of relevant and timely topics. And what student of capitalism does not appreciate a crisis? Capitalism dutifully served up a number of these, including the Asian Financial Crisis of 1998, the Global Financial Crisis of 2008 and the European Sovereign Debt Crisis of 2011, just to name a few. Continually expanding computational power and new data facilitated the spread of signature methods in network analysis, subsequently adopted in fields like economics and physics, and exploited for commercial use by Internet search engines and social media companies. Evidently, the founders of Google read sociology journals.

Economic sociology found a place in US sociology departments as well as a few select business schools. An ASA section was created and started to award prizes to recognize good research. It forged alliances with other specialties, including the sociologies of culture, race, development, inequality, social movements, law and organizations. It also entered into conversation with researchers from anthropology, political science and history. Economic sociology rallied around an actively critical stance toward economics, with its 'constrained optimization' model of an atomized human rationality.

Today, economic sociology has become a victim of its own success. No longer a startup enterprise, it is now one of the market incumbents, so to speak. The excitement that novelty and marginality offered early on has disappeared as the specialty entered its more stolid middle age. There are fewer explicit criticisms directed at economics, partly because repetition became tiresome, but also because many people wanted to shift from critique to a more positive research program. Meanwhile, economics remained largely unresponsive to external commentary, and is still a very inward-looking discipline. Behavioral economics imported a few ideas from cognitive psychology (thanks to Daniel Kahneman, Amos Tversky and Richard Thaler), and economists have swiped some topics from sociology and political science (thanks to Gary Becker and legions of game theorists). Economists also borrowed some methods from others (including field experiments and network analysis), but mostly they continue to talk to themselves. The possibilities for engagement in that direction seem remote.

If middle-age signals dull stability, where can one still find some thrills in economic sociology? Frequently, I would say, these occur in work that engages other research specialties, is published in interdisciplinary research venues (like *Socio-Economic Review*), and which uses a variety of qualitative and quantitative methodologies. This is happening along multiple fronts, and I will briefly mention only a few. Economic sociologists have appreciated how formal and informal institutions shape market activity. But this insight is most keenly apparent when there is significant institutional variation, typically registered through comparative or historical research that focuses on the macro-structures of political economy. Economic sociologists gain insights from anthropology and cultural sociology when they study how status and meaning matter in the economy. A great deal of market activity includes classification, and who can better understand social categories than those inspired by Émile Durkheim and Marcel Mauss? This includes the very basic categorical work involved in 'commodification', but goes far beyond that to include products, firms, industries and consumers. Decades of research in organizational analysis help economic sociology discern the significance of organizationally mediated market activities, including the corporation, of course, but other organizations as well. Socio-legal research sheds light on the many ways that law and regulation organize markets, including private regulation and the so-called 'soft law'. Contract and property laws provide foundational vehicles for market exchange, but there is extraordinary variation in how these are constituted. And the challenge posed by legal pluralism has only grown with the expansion of global commerce. Inequality researchers have documented enduring differences in employment, income and wealth, and how these vary by class, race, nationality and gender. Economic sociology helps to understand the processes that create these durable inequalities, ranging from the extremely local effects of residential segregation to global patterns of 'off-shore' wealth management, estate planning and tax evasion. Recent work on 'racial capitalism' explores some of these connections on an even grander scale: what role did slavery play in the historical formation of early modern capitalism? After all, slave-produced sugar, cotton and tobacco were among the first globally traded commodities. What part does racial inequality play in today's market economy? How do race, ethnicity and gender articulate with the current global division of labor?

Many of these engagements come together in the analysis of financialization and the growing importance of financial institutions and relationships. Circuits of money and credit facilitate exchange in labor and commodity markets, underpinning the appropriation and circulation of value. And as an arbiter of value, money is imbued with cultural meaning and marked by signification. Differential access to credit remains a central axis of economic inequality, and money flows through an evolving ecosystem of banks, credit unions, 'shadow' banks, rating agencies, underwriters, mutual funds, institutional investors, formal exchanges, hedge funds, private equity, venture capital and other intermediaries between savers and borrowers. Among other things, this means ordinary households are increasingly involved in financial activities, and they are unevenly protected from predation or resistant to speculative temptations. The goal of 'financial inclusion' has created interesting political bedfellows, putting some progressive social movement organizations on the same side as Deloitte, McKinsey and numerous fintech firms. Capital markets steer the critical investments that drive growth in a market economy, and their foibles dictate patterns of national economic development and underdevelopment. The tension between public authority and private interest sits squarely at the nexus of finance, as law constrains and enables what is possible. Recently, decades of deregulation and innovation have produced financial instruments and relationships of eye-watering complexity, and the financial sector continues to be a troublesome source of global instability. Beyond traditional stocks and bonds, new financial instruments thwart extant regulatory classifications, enable legal evasion of prudential rules, sometimes provide new forms of risk management and often create hidden instabilities and systemic vulnerabilities. The latter can produce a characteristically asymmetric pattern where profits are enjoyed privately while the burden of losses is socialized, sometimes through 'too big to fail' banks. Even institutions closely linked to political sovereignty, like legal tender money, face disruption as new types of cybercurrencies and payment systems emerge.

It is exciting to see how economic sociologists tackle new developments like the emerging 'platform economy', 'gig work', 'big data' and 'surveillance capitalism'. The architecture of virtual markets creates new possibilities for 'consensual' transactions that nevertheless reflect stark power differences between the two sides of the market. Their intentional design complicates the traditional contrast between planned economies and unplanned markets. Algorithmic mediations offer the semblance of numerical neutrality, but growing evidence suggests they actually embody non-transparent biases and reproduce existing inequalities. Online activity created huge opportunities for the invasive measurement of social and economic life, while at the same time traditional privacy rules have been rendered largely irrelevant by companies acting with little regulatory oversight and enough market power to raise antitrust concerns. Rating and scoring have become ubiquitous, too, as have their reactive consequences. The possibility to track mobile assets at the granular level means that the 'internet of things' may soon become the 'internet of collateral'. What some call the 'firehose of information' is no longer an exception but the rule, and so economic actors must learn to navigate information-rich environments where the line between signal and noise has been increasingly effaced. A related development concerns the 'knowledge economy'. In a world where ideas and information are routinely commodified, and where a premium is placed on innovation, the traditional legal framework of intellectual property is being tested, adapted and sometimes evaded. The free exchange of ideas that (ideally) characterizes artistic endeavor and scientific research (and democracy) is threatened by attempts to convert all such expressions into some form of private property. But it may be that such commodification is the most effective way under current conditions to protect a cultural heritage from appropriation as well.

If the possibilities of virtual reality excite some, actual reality is becoming quite worrisome as a new and even larger crisis unfolds. The linkages between polity, society, economy and the natural environment will shape how humans both induce and react to climate change, as well as the uneven distribution of impacts, now and into the future. Using economic sociology to reimagine political economy can illuminate the challenges societies face in reducing and adapting to the pace of climate change. Key issues of legitimacy, equity and power will require sociological analysis as collectively we deal with market failure on a planetary scale. Economic sociology may be middle-aged, and perhaps has put on a bit of weight, but there is no midlife crisis. Reality has simply given us too much to think about and do.