Three Perspectives in Contemporary Economic Sociology

Books reviewed:

Introduction

The economy is back at the centre of sociological analysis. This, of course, only means that it has recaptured the position it once held in the works of the sociological ‘founding fathers’, Simmel, Pareto, Weber, Marx, and Durkheim. The so-called ‘new economic sociology’ (NES) is a field that grew out of studies made by US sociologists who essentially used three perspectives: cultural sociology, organizational sociology, and structural network sociology (Swedberg 1997). In addition, one could mention the political economic perspective and Bourdieu’s (2005) work. These last two, however, have been less important for the development of NES. More recently the idea of performativity has come into vogue (cf. Swedberg 2004).

In this essay I review three books representing different economic-sociological perspectives drawn from the authors above: performativity, cultural sociology, and structuralism. The books, taken together, show the progress of the field, but they also point to its problems and shortcomings. They focus on the most central mechanism of the economy, markets, which for a long time have been the main issue of NES. The issue of the quality of the products found in markets is another common theme in the works reviewed. Finally I will discuss several major problems in today’s economic sociology, and suggest some strategies to improve the situation.

The Structural Perspective

One could argue that the starting point of the structural perspective in NES is an article by Harrison White (1981), Where do Markets Come From?. Economic sociology, however, only became a field of study through the famous article written by his student (Granovetter 1985) and by the large number of publications subsequently produced and edited by Richard Swedberg, White’s piece has influenced most sociological studies of markets. The main point of this
perspective is that the social structure and actors’ positions in this structure are the basis for explaining the market forms and behaviour. This tradition is partly defined by its use of quantitative methods.

Joel Podolny has analysed the role of status in different markets for more than ten years in a number of often co-authored papers. His book *Status Signals, A Sociological Study of Market Competition* brings some of these texts together. Status in markets is intimately related to uncertainty and functions as a signal because quality of the items traded is difficult to observe. Podolny’s central claim is clear: ‘the greater market participants’ uncertainty about the underlying quality of a producer and the producer’s product, the more that market participants will rely on the producer’s status to make inferences about quality’ (p. 18). An important point of the book is the so-called ‘Matthew effect’, which Merton (1968) has discussed. This Biblical idea implies that those who gain status, which is a benefit and an advantage in its own right, will gain further advantages in the market due to their status.

The book introduces readers to the recent developments in US economic sociology on markets, and especially the discussion and research on status. It should be said that Podolny has played an important role in putting status on the US economic sociological map. This book is well written, and Podolny’s points are easy to understand. He draws on both sociology and economics to build his theoretical apparatus. The first chapters clarify and elaborate on the approach, and the book ends with a concluding chapter that mainly summarizes the content. In between he has included a number of empirical chapters, which analyse different fields or markets, such as shipping, banking, innovation and wine.

Podolny defines status as ‘deference relations’, which means that one actor accepts a social relation with another. A correlated point is that status, in Podolny’s terminology, ‘leaks’. This means that when a high-status firm interacts with a low-status firm, the status of the latter increases, while the high-status firm diminishes its own status. In this ‘status economy’ social interaction cannot be reduced to short-term pecuniary motives. These market actors also consider the value of observable interactions and relations.

Status has economic consequences. We are informed by Podolny how status firms can make more money because their status enables them to charge more for their products or services than firms with less status. Status also influences social interaction, and in one chapter Podolny argues that innovation cannot be reduced to a technological order of evaluation. Instead, he shows how the selection process among technologies is influenced by the status of the innovators. He furthermore recalls the argument that Bourdieu, among others, stresses: namely that those who have power in a market can use it to change the rules of the game.

Podolny also discusses market share, market segmentation, and cost-benefit analysis in relation to status, as well as different forms of status. His approach is articulated and predicts empirical outcomes of, for example, cost and profit. That is, the market position of an incumbent is said to explain what we observe in real markets. One problem, in my view, with Podolny’s approach is that he does not discuss its domain of applicability. Though it can be argued that status is central to all markets, it does not follow that every market should be analysed by adopting his status approach. The strength of Podolny’s argument, to draw from many different empirical cases, is not without weakness. The lack of in-depth knowledge of the cases makes it difficult to adjudicate the very role of status, as well as what it is exactly that makes some actors gain in status. We have instead to rely on Podolny’s definitions, which are not validated by the actors themselves who, he claims, pay attention to status.

The book has a surplus value beyond the individual papers since it enables Podolny to elaborate on the notion of status. Still, the way of writing books ‘backwards’, as it were,
i.e. writing a book based on a number of papers that have already been published, may make it less likely that the author will engage with more profound issues that one expects from a book. It is, for example, clear that Podolny has not addressed issues of ontology and epistemology in relation to status. Let me finally say that I think the status perspective is interesting, and its profoundly sociological character makes it a useful starting point for a genuinely sociological theory of markets.

The Cultural Sociology Perspective

The cultural sociological perspective on economy is associated with the works of Viviana Zelizer and Paul DiMaggio. But it is wrong to see this as only a US-based perspective. Karin Knorr Cetina and more recently Olav Velthuis, to take two European authors, also stress the role of culture, though using somewhat different theoretical schools than the US sociologists. The main point of this perspective is that culture is used for explaining our observations of the economy.

In his book, *Talking Prices, Symbolic Meanings of Prices on the Market for Contemporary Art*, Olav Velthuis addresses the neglected, though central, issue of prices. Though one can hardly think of markets without prices, few economic sociologists have made serious attempts to increase our understanding of, for example, their role in the economy. Velthuis studies prices in the contemporary art markets in Amsterdam and New York. His research is based mainly on interviews with art dealers, which Velthuis has complemented with observations, as well as quantitative material. This study also informs the reader of historical developments in art markets in an easy-to-read way that is dense with examples from the empirical field. The main point is that markets are cultural constellations and that exchange in markets is highly ritualized (p. 3).

It is an excellent choice to study prices in a ‘cultural industry’. This type of industry is often characterized by what Bourdieu sees as an ‘inverted economy’, in which ‘real’ artists cannot make money in the art market (cf. Bourdieu [1992] 1996: 148–9). Moreover, artists and galleries are often involved in long-lasting and complicated social ‘contracts’. A further observation is that there is an unclear correlation between price and ‘quality’ in many cultural industry markets.

It is my conviction, based on reading this book, that the insights that can be gained from an investigation of ‘setting prices’ is of great interest to researchers studying the large number of markets, for example status markets (cf. Podolny), in which there is no standard that can be used for evaluating independently the value of a commodity. Velthuis brings in the galleries’ identity and status, though he does not use these terms, as important dimensions for explaining pricing in the studied markets.

Velthuis emphasizes what other students of art have shown, namely that prices and, more generally, money are separated from the discourse on art in artistic and aesthetic spheres. Prices in the markets Velthuis has studied are instead embedded in scripts and narratives. A script is conceptualized as a conventional cognitive manual to be used in price setting, which includes the technique, size and the career of the artists. Scripts enable actors to handle the sensitive issue of economic valuation and transactions by using a less personal discourse. This also means that prices in art markets are not set in the way Walras ([1926] 1954: 83–4) suggests, as if by an auctioneer (though auctions are also arranged in art markets). The sociology of prices, as presented by Velthuis, draws more on artists’ careers and the scripts become part of the construction of ‘cultural goods’ (p. 89). Prices, we are also told, can additionally be used for ranking actors, with the consequence that prices can contribute to create order among market actors.
Though Velthuis has studied two markets, his approach is not designed to be comparative. The ambition is to understand prices, not the differences between these two markets. The research design, however, is not ideal. This study could have benefited from more than simply interviewing art dealers. He could have also talked, at least in the early phase of the study, to artists and buyers, who face the galleries ‘upstream’ and ‘downstream’ in the production chain of art. Artists and buyers are important since they represent sellers and buyers in relation to dealers. This strategy would, most likely, have increased our understanding of the dynamics of prices even more. This, however, is just a minor problem.

It is seldom the case that ethnographic studies are combined with quantitative studies. Velthuis does this, which means that his hierarchical regression analyses are grounded in the meanings of real actors. In other words, the results can be interpreted using the meanings of the actors themselves, and not just, so to speak, the researcher’s meaning. By using this statistical tool, Velthuis is able to sort out the effects on prices at two levels: that of galleries and that of the individual artists and their works. Thus, the gallery owners’ stories on pricing and prices that is a result of Velthuis’ fieldwork are tests against the quantitative material; his finding is that the two kinds of empirical material correspond.

This book, in sum, is a major statement of the cultural perspective and should be praised for addressing the important issue of prices. I think this study is very good, and Velthuis, as I see it, shows how the meaning of art is a result not only of culture but also of social structure. What I suggest by this is that the meaning of art is partly a reflection of the interaction between the buyer and the seller. Prices, moreover, must be seen as one dimension of the meaning of artworks. It is easy to see the advantage of the cultural perspective, and especially when it is used in combination with ethnographic methods, since it gives the readers insights into fields that they know little or nothing about.

**The Performativity Perspective**

The performativity perspective has its origin in Science and Technology Studies (STS). The idea that that the economy is ‘performed’ gained momentum among economic sociologists after 1998, when Michel Callon published *The Laws of the Market*. One central point that Callon makes is that the economy is not a passive object that social scientists develop theories about. In fact, Callon claims that we have got it wrong; it is the other way around: the theories we have developed are implemented in the world so that it mirrors these theories. This is what Callon refers to when he says that the economy is performed. Callon’s idea, moreover, implies that we should conduct anthropological studies of economists and the corresponding body of knowledge represented by economics, rather than of ‘the world’.

The book by Callon was for a long time the only available source on this tradition. We should therefore welcome the volume, *The Technological Economy*, edited by Andrew Barry and Don Slater. This book contains nine chapters, including an illuminating interview with Michel Callon, and one informative introduction written by the editors. Most of the texts have been published elsewhere, but together they provide a good overview, statement and discussion of the ‘performativity perspective’. Not every contribution is based on Callon’s theory, but all shed light on it. The texts focus on the connections between technology and the economy, yet market and knowledge are the two most central issues in virtually all of the chapters.

The volume aims at combining science and technology studies with economic sociology. The editors stress the role of knowledge, both of and in the economy. Knowledge is a neglected issue in contemporary economic sociology. Friedrich Hayek (1945) discussed the role of knowledge in the economy, and Daniel Bell (1973) discussed it in a more general way, but Barry and Slater take the issue further and state
that the economy is knowledge based, which essentially means that ‘new knowledge and other immaterial goods is thought to be increasingly important to economic success’ (p. 1). They argue that innovation, creativity and new technology must be understood as forms of knowledge. An underlying point is that knowledge, such as academic knowledge, is performed, which means that this knowledge creates what it is about. This is a different approach from the more traditional one, which stresses the analytical or descriptive elements of academic knowledge. Knowledge, in their view, also includes practice.

In addition to the interview, Callon contributes to the volume with a co-written chapter on the collective construction of quality orders of commodities. The argument is that the actors taking part in the market process co-construct the product. The chapter by Clark, Thrift and Tickell shows, in a similar fashion, how the financial media co-construct the objects they report on. The book also raises the issue of politics, and especially the relation between politics and economy. One central question is to what extent political matters are excluded from economic calculations. Callon’s notion of ‘framing’ is useful to describe the dimensions that are both included in and excluded from the analysis. Thus, inclusion and exclusion reflect, we are told, the political dimension of the economy and economics. The political dimension should be interpreted in the light of the increased reflexivity of markets, which Barry brings up in his chapter. Celia Lury, in her chapter on brands and marketing, also discusses reflexivity, as well as the objectivity of the ‘things’ marketed. Her chapter throws light on the importance of including the consumer markets in sociological market studies, and she, like Callon, points to the changing status of the goods as a result of their interaction with consumers. This point, one should remember, is implicit already in the idea of diffusion of fashion discussed by Simmel ([1904] 1971).

Don Slater’s excellent chapter is a bridge between cultural ethnography and the more abstract approach of Callon. This chapter clarifies many of the underlying tensions that we can see in the recent debates on Callon’s theory, and Slater rightly points out that Callon’s perspective tends to make the semiotic fallacy, namely to draw conclusions about practice from discourse. I think that the book would have been even better with more of this kind of critical discussion of Callon’s approach.

I would finally like to highlight a chapter, which does not draw on Callon, by Karin Knorr Cetina: ‘From Pipes to Scopes, The Flow Architecture of Financial Markets’. This chapter makes a distinction between two types of markets: network architecture, which means that markets actors are connected to each other, and flow architecture, which means that actors are disconnected from each other. The global finance market is a typical flow market, according to Knorr Cetina. This means that much of actors’ lifeworld is cut off and instead, so to speak, becomes incorporated into the technical system. Her finding is that ‘the reality on the screen becomes the traders’ lifeworld’ (p. 127). This book is useful for those who need an introduction to Callon, but it also has the depth to attract the more advanced reader.

The Sociology of Markets

Over the last ten years or so, markets have become the central issue in economic sociology. A market can be defined as a social structure for exchange of rights, which enables people, firms and products to be evaluated and priced (Aspers 2005: 427). Markets are tangible units of analysis and have for good reason been chosen as the main focus of empirical, theoretical and normative discussions. I think, however, that sociologists have not done enough to integrate markets into a larger framework; nor have studies paid enough attention to profound distinctions that can be made between types of markets.
What I think is clear from reading these books is that though economic sociology has made vital contributions to our understanding of the economy, and especially markets, it has not produced a coherent theory of the economy to rival that which economists have produced. We should consider why this is the case, as I do here without discussing the fragmentation of sociology into many different and disconnected sub-disciplines.

Economic sociologists have not done enough to make us understand the economy in relation to the rest of society. To reveal not only this connection but also the economic logic was the ambition of, for example, Parsons and Luhmann, who developed genuinely sociological theories that integrated the economy as one part of a larger whole. However, these two authors failed to make us understand the economy at a more tangible level. New economic sociology, which for example is manifest in studies of markets, has been more successful in this respect. The downside of this approach is its ambition to merely add some meat to the ‘economic man’. Economic sociologists do this by always relating their findings to those of ‘mainstream’ economics. This form of positioning and argumentation, partly based on a ‘straw man’ fallacy, since the developments within economics are becoming more heterogeneous, is not needed to convince the sociologist – and I doubt that the economist has to be reminded of what he already knows. This ‘hang-up’ about economics only perpetuates the dismal situation of economic sociology in relation to economics. The downside of this approach is its ambition to merely add some meat to the ‘economic man’. Economic sociologists do this by always relating their findings to those of ‘mainstream’ economics. This form of positioning and argumentation, partly based on a ‘straw man’ fallacy, since the developments within economics are becoming more heterogeneous, is not needed to convince the sociologist – and I doubt that the economist has to be reminded of what he already knows. This ‘hang-up’ about economics only perpetuates the dismal situation of economic sociology in relation to economics. Only a few contemporary thinkers have been able to fundamentally challenge the economic perspective and launch theoretically grounded sociological programmes. Bourdieu (2005) is perhaps the most prominent example, though Harrison White (especially 1992) should also be mentioned.

Can the three perspectives that I discuss here contribute to a more coherent economic sociology? Can they, for example, be combined? I think that they can, though it would be a huge theoretical undertaking to do this successfully. To accomplish this task I suggest we need to do two things. On the one hand we must view the economy from a distance and emphasizing the similarities of, say, market structure, and the basic preconditions of markets, such as lifeworld and generalized trust. On the other hand we must use in-depth studies to analyse the emergence of markets and competition, examining how different cultures and social structures create the differences we observe between markets.

Moreover, contemporary social science must account for its impact on the world that it studies. Though Callon stresses this, and focuses on the role of economic knowledge, Husserl (1936] 1954) and, much later since, Giddens (1984, 1987) and Bourdieu (both of whom draw on Husserl) have already introduced this way of reasoning (Aspers forthcoming). It is likely that the knowledge of social science, in the form of theories, brings about some of the cultural and structural differences we observe in real markets. The culture perspective, as I see it, is important for helping us understand the similarity across markets, i.e. the cultural foundation of the market economy, the lifeworld, and the taken-for-grantedness that is needed for economic transactions, but much of this has already been discussed by Durkheim (1893] 1984). Thus culture should not only be used for showing dissimilarities between markets.

There are good reasons for using social structure as the starting point for analysing markets. The problem with many of the studies that use the social structure perspective is that they have taken the lifeworld of markets for granted. These studies have also neglected culture as an explanation of differences between markets. A further problem with the structural perspective is that it tends to reify structure. I claim that both structure, as well as culture should be seen as meanings that are socially constructed. We should, in essence, not assume a priori that the differences observed between markets are due to social
structure or culture; this is, in the end, an empirical question.

Patrik Aspers
Max Planck Institute for the Study of Societies and Stockholm University

Notes
1. This article was published in the same issue as, and just above, Oliver Williamson’s (1981) article on the transaction cost approach. These two texts illustrate the fundamental difference between the atomistic economic approach and the relational sociological approach.

Bibliography


General reviews
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‘OK, now we know all about artistic institutions. We know about their relations to their environing societies. We know how