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Society and economy: three easy ways to a complex relationship

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(Article begins on next page)

2. Society and economy: three easy ways to a complex relationship

Filippo Barbera

1. INTRODUCTION

Economic sociology has undergone a remarkable intellectual advance over the last decades, offering sound accounts of a variety of issues and significantly contributing to the development of innovative conceptual frameworks and empirically grounded explanatory mechanisms (Granovetter 2017). Its scholarly achievements have robust roots in the analysis of phenomena such as innovation, prices and markets, forms of exchange, collective action, production systems, institutional arrangements and organizational dimensions of economic life (Trigilia 2002; Swedberg 2007). In addressing these issues, economic sociologists have been working in research subfields focused on gender, development, immigration, labour markets, business groups, technology, finance, inequality and social stratification (Smelser and Swedberg 1994 and 2005; Beckert and Zafirovski 2005). Throughout this exciting development, economic sociology has relied on three different models of relationship between society and economy, not so much as clear analytical alternatives, but rather as influential rhetorical devices that cut across the different approaches that characterize the discipline.

To cut through a vast theoretical undergrowth, I distinguish here three easy ways to disentangle the complex relationship between economy and society, a key topic since sociology's foundation (Weber 1921/1968; Durkheim 1893/1984): the rhetoric of extension, the rhetoric of context and the rhetoric of alternative. The term *rhetoric* suggests that these three ways of connecting society and economy are built on definite ways of selecting topics and research questions (*inventio*), of formulating hypotheses and building conceptual frameworks (*dispositio*) and of choosing the means to express them (*elocutio*).¹ Moreover, they are key to point out how the relationship between society and economy is structured along different boundaries and interconnections between economic sociology and economics (Swedberg 1990).

To begin with, the rhetoric of extension is characterized by the centrality of the micro-level model of economics (*homo economicus*), considering it as a *general grammar* for the analysis of social phenomena not usually considered by the economists. The focus is on how individual agents rationally pursue incentives in well-defined social spaces. The ‘side effect’ is that society is just a different name for the economy. In this first rhetoric, though, the reference to the *homo economicus* can have a different aim, namely to highlight how complex social structures help to explain trust, solidarity, cooperation, power, domination, compliance, norms and identity. In this second instance, society starts to acquire an autonomous status vis-à-vis the one of the economy. In the second rhetoric, that of context, the emphasis is on the contextual conditions that support the production and distribution of economic resources, goods and services thanks to different *assemblages* of regulatory principles and institutional arrangements. In this case, the typical task of economic sociologists is to place the *economy* within the society in order to answer the question: *when* does the market work? We will speak instead of the rhetoric of alternative to indicate the opposite operation: that of placing the *society* within the economy. In this third rhetoric, any exchange, even anonymous and contingent, needs to be considered *intrinsically* social and political. Here, the theoretical and research effort is focused on the fact that the social relations that exist between individual and/or collective actors when they work, save, invest or buy are constitutive of their identities, logic of action and *agency*. Consequently, markets need to be framed as complex and hybrid social constructions that operate through a plurality of *always* overlapping power structures, institutional arrangements and orders of worth.

2. THE RHETORIC OF EXTENSION

The first rhetoric extends the *homo economicus* to research problems and topics outside the core of economics, such as family formation and dynamics, maternity/paternity decisions, political revolutions, participation and voting, school choices, public policies, religious beliefs (Hedström and Stern 2017). It includes both economists (Becker 1976) and sociologists (Coleman 1990) and is often referred to by the label *rational choice approach* (Hechter and Kanazawa 1997). Its micro model of reference is the so-called expected utility theory, where an individual agent:

- considers, for each decision, all possible actions that can be taken;
- considers, for each action, all possible outcomes;
- determines, for each outcome, the value associated with its occurrence;
- determines, for each outcome, the probability of its occurrence by taking that specific action;

- calculates the expected value of each outcome by multiplying its value by the probability of its occurrence;
- obtains the expected value of each action by adding the respective expected values of all possible consequences;
- chooses the action with the highest expected value.

Its second key element is that the theory aims to explain macro-level aggregate phenomena and not the choice of the *single individual*. For this reason, the micro-level theory does not need to be plausible at the level of individual choice; rather, its analytical power derives from the capability to account for macro-level phenomena to be understood as *stylized facts*. Finally, in the theory of expected utility the behaviour is determined by both preferences and constraints, but – given the difficulty in measuring changes in preferences and the possibility of incurring in tautological *ex-post* ‘explanations’ – behavioural variations are chiefly conceived as a function of changes in the structure of constraints, which are observable and measurable *ex ante*.

Let us see how these three principles – utility maximization, explanation of macro-level phenomena and relevance of constraints – combine in a typical *rational choice* explanation (Hedström 1996). Here, economic action is a function of two factors: a class of factors *shared* to all agents and a class of factors *randomly* distributed among them.

$$1. B1i = R1 + ei$$

B1i = individual behaviour

R1 = common rational causes

ei = idiosyncratic irrational causes

$$2. B2i = R2 + ei$$

As above

Moving from situation 1 to situation 2, agents adapt their behaviour according to two classes of factors, rational (indicated by R) and irrational (indicated by e). For example, they all adapt their action to the change in the constraints because they have in common a certain degree of rationality, which is however ‘disturbed’ by irrational or non-rational factors (idiosyncrasies, individual psychology, socialization) that are *different* for each individual. In the aggregation process that goes from individual choices to macro-level phenomena, the randomly distributed irrational factors cancel each other out and the average of individual deviations will tend to zero, thus the expected aggregate behaviour will approximate that of a rational actor (see also Goldthorpe 2000; for a detailed critique see Edling 2000). Under these conditions, rational factors – even if *individually* weaker – adequately explain collective outcomes.² Accordingly, the application of the *rational choice* model within the rhetoric

of extension deals with the aggregate consequences of choices in relation to the change in the structure of the perceived constraints, given the existence of a rational factor *shared* at the micro level. As previously pointed out, the psychological complexity of the individual decision does not constitute its explanatory focus. From a sociological standpoint, this might well be acceptable. What is far more questionable is the too simple idea of social structure that this aggregative solution implies. Assuming the existence of idiosyncratic irrational factors, which cancel each other out in the aggregation process from micro to macro, implies in statistical terms randomly distributed ‘uncorrelated residuals’. The random distribution assumptions of irrational factors are very difficult to defend at a minimum level of ‘society’: ‘The mere existence of the parental structure makes these assumptions inadequate for the construction of a social theory’ (Edling 2000, p. 5). From the sociological standpoint, this perspective has very narrow scope conditions, since it presupposes that the micro-units are in a structural situation of mere atomistic interdependence (‘divided we stand’). This assumption is not applicable if agents are nodes of relational networks, as real-world agents usually are. Social networks analysis has shown that the greater the strength of the ties that connect two agents, the more they will have similar social traits. That is, if A is connected to B and C by a strong tie, it is likely that B and C are also similar to each other, and therefore, once they have met, a relationship of friendship is likely to emerge (Granovetter 1973). The meso-level – what in the rhetoric of alternative that will be illustrated later on is referred to as the level of *social organization* – is thus key to designing complex interdependencies at the micro level. In mediating between the micro and the macro levels, these complex interdependencies can eliminate or weaken individual anomalies, but they can also strengthen them (Frey and Eichenberger 1989, p. 106). The relevance of social structure points to a key difference in the rhetoric of extension between the *rational choice* approach typical of the economists and the types of extension supported by economic sociologists (Coleman 1994). Economic approaches extend the rational choice model to phenomena not usually considered by economics, as they are specifically interested in showing the general applicability of the *homo economicus* model.³ As just outlined, the decision of agents can be approximated by the constrained optimization of a consistent utility function⁴ when it comes to decisions related to committing a criminal act, or when discriminating against minorities or deciding to invest in one’s ‘human capital’ (Becker 1976). On the contrary, the *rational choice* sociological approach refers to the *homo economicus* for quite different reasons: it is the simplest model that best allows to grasp the complexity of the socio-structural dimensions, which are at the core of the analytical interests of economic sociology (Coleman 1984 and 1994). The application of a rational choice model, in other words, pushes the analysis towards the complexity of social structure, as well as on its effects

and consequences for the economic system. Coleman's well-known proposal (1990), which explains the emergence of social rules/sanctions by resorting to a simple *rational choice* model in the presence of complex structural dimensions, is a telling case in point. According to Coleman, norms arise if the actors are rooted in a *social structure* that allows them to share the cost of sanctioning non-compliant behaviour. When the action of actor *i* generates negative consequences for the actors *j, k ... n*, then a demand for social norms arises. However, the need for norms does not explain why and how they arise, just as the need for efficiency does not explain the birth of institutions and economic phenomena (Elster 1982).

Under what conditions, therefore, can the demand for social norms/sanctions in the presence of negative externalities be met? Coleman's answer is straightforward: when the closure of social structure is high (e.g. when agents are interconnected), social ties make it possible to impose a sanction through some form of coordinated action. The presence of a social tie therefore makes it possible to impose endogenous sanctions either through coordination mechanisms or through the existence of mutual obligations and processes of social exchange. If someone is mandated to sanction the opportunistic behaviour of someone else, for example, he or she can be rewarded through approval, esteem, prestige or status recognition (Homans 1961). Along these lines, Coleman and other authors (Hechter and Kanazawa 1997; Heckathorn 1996 and 2001) also showed how a rational choice model can be combined with socio-structural principles and mechanisms for the explanation of phenomena such as entrepreneurship, money lending, collective action and reputational effects. The key point consists in the defence of using the rational choice model as the simplest and most useful tool to grasp – progressively and consistently (Abell 2003) – socio-structural elements according to what has been called the 'method of decreasing abstraction' (Lindenberg 1992).

3. THE RHETORIC OF CONTEXT

In the rhetoric of extension, the rationality of individual choice is a *constant* element consistently true in all conditions and – in the sociological version – social structure intervenes as a constraint or resource for individual/collective action. Here, on the contrary, the economic dimension of choice is a *variable* element, which depends on the presence/absence of specific social conditions. Consequently, calculability and market-like behaviour are a function of the contingent contextual conditions. Moreover, if in the rhetoric of extension the social dimensions are most often understood as socio-structural factors (networks, roles, positions), in the rhetoric of context there is closer attention on the role of power relations and cultural elements.

Let us consider the specificity of this rhetoric from the micro-level viewpoint. As we pointed out earlier, the theory of expected utility assumes that agents are able to attribute a probability distribution to the consequences of their actions and compute the preferred expected outcome accordingly. The probability distributions can be objective or, in the absence of objective probabilities, rational decision-makers will rely on subjective probabilities to estimate the occurrence of events. But there are situations in which actors cannot attribute any kind of probability to the occurrence of the events. In these situations, semantic and ontological uncertainty occur (Lane and Maxfield 2005) and agents face a sort of ‘symbolic tsunami’ (Pizzorno 2006, p. 392). Here, the threat derives from the lack of meaning and of ontological stability that can be attributed to a course of action and its potential outcomes. For example, the social change created by the French Revolution had its founding moment in the ‘Taking of the Bastille’, 14 July 1789 (Sewell 1996). But what everyone now defines as the ‘Taking of the Bastille’ was actually the result of a complex interaction, which evolved from declarations, debates and symbolic behaviour (Pizzorno 2006).

Along these lines, the so-called heterodox approaches in economics introduce the concept of *strong/radical uncertainty* (Beckert 1996 and 2003); here, the agent is in a situation of ‘ignorance’ such that neither objective probability nor a relationship of expectations with experience (subjective probabilities) can constitute a sound basis for a theory of choice. In cases of radical uncertainty, the social dimensions that reduce the ‘feasibility space’ – both in semantic and ontological terms – and help agents to anticipate the outcomes of their actions become key (Beckert 1996 and 2003). Economic sociology often relies on this solution, whose critical focus is not so much the assumption of rationality in itself, but its claimed *independence* from specific social dimensions and contextual features. Hence, the contribution of economic sociology would not consist in enriching the micro-level model of economics through the introduction of more complex or ‘situational’ dimensions, thus abandoning *rational choice theory* in favour of *rational action theory* (cf. Goldthorpe 2000). Rather, it resides in showing which factors and elements of the context *generate* those units of action and exchange mechanisms postulated by economic theory (Callon 1998). The difference between the rhetoric of extension and the rhetoric of context should therefore not be sought in the micro-level model of *homo economicus* per se. On the contrary, both types of rhetoric presuppose an agent motivated by specific *interests*, with the difference being that in the rhetoric of context, interests are a ‘socially constructed’ possibility, while in the case of extension they are an exogenous element.

If the rhetoric of extension is chiefly interested in topics traditionally neglected by economic analysis, the rhetoric of context analyses the core of economic phenomena – such as prices, business and markets – in order to

highlight their social and cultural *preconditions*. A telling case in point is provided by DiMaggio and Louch (1998), who illustrate the role played by social relations in guiding consumption choices in conditions of uncertainty. Thus, in transactions where it is very difficult to establish the quality of the good (e.g. the well-known case of buying a second-hand car), actors use interpersonal contacts to *choose* the best course of action. Indeed, in the eyes of the buyer, if the seller makes the exchange through the mediation of a third party (friend or relative) a credible commitment is generated, since the seller's reputation would be seriously damaged if a 'lemon' were to be sold (ibid, p. 623). So, the greater the uncertainty associated with an economic transaction, the greater the use of interpersonal contacts to reduce uncertainty and calculate the utility of one's action; accordingly, almost half of the transactions involving used cars (46 per cent) and home purchases (46.8 per cent) take place through personal ties of some kind. Contextual preconditions can play a deeper role in constituting one's interests – namely, not just enhancing reputation effects of *given* interests – as in the research of Gao (1998). This work showed how the transformation of Japanese management between 1946 and 1966 was guided by the presence of institutional conditions that determined the rationality and efficiency of economic choices, as well as the very definition of the national interest. What was the economic interest of Japan in those years? To promote growth through the containment of labour costs? Or to conquer emerging markets through an innovation-based strategy? The author shows the role played by the social and cultural dimensions in promoting an alternative economic and business strategy to that of low labour costs, one anchored to a greater extent to the ideas of the Austrian economist J. A. Schumpeter (Callon 1998). An important consequence of this new conception of 'national interest' is the framing with which labour is interpreted in relation to the other factors of the production function. Indeed, the Schumpeterian idea of innovation⁵ implies stopping looking at labour as a mere economic cost and at the capital-labour relationship just as the institutionalized place for the regulation of industrial conflict. Work thus became *human capital*, that is, a set of knowledge and skills to be empowered through medium- to long-term investments, while industrial relations had to be based on cooperation, hence avoiding all those obstacles which, like conflict, could harm innovation and productivity. Therefore, the *common* interest of firms and workers guided the promotion of Japan's competitive advantage in international markets. Guided by this vision, the dynamics of the Japanese system tended to gravitate around three well-known key axes, in line with the *social construction* of the national economic interest just outlined: (1) a lifelong employment system, (2) a career mechanism based on seniority, and (3) a cooperative model of industrial relations based at the firm level.

The key analytical element of this rhetoric concerns the conception of the market versus the one of economics, but with a quite paradoxical conclusion (Krippner 2001). What really matters is market *variability*, not its core definition and basic analytical conception. In this rhetoric, economic systems can be classified according to their greater or lesser degree of *marketness*. Real-world exchanges may follow in *certain contexts*, the rules of the perfectly competitive market and of the anonymous and contingent exchange mediated by prices, while in other cases they would take place under the banner of other governance structures, for example more guided by organization/hierarchy, formal incentive systems or social norms. The market is therefore conceived as a *historically variable* system of transactions, in which a multitude of independent agents exchange goods and services according to price signalling mechanisms – a conception, paradoxically, that follows the idea of market developed by economic theory. Even comparative political economy scholars, who are notoriously interested in the role of the State in regulatory processes as well as in the institutional variability of capitalism (Hall and Soskice 2001), argue that the market must be considered as something that is ‘more or less present’ (Block 1990, p. 21). In the mainstream literature on varieties of capitalism, it is hard to find a definition, if any, of ‘market’ which radically differs from the one of economics textbooks. In short, the rhetoric of the context defends the idea that the exchange regulated by prices is *not* a ‘natural’ phenomenon. However, the *conception* per se of market and economic exchange is quite similar to the one supported by the economic science and identifies the market with anonymous and contingent exchanges among an unrelated multitude of homogeneous actors.

The last important topic that qualifies the rhetoric of context refers to the ‘performative’ influence that economic *theory* (*economics*) has on economic *life* (*economy*). This perspective has been gaining more and more relevance, chiefly in the analysis of financial markets (cf. Callon 1998; Fligstein and Dauter 2007; MacKenzie and Millo 2003; MacKenzie 2006).⁶ In this perspective, among the factors that shape the rationality of economic agents and the working of markets emerges the autonomous role of *economic science*. That is, economic theory is not a camera useful to represent an external independent reality, but it is an engine that actively shapes it (MacKenzie 2006). This performative effect is mediated by the role of actors and groups that promote a specific conception of the economic activity, shaping both the salience of costs/benefits and the time horizon of action (Callon 1998).⁷ MacKenzie and Millo’s research (2003) shows how, in this regard, some new financial products (the so-called derivatives)⁸ have been transformed from ‘gambling’ into legitimate financial instruments. According to MacKenzie and Millo, this change has been possible thanks to the intense political pressure campaign conducted by members of the CBT (Chicago Chamber of Commerce

derivation body), supported by the generative role of economic theories favourable to the introduction of financial derivatives (Granovetter 2002) – in particular, the Black-Scholes-Merton theory (B-S-M),⁹ which has become the guide and criterion by which operators *build* new financial products. The analysis of MacKenzie and Millo then shows that the success of the B-S-M theory is not due to its ability to accurately describe the pre-existing financial markets. Indeed, the two authors note: ‘This empirical success was not due to the model describing a preexisting reality: as noted, the initial fit between reality and model was fairly poor’ (MacKenzie and Millo 2003, p. 122). The best performance is due to two distinct but interconnected processes: first, the market has changed in the direction indicated by B-S-M’s equation, thus making its assumptions *more realistic*, and, second, financial operators have increasingly used the equation as a *guide* and criterion for their exchanges (ibid., pp. 122–123). Economic theory thus becomes a logic of action that performatively constitutes its objects. It is key to stress that, in this perspective, the cultural and cognitive dimensions are integrated with the structural ones (Granovetter 2004), at least in principle. This attempt is distinctive of those approaches that consider the role played by cultural factors *together* with the social networks in which the actors are rooted (Granovetter 2017).

4. THE RHETORIC OF ALTERNATIVE

This rhetoric conceives the market and the economy as a social phenomenon per se, not as a separate domain governed by structural dimensions, nor as part of a broader institutional context. In this model *any* economic transaction – therefore also those belonging to the ‘anonymous and contingent market-like arena’ – needs to be framed as *intrinsically* social. Thus, society plays a *constitutive* role in economic action, defining not only the interests of given agents, as in the case of Japan’s national interest outlined above, but also shaping and constituting the agents themselves. In the rhetoric of alternative:

[E]ach transaction, no matter how instantaneous, is social in the broadest sense of the term: market exchanges are the crystallisation of conflicts and struggles that have produced both social actors with specific conceptions of themselves and exchange environments characterised by defined rules ... (Kripper 2001, p. 785)

This rhetoric does not aim only to apply economic models to objects neglected by economic science through the introduction of structural dimensions (the rhetoric of extension); nor does it aim only to identify the contexts that specify and qualify the functioning of the market and economic action (the rhetoric of context). Here, economic sociology represents itself as an *alternative* to economics, trying to build a sociological theory of economic action and economic

exchange per se. Moreover, the topics and problems at the core of this rhetoric are those that are typical of economics: prices, supply and demand, as in the ‘sociology of markets’ (Krippner 2001, p. 791; Aspers 2005; Fligstein 2004; Fligstein and Dauter 2007; Zelizer 2005).

In contemporary economic sociology, the founder of the rhetoric of alternative is certainly the American sociologist H. C. White,¹⁰ considered the founding figure of the new economic sociology and professor of its most well-known scholars (Azarian 2005; see also Convert and Heilbron 2005). According to White, the activity that takes place in the market is intensely and *intrinsically* social (1981; 1992; 2001). In White’s approach, mainstream economics has *not* built a market theory, but has rather developed a theory of equilibrium prices and optimal allocation of resources under very specific conditions in which:

1. each agent is a *price-taker* and prices are therefore not influenced by the individual agent (postulate of atomism);
2. the products are *homogeneous* and the characteristics of the goods do not change when the seller changes (assumption of interchangeability of agents);
3. the market is *fluid*, that is, there are no entry costs or entry barriers for new agents (assumption of perfect factor mobility);
4. the market is *transparent*, that is, the information is homogeneously distributed and accessible without costs (assumption of perfect information).

Economics – as advocated by the Nobel Prize winner for Economics D. North – contains only minimal references to the central institution in the neoclassical economy, the market (1977). We can reinforce this idea with a further one, taken from another Nobel Prize winner for economics: ‘Although economists say they study the market, in contemporary economic theory the market occupies an even more marginal place than that reserved for enterprise’ (Coase 1988, p. 7). These viewpoints are in line with White’s criticism: neoclassical economics developed a theory of prices and economic equilibrium in situations of perfect competition, but *not* a theory of markets.

The distinctly social conception of the market that characterizes the rhetoric of alternative requires considering *markets* as a variety of *social structures* that create roles, identities, systems of interaction, imitation patterns and mechanisms of reproduction of these structures over time. Therefore, economic sociology should focus on the level of the relational organization of society, that is, on social ‘molecules’ rather than individual ‘atoms’ (White 1992). Such a conception implies the development of a theory of *social* exchange within relational environments, where the economic, social, cultural and political dimensions of exchange are intertwined.

The general definition of market provided by White is as follows: ‘Markets are concrete cliques of producers observing each other’ (White 1981, p. 543). White formulates this definition on the idea that markets are types of durable social structures – that is, they self-reproduce over time – which *generate* actors with defined roles and rules of action that do not coincide with those postulated by the perspective of mainstream economics. Indeed, this perspective can, to some extent and where the conditions listed in points 1–4 are met, explain the working of exchange *markets*, but not the one of *production markets*. The crucial mechanism of White’s model is the so-called *market schedule* $W(y)$, where W corresponds to the business income and y to the volumes produced. The existence of a market does not depend on the matching of aggregate supply and demand, but rather on the consistency of the relationship between volume produced and business income, evaluated by entrepreneurs on the basis of constant mutual observation. The profit margins and the choice of what to produce, therefore, are based on the social structure in which the enterprise is *embedded*. Wayne Baker’s research (1984) recalls White’s approach. It shows how the relationships postulated by mainstream economics between the number of agents and equilibrium prices are false. It is only by considering the *intrinsically* structural dimension of the markets that it is possible to identify the real functioning of the markets. Baker reaches these conclusions by analysing a financial market and identifying two different types of social structure, each of which affects equilibrium price volatility differently. The first type of market is a dense and small social structure, while the second type of market consists of a larger number of players, further separated into distinct sub-groups. The research shows that, in contrast to what economic theory predicts, prices do not reach the equilibrium point as the number of actors increases; on the contrary, prices are more stable in smaller and denser groups. In line with the rhetoric of alternative, the interconnection between social structure and economic phenomena is thus at the centre of the analysis (Granovetter 2004).

It is worth underlying that this rhetoric does not need to hypostatize the structural dimension, separating it from the political dimension (power) and the cultural one (symbolic systems). In following this path, the new economic sociology has come closer to so-called neo-institutionalism (Powell and Di Maggio 1991) and to the cultural sociology of economic life (Zelizer 1988). Economic action, it is argued, is not *only* rooted in interpersonal relations, but is deeply and inseparably intertwined with other cultural, institutional and cognitive dimensions (Zukin and Di Maggio 1990). The micro-foundation in pragmatic terms of the variety of models of capitalism (Granovetter 2017) goes in this direction. The work of David Stark and collaborators on ‘dissonance’ and creative friction in folded structures is a chief case in point (2009). Folds are cliques that are joined by sharing a single node (de Vaan et al. 2015; Vedres

and Stark 2010). From the analytic standpoint, the greater the cultural (e.g. symbolic) distance between the cliques, the more their partial overlapping through structural folds will be a potential source of *transformative agency* (Sewell 1996 and 2005). Structural folds bring diverse elements together, thus generating ambiguity and ‘friction’: ‘... we argue that cognitively distant but overlapping cohesive group structures can be productive not despite such mixing, ambiguities and tensions but because of them’ (de Vaan et al. 2015, p. 1145).

These qualifications show that the rhetoric of alternative does not end with a one-sided consideration of social structure and networks and, moreover, does not even seem to advocate the replacement of structural absolutism with cultural or political absolutism (Zelizer 2005, p. 1063). Harrison White has long argued that the definition of *social bond* must include the mutual meaning-making mechanisms that guide the interaction (Azarian 2005). Mark Granovetter similarly argued that networks must be analysed *together* with the institutional and symbolic dimensions of economic life (Granovetter 2002 and 2017).

The typical features of the rhetoric of extension can be found in the work of Viviana Zelizer, who deals with the complex relationship between commodification and de-commodification processes and shows that any commodity is a contingent social and political construction. What is not classified as a commodity at time T can, at time T + 1, become a commodity thanks to the role played by non-economic factors and dimensions. She shows how the construction of the life insurance market – and the family obligations that require the protection of family members in the event of the death of the head of the family – has used the legitimacy offered by religion and the support of the clergy, through the mobilization of social networks between collective actors (Zelizer 1979). The monetary equivalence between life and death has meant the management of complex interdependencies between the economic dimension and the *aura* of sacredness that cloaks the body and life of people. In another work, Zelizer (1985) analyses not the inception but the consequences of the economic institution of insurance, with particular reference to the relationships between different *cognitive* and *normative frameworks* (insurance vs gambling), as well as the macro-changes that have transformed the management of death into a business-related and bureaucratic process. In a later work, she analyses the social dimension of money and disputes the idea that money is an impersonal tool of exchange that cancels out the relational and cultural dimension of human relationships. On the contrary, people attribute different frames of meaning according to different types of uses and origins of money. For example, for the same economic value, money ‘honestly earned’ is used wisely and to respond to the necessities of well-being, home maintenance and health, while ‘dirty money’ – that is, that earned through illegal activities – is

spent as quickly as possible, for example on alcoholic beverages or compulsive purchases (Zelizer 1994). Similarly, ‘dirty money’ can become ‘clean money’ through a donation to charity.

All in all, the core of the rhetoric of alternative can be summarized into three key principles (Zelizer 2017):

1. social actors *simultaneously* pursue a mix of economic and non-economic objectives. Instrumental action and cost/benefit decisions are accompanied by objectives of social recognition, values and the search for power in ways that cannot be reduced to the *rational choice* model;
2. economic action is *always* rooted in networks of interpersonal relations and the structural dimensions play a role that is independent of individual motives;
3. social institutions do not emerge as a mechanical response to solve efficiency problems, but are *socially constructed*.

The aim of the rhetoric of alternative is to provide an alternative perspective on *markets*, not an integrated and encompassing theory of *the* market, endowed with the same level of abstraction and generality as the one of the economics. This does not prevent the construction of sound middle-range theories and empirically grounded social research.

5. CONCLUSION: A COMPARISON OF THE THREE RHETORICAL DEVICES

In the first type of rhetoric – the extension one – society and economy are domains separated by defined and clear *boundaries* through which material and immaterial exchanges take place (see Figure 2.1). This rhetoric comes in two variants: a first one that attempts to construct, through rational choice theory, a *general grammar* for all human activities and phenomena, and a second one, which is typical of the sociological approaches, that supports a parsimonious micro-level model to emphasize the analytical prominence given to the complexity of the structural dimensions of society. Figure 2.1 shows the sociological use of the rhetoric of extension. On the one hand, there is the economy, the sphere of *homo economicus*; on the other hand, there is society as a structured sphere of social relations, group affiliations and institutions. The rationality of the *homo economicus* supports the working of norms and institutions (arrow 1), but this would not be possible without the constraints and resources coming from the social structure (arrow 2), in turn influenced by the larger institutional context (arrow 3).

The second type of rhetoric, the one ‘of context’, instead conceives the economy as *part* of society (Figure 2.2). The economic exchange and the

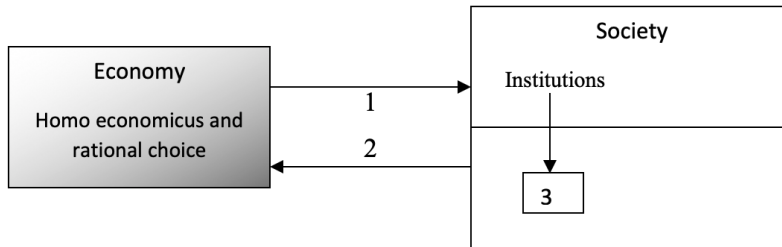


Figure 2.1 Separation between economy and society

market are historically contingent phenomena, the realization of which depends on the existence of institutional contextual conditions. This perspective, as previously outlined, implies that decentralized market exchanges are historically contingent realities:

In our view, the marketplace occurs *when* agents are involved in decentralised and anonymous exchanges, *when* the parties involved are informally organised and autonomous, *when* agents follow their own interests strongly and when negotiation costs are low and ... the identities of the participants do not influence the terms of the exchange. In summary, no lasting relationship between economic agents is observed here and the sole objective of the market is to produce contingent exchanges and instantaneous transactions without any kind of orientation towards long-term strategies. (Hollingsworth and Boyer 1997, p. 7, emphasis added)

Appropriate conditions of the social system, therefore, allow the market to work as predicted by economic theory; the rhetoric of the context thus does not generate an alternative conception of the market to that of the economic science.

The last form of rhetoric – that ‘of alternative’ – conceives the market and economic factors as a social phenomenon per se, not as a separate domain, nor as part of a context (Figure 2.3). Here, economy and society are inextricably intertwined and the scope of analysis of economic sociology lies precisely at their intersection. The economy is rooted in society and the explanation must account, on the one hand, for how the social elements enter constitutively into the functioning of the economic exchange and, on the other, for how activities in the market have an *intrinsic* social, cultural and political feature:

The market has become a place of theoretical conflict. Its character as neutral ground is constantly questioned by scholars of different disciplinary affiliations, who refuse to consider the market as a purely economic institution ... In this process, the market reclaims its historical, cultural and social dimensions. (Zelizer 1988, p. 614)

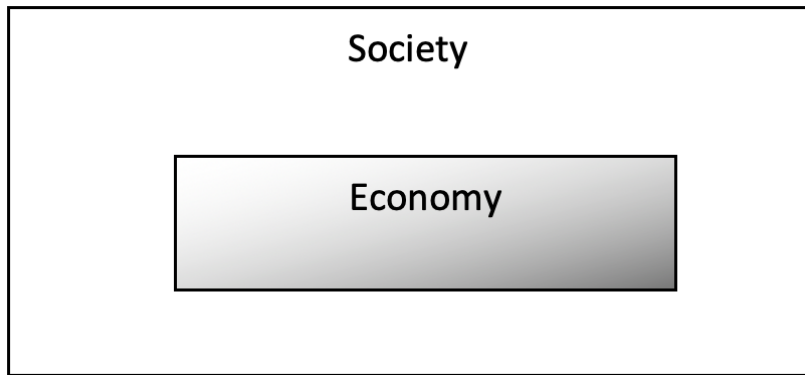


Figure 2.2 *Embedding the economy into society*

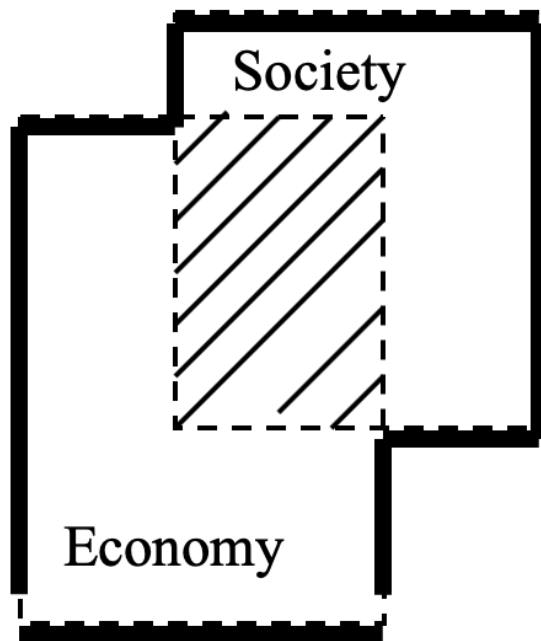


Figure 2.3 *The interconnection between economy and society*

These three forms of rhetoric cut across the main approaches that populate con-

temporary economic sociology: the structural approach, the neo-institutional one, the historical sociology of economic processes, the organizational analysis and the comparative political economy, to name the most influential and well known. Neither in the model of extension nor in that of context does the intervention of social factors cast radical doubts on the role of parsimonious micro-level models and market exchange processes; rather, social factors explain their possibility, extension and performance. On the contrary, in the rhetoric of alternative, the introduction of *society* points to the endogenous variability of micro-level models and exchange systems, outlining scenarios in which ‘social molecules’ generate coupling and decoupling patterns where contexts, structures and individual actions interact and change *together*.

NOTES

1. Derived from the canon of *ars oratoria*, that is, the Latin oratory art, defined on the basis of the rhetoric of Greek tradition.
2. To equate macro-level phenomena just with macro-aggregates of this kind fails to consider many other meanings of what a macro-level phenomena is (Granovetter 2017).
3. This trend is often referred to as *economic imperialism*. See the interview with Gary Becker in Swedberg (1990).
4. In Becker and in the other advocates of this approach there is no need to pursue only selfish goals: values, altruism and pro-social goals are included in the utility function of the agent.
5. Schumpeter distinguishes between five types of innovation, namely product, process, organization, market and technology, each of which can be radical or incremental. The five types are part of a more general theory of enterprise, based on the idea of change.
6. This is actually not a new insight. Max Weber had already stressed the relationship between double-entry accounting tools, computability and capitalism.
7. Other relevant and representative analyses of this perspective were conducted by the economists themselves (Faulhaber and Baumol 1988), as well as by sociologists (Garcia-Parpet 1986). A useful introduction is the volume edited by Callon (1998). For a critique of the arguments raised by Callon, see Miller (2002).
8. These are financial products that make it possible to manage price changes through the transfer of risk to third parties. Economic sociology has stressed that financial markets should be looked at not so much, or not only, with the tools developed in the analysis of production. Indeed, finance belongs to a *second order* economy whose goods are made up of ‘contracts that circulate’ rather than ‘goods destined for a final consumer’ (Knorr Cetina 2007 and Knorr Cetina and Bruegger 2002; see also Knorr Cetina and Preda 2005).
9. The second and third received the Nobel Prize for economics in 1997. The formalization of this theory which became *the* paradigm of financial economics from the mid-1970s onwards (MacKenzie and Millo 2003).
10. For a crystal-clear introduction to White’s analytical framework, see Azarian (2005).

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