

Sociology 280Q  
Professor Neil Fligstein  
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## Economy and Society

Class meetings: Thursday 10-12 402 Barrows Hall

Economic sociology is concerned with all aspects of material life. This includes the organization of production and consumption. Households, labor markets, firms, and product markets are legitimate objects of study. Economic sociology is not just concerned with markets as a mechanism of allocation, but how others, like reciprocity (people engaged in social relations helping one another) and redistribution (governments acting to equalize opportunities and outcomes) also structure the allocation of societies' incomes and wealth, goods and services.

Sociology emerged in the 19<sup>th</sup> and early 20<sup>th</sup> century as an attempt to make sense of modernity. Classical sociology contains a strong economic sociological component because the new capitalist economy was at the core of modern society. Karl Marx wrote Capital, Max Weber wrote Economy and Society, and Emile Durkheim wrote The Division of Labor. They all had critiques of the classical economic theories of people like Adam Smith and David Ricardo.

During the 1930s-1960s in American sociology, this set of concerns languished. Sociologists were content to leave theorizing the "economy" to economists and instead focusing their attention on theorizing "society". This division of labor was consecrated by Talcott Parsons in his work on a general theory of society where he relegated the economy (called the "adaptive function" in his jargon) to one of the four main aspects of what constituted society. But, in the 1970s, with the advent of neomarxism, more general political economy in political science and sociology, and the emergence of a critical organizational theory, modern approaches to economic life based at least partially in classical social theory, began to emerge. By 1994, the field had grown sufficiently to merit the publication of the Handbook of Economic Sociology (edited by N. Smelser and R. Swedberg) and a second edition was published in 2005.

Contemporary economic sociology is much more like a large umbrella for different topics, different theoretical perspectives, scholars from several disciplines (political science, sociology, business studies) and different countries (mostly the U.S. and Western Europe). The upside of this pluralism is that for the first time since the fragmentation of sociology in the 1970s, there is a subfield that claims to explain a wide variety of phenomena instead of focusing

ever more narrowly on topics of interest to only specialists. But because of the immense differences in what people are interested in and how they approach their topics, the field can appear to students as fragmented and broken up into camps that seem to have little to do with each other.

The Handbook of Economic Sociology is a good place to start to get a feel for the heterogeneity of the field. What drove the field in the 1980s was the attempt to refute many key economic arguments with empirical data. These attacks on economic views have come from a wide variety of theoretical sources: network analysis, organizational theory, political economy, social stratification, and cultural sociology. Scholars have used both qualitative and quantitative approaches to show how economic outcomes could only be accounted for by situating them in social relationships, what has been called the “embeddedness” of economic life. Scholars use that term in myriad ways. Networks, governments, laws, firms, and cultural understandings all came to be seen as forms of social embeddedness.

Like most fields in sociology, economic sociology can be understood as a set of theoretical perspectives attached to research programs. The theoretical perspectives provide a view of what is important to study, what we can learn about what we study, and how this impacts how we think about markets. These research programs have been successful at generating insight into a wide variety of economic phenomena. In this class, we will consider the theory and research programs generated by network analysis, political economy, institutional theory, the use of social conventions in markets, the related view that economics provides conventions by which markets become structured or “performed”, the theme of markets and morality, and links between social movement and markets.

Many of the scholars who have bought into one of the theoretical programs tend to ignore the possibility that some of what they observe also requires using other theories to explain. Some of these divisions reflect disciplinary and even geographic differences. So, the study of firms, networks, and markets is very U.S. based and to some degree concentrated in business schools. The “performativity” perspective is closely linked to science studies and as a result has a distinctly European flavor.

But more recently, scholars have explored mixtures of perspectives as proving useful to understanding complex economic phenomena. Much of the work that purports to be located in a camp also finds itself reaching out to related research programs. As you read, you should try to get a sense for the research programs, but also how people borrow freely from different perspectives. The last four weeks of the class are focused on how sociologists explain key historical aspects of modern capitalism. We consider the emergence of the “shareholder value” conception of the firm in the U.S. We then move on to readings on the recent literatures on financialization, inequality, and attempts to understand the financial crisis of 2007-2009. These literatures tend to employ multiple theoretical perspectives.

These are the types of theoretical and empirical questions we consider:

What is a sociological view of markets?

How are states and markets linked?

What are the main dynamics of markets?

What are the necessary social institutions for markets to exist?

What role do economic theories play in the construction of markets?

How are market conventions formed in order to define products and help consumers decide what to buy?

How does morality figure into the construction of markets?

How are markets and social movements connected?

What is shareholder value and how does it matter for the organization of firms and markets?

What is financialization?

How has shareholder value and financialization affected the income distribution?

How does economic sociology explain the recent worldwide financial crisis?

A couple of caveats. This course focuses mostly on the sociology of markets, the role of the state in markets, the sociology of finance, and how economic sociology helps us understand the recent increases in income inequality in the U.S. This decision is motivated by the fact that lots of the core economic sociology literature has taken up these topics. There are a large number of topics that I am not covering because we only have 14 weeks. I have not included any works in economics in this course (except for works that look at how economists participate in the making of markets). I believe it is time to not worry about what economists are saying and start thinking much harder about what we want to say. We will discuss some of the sociology of consumption. But this is mostly in the context of how markets develop conventions about price and quality in order to help consumers make decisions in markets or and how consumers' ideas about what can be bought and sold (i.e. morality) affects the way in which firms create, justify, and offer products to consumers.

### Class Format

The class will be run as a discussion. I will lecture the first day of class, but students should come prepared to contribute to the class discussion. I have tried to choose works that reflect the core of

the research programs we discuss. I include theoretical readings, literature reviews, and empirical works. I want to talk not just about the content of theory and methods, but also the art and craft of doing research. You will notice that a fair number of these works have been published in the past 6 years and the vast majority since 2000. I know that I have selected a lot of readings for some of the sessions, but many of them are empirical rather than theoretical and mostly demonstrate how people use theories.

### Class Requirements

The main requirement for the class will be a paper. My idea is for students to produce a research proposal for the class. If students already have data they want to analyze, I will be pleased to have them write a draft of their paper in the class. My idea is for students to work through the semester at successive iterations on their papers. I have enclosed some discussion of what I have in mind in the syllabus. Final drafts of the paper will be due on Monday, December 12 at 4:00 P.M. in my mail box in Barrows Hall.

### Readings

I have ordered copies of Polanyi's *The Great Transformation*. It is also possible to find a copy online. I will put the readings up on bCourses. If there is sufficient student demand, I will create a reader that will be available in a reader that can be purchased at University Copy Service, 2425 Channing, 510-549-2335.

### Schedule

August 25 Introduction: Main Lines of Economic Sociology; N. Fligstein and L. Dauter, "The Sociology of Markets", Annual Review of Sociology, 2007.

September 1 Classic statement: K. Polanyi, The Great Transformation, 1944; p.33-76; 1111-150; 163-219.

September 8 Sociological conceptions of markets: H. White, "Where do markets come from?" American Journal of Sociology, 1981, pp. 517-47; M. Granovetter, "Economic action and social structure: the problem of embeddedness" American Journal of Sociology, 1985; pp. 481-510; N. Fligstein, "Markets as politics: a political-cultural approach to market institutions", American Sociological Review 1996; pp. 656-73.

September 15 Networks in the Economy: W. Powell and L. Smith-Laurel "Networks and economic life" pp. 373-403 in N. Smelser and R. Swedberg (ed.) The Handbook of Economic Sociology, 2005; B. Uzzi, "Embeddedness and the performance of organizations", 1996; American Sociological Review, pp. 674-98; R. Burt "Structural holes and good ideas", American Journal of Sociology, 2005, 110: 349-99; W. Powell, D. White, K. Kaput, and J. Owen-Smith,

“Network dynamics and field evolution”, American Journal of Sociology, 2005 110: 1132-1205; D. Mani and J. Moody “Moving beyond stylized network models: the hybrid worlds of the Indian firm ownership network”, American Journal of Sociology , 2014, 119: 1629-69.

September 22 Political economy views: P. Evans, Embedded Autonomy, 1995; p. 3-73; P. Hall and D. Soskice, Varieties of Capitalism, 2001; p. 1-68; N. Fligstein The Architecture of Markets, 2001, p. 45-66; N. Fligstein and A. Stone Sweet, “Constructing markets and politics: The case of the European Union”, American Journal of Sociology, 2002, 107: 1206-1243. M. Fourcade and S. Babb “The Rebirth of the Liberal Creed: Paths to Neoliberalism in Four Countries”, American Journal of Sociology 2002, 108: 533–79; M. Ritt and G. Redding, “Asian business systems: institutional systems, comparison, clusters and implications”, Socio-Economic Review , 2013,11: 265-300.

September 29 Institutional theory and institutional logics: P. Thornton and W. Ocasio, “Institutional Logics” in R. Greenwood, et. al. (edited) The Sage Handbook of Organizational Institutionalism, 2008: 99-130; P. Thornton and W. Ocasio “Institutional logics and the historical contingency of power in organizations”, American Journal of Sociology 1999, 105:801-843; D. Zorn, “Here a chief, there a chief”, American Sociological Review, 2004, 49: 345-364; E. Zajac and G. Westfall, “The social construction of market value” American Sociological Review 2005 69: 433-67; T. Reay and C.R. Hinings “Managing the rivalry of competing logics” Organizations Studies 2009, 30: 629-652.

October 6 Conventions, commensuration and valuation. W. Espeland and M. Stevens “Commensuration as a Social Process” Annual Review of Sociology 1998. 24:313-43; N. Biggart and T. Beamish "The economic sociology of conventions", Annual Review of Sociology, 2003: 443-64; L. Karpik, Valuing the Unique, 2010, p. 44-54; J. Beckert and J. Rössel. “The price of art”, European Societies, 2013, 1-23; Bruce Carruthers, “From uncertainty toward risk: the case of credit ratings,” 2013; Socio-Economic Review, 2013, 11:521-551; M. Fourcade and K. Healy, “Classification situations: life chances in the neoliberal era”, Accounting, Organizations, and Society, 2013, 38:559-572.

October 13 The performativity of economics in the organization of markets. M. Callon, The Laws of the Market, 1998: 1-57; D. MacKenzie and Y. Mollo "Constructing a market, performing theory: the historical sociology of a financial derivatives exchange," American Journal of Sociology 2003, 109:107-45;; D. MacKenzie, "Long Term Capital Management and the Sociology of Arbitrage" Economy and Society, 2003; 349-380; D. Hirschman and E. Berman-Popp, “Do economists make policies? On the political effects of economics”, 2014, Socio-Economic Review, 2014, 12:779-811; N. Fligstein, J. Stuart Brundage, and Michael Schultz, “Why the Federal Reserve failed to see the crisis of 2008”.

October 20 Markets and Morality. M. Fourcade and K. Healy, “Moral Views of Market Society”, Annual Review of Sociology 2007. 33:1–27; V. Zelizer, The Social Meaning of Money, 1994, p. 1-35; 200-213; V. Zelizer, 2005, The Purchase of Intimacy p. 1-46; S. Quinn, “The

transformation of morals in markets: Deaths, benefits, and the exchange of life insurance policies”, American Journal of Sociology, 2008: 114:738-80; R. Livne, “Economies of Dying: The moralization of economic scarcity in U.S. hospice care”, American Sociological Review, 2014, 79: 888-924.

October 27 Markets and social movements: B. King and N. Pearce, “The Contentiousness of Markets: Politics, Social Movements, and Institutional Change in Markets”, Annual Review of Sociology, 2010, 36:249–67; N. Fligstein and D. McAdam, “Towards a theory of strategic action fields”, 2011, Sociological Theory 29:1-26; G. Davis and T. Thompson, “A social movement perspective on corporate control” Administrative Science Quarterly , 1991, 39: 141-73; H. Rao and P. Monin, and R. Durand “Institutional change in Toque Ville: Nouvelle Cuisine as an Identity Movement in French Gastronomy”, American Journal of Sociology, 2003, 108: 795-843; H. Haveman, H. Rao, and S. Paruchuri; “The Winds of Change: The Progressive Movement and the Bureaucratization of Thrifts” American Sociological Review, 2007, 72: 117-42; T. Bartley and C. Curtis, “Shaming the corporation: the social production of targets and the anti-sweatshop movement,” American Sociological Review, 2014, 79: 653-679.

November 3 The Shareholder Value Conception of the Firm: M. Useem, ch. 8, Executive Defense, 1993; J. Davis and S. Stout "Organization theory and the market for corporate control" Administrative Science Quarterly 33: 605-33, 1992; N. Fligstein "The Rise of the Shareholder Value Conception of the Firm" in The Architecture of Markets, 2001, p. 147-169; G. Davis, “From institution to nexus: how the corporation got, then lost, its soul” Managed by the Markets, 2009, p. 59-102;

November 10 Sociology of finance and financialization. A. Leyshon and N. Thrift, “The capitalization of almost everything”, Theory, Culture, and Society, 2007, 24:97-115. K. Ho, “Liquid lives, compensation schemes, and the making of unsustainable financial markets”, Liquidated 2009, p. 249-93; B. Carruthers and J. Kim “The sociology of finance”, Annual Review of Sociology, 2011, 239-259; G. Krippner “What is Financialization?” Capitalizing on Crisis, 2011, p. 27-57; N. van der Zwan, “Making sense of financialization,” Socio-Economic Review, 2014, 12:99-129; G. Davis and S. Kim, “Financialization of the Economy.” Annual Review of Sociology 2015 41:203-21.

November 17 Shareholder value, Financialization and the Growth of Inequality in the U.S. A Goldstein “Revenge of the Managers: Labor Cost-Cutting and the Paradoxical Resurgence of Managerialism in the Shareholder Value Era, 1984 to 2001” American Sociological Review 2012 77: 268. T. Volscho and N. Kelly “The Rise of the Super-Rich: Power Resources, Taxes, Financial Markets, and the Dynamics of the Top 1 Percent, 1949 to 2008” American Sociological Review 2012 77: 679; D. Tomaskovic-Devey and K. Lin “Income Dynamics, Economic Rents, and the Financialization of the U.S. Economy” American Sociological Review 2011 76(4) 538–559; T. Kristal “The Capitalist Machine: computerization, workers power, and the decline of labor’s share within U.S. industries”, American Sociological Review 2013 78:361-389.

November 24 No class. Thanksgiving.

December 1 Financialization and the Financial Crisis. N. Fligstein and A. Goldstein “The anatomy of the mortgage securitization crisis”, Markets on Trial, 2010, p. 29-70; B. Carruthers “Knowledge and liquidity”, Markets on Trial, 2010, p. 157-182; D. MacKenzie, “The credit crisis as sociology of knowledge”, American Journal of Sociology, 2011, 116: 1778-1842; N. Fligstein and J. Habinek “Slapped in the Face by the Invisible Hand”, Socio-Economic Review, 2014, 12:637-665.

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## Paper Assignment

The central assignment of this course is a research proposal. I expect that most of you do not have a specific project yet. My goal is for you to consider relevant literatures and construct a possible research project. Such a project should realistically specify how you would go about collecting evidence. My hope is that you will find the assignment stimulating enough and the proposal interesting enough that you will carry through the project eventually, either as a paper or a dissertation.

If you do not have any idea about a project, please sign up for my office hours in the first couple of weeks and I can try and set you on a productive course. Some of you already have access to data sets relevant to a given research project. You may want to produce a draft of a completed research paper in the context of this course. If that is your goal, I am pleased to push this process along.

There will be several phases and deadlines connected to this project. The following schedule will be in effect:

October 4 (due in class) 1-2 pages. The proposal should suggest some question, specify relevant theoretical and empirical literatures, and suggest how one might study the subject. Obviously at this stage in the game, I do not expect your ideas to be well developed.

October 20 (due in class) 4-6 pages. Based on my comments and some subsequent work on your part, the assignment is to produce the introduction for your paper. The introduction should broadly situate the paper, suggest the relevant literatures, describe the issue at stake, and briefly discuss the empirical setting in which you propose to work. The introduction you write should be the basis for the paper that will follow.

November 17 (due in class). 10-15 pages. The assignment is to produce a rewrite of the introduction and the literature review. Literature reviews should consider the literatures for your topic. You should briefly review the literatures and suggest what they would imply about the particular setting in which you want to work. A good literature review begins with the problem you want to study. It looks at the relevant approaches to the problem and summarizes succinctly what is known. The goal of the literature review is to end up with a set of hypotheses that you will proceed to test or some substantive alternatives to understand a particular phenomena that might be illuminated by more qualitative study (either historical or observational). Thus, the literature that is reviewed informs the research you propose to do. There are several models for thinking about this.



The most common is to create a “theory contest” whereby you pit two or more theoretical perspectives against each other. A second is to use the literature review to describe what we know and what we don’t know. Then propose to add to the literature by learning what we don’t know. Finally, a literature review can be the attempt to set up some orienting concepts for a project. This means that these concepts will be used to instruct a research design and a project.

December 12 Final paper due in my mailbox in Barrows Hall by 4:00 P.M.

Academic papers have a rigid structure. When you look at the many published papers we will read, you should look not just for content, but for what they tell you about how to produce an academic paper. It is useful to incorporate that model into every draft of the paper you write. That will insure that what you end up with looks like an academic paper. It will make your life easier because you will have a structure that allows you to construct a paper from scratch.

Starting with a structure increases your motivation to make progress on a paper. Dividing the paper into sections, for example, means that your goal in sitting down to write is to produce each section of the paper. That makes you think about that section and to not worry about what you have not written. This makes a paper easier to write.

The final paper should have a title page (1 page), a one paragraph abstract describing the paper, contain an introduction (4-6 pages), a review of the literature (5-15 pages), a statement of your question given your reading of the literature (1-5 pages), and a section detailing research design (5-10 pages), and a conclusion (2-3 pages). I expect that each of your drafts from the introduction on will present me with a title page. Please give me hard copies of your drafts that are double spaced.

Essentially, if you do this right, you will have a draft of the entire paper without the research results. It will have been written and re-written and it will have been shaped by our interaction. If you decide to do the empirical part of the paper, you will be well along to having a workable draft of the paper.

The research design section should discuss measurement, access to relevant individuals, organizations, or documents. The conclusion should discuss briefly the contribution your research would make to the literature. You should include a bibliography using standard journal formats. Citations in the text should use journal format (ie. Jones, 1998). Please use footnotes sparingly. If it is relevant to have appendices containing additional information about data, please include that as well. The papers will average 20-30 pages.

For those of you who have data already, you should produce a final paper that includes your research design (5-10 pages) and a presentation of your results (5-10 pages), and a conclusion that discusses the results (2-5 pages), their implication for theory and research, and future research directions. Your papers could be closer to 30-40 pages with tables, text, appendices, and bibliography.

# Strands of Economy and Society

