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# The social dimension of the economy according to Mark Granovetter

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# The Social Dimension of the Economy according to Mark Granovetter

by Jean-Louis Laville

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The strength of Granovetter's main arguments lies in the fact that he defines markets as the subject of his studies and that he consequently strives to mobilise sociological theory towards their understanding. He thus renews the question of the relationship between economics and sociology. The issues raised are so important that his fundamental contribution *Economic Action and Social Structure: The Problem of Embeddedness*, has become "the best-known text of contemporary economic sociology" [Swedberg 1997, 239], to such an extent that its year of publication (1985) is often cited as the year that marked the birth of a new economic sociology.

Granovetter's understanding of markets, based on the reconstruction of the conditions of aggregation of individual actions, has however been considered one of the limits of his approach by the scholars of another sociological tradition, which states that social structures pre-exist – and even determine – interactions among social agents. According to this approach, a social tie can prevail without interactions being identifiable: the structural dimension of social ties has a status which cannot be reduced to personal relations [Bourdieu 1997; Bourdieu 2000]. In the introduction of the essay that he wrote for French readers and that is here translated into English, Granovetter harks back to this debate, admitting that English-speaking economic sociology can be prone to neglecting the cultural and political forces going beyond networks. He therefore sees a possible complementarity with other economic sociologies, influenced by Polanyi and more inclined to take these dimensions into consideration. All in all, the worth of Granovetter's approach is to clarify the ambiguities linked to the polysemy of the concept of embeddedness. According to Polanyi, the economy refers to all the activities derived from man's dependence both

upon nature and others men. By embeddedness, he designates the *framing* of the economy, the political rules regulating certain forms of production and circulation of goods and services. In pre-capitalist societies, markets were limited and most economic phenomena were inscribed in, and shaped by, pre-existing norms and institutions. The importance attributed to the market in the modern economy is the expression of disembeddedness, since the diffusion of market relations allows the latter to become autonomous from previous institutional frameworks. Market extension, however, does not mean that other economic forms, based on redistribution and reciprocity, have disappeared. Redistribution is the principle according to which the production is delegated to a central authority responsible for sharing it out, which supposes the existence of a procedure defining the rules of levy and allocation. Reciprocity characterises the relations established between groups or persons thanks to non-monetary provisions, which only make sense insofar as they are the expression of a wish to demonstrate and reinforce a social link among the parties involved. The reciprocity cycle is different from market exchange insofar as it is not a contractual relation and it differs from redistributive exchange insofar as it is not imposed by a central authority. Redistribution and reciprocity have thus persisted within modern economies in non-market and non-monetary exchanges. To sum up, in contemporary economies the disembeddedness of the economy can be attributed to the movement inherent to the market economy, but it is only a trend; the non-market and non-monetary poles of the economy bear testimony of the persisting embeddedness of some components of contemporary economy in the society in which they are rooted.

According to Granovetter, embeddedness has another meaning. Far from Polanyi's concern, it accounts for the integration of economic actions into social networks, which must be understood on the basis of personal relations and their structures. It is a question of shoring on on social networks which can, for example, explain the path followed by enterprises in their development, as well as some technical choices being based on trust relations between the enterprises' managers and experts. Granovetter thus suggests to explain certain institutional trajectories which are peculiar to the market economy; this project differs from Polanyi's, which focuses on highlighting the plurality of economic principles.

Other authors, such as Zukin or DiMaggio [1990], have also contested the confusion between embeddedness and social networks. They insist on the *intertwinement* of economic phenomena and cultural realities which influence – however without determining – each other. This conceptualisation underlines a relative autonomy of some aspects of economic reality which are however modelled by the society in which they are situated.

From this decomposition of the overarching concept of embeddedness into various versions which should not be conflated (*framing, shoring intertwinement*), the possibility emerges to mobilise these versions jointly, elaborating a sociology of contemporary economy. These various meanings of the concept of embeddedness should not be opposed one to another, but rather it's important to envisage them as complementary. This is what Granovetter proposes in his essay, when he minimises the critics addressed to the "polemical" Polanyi and recognises the contribution of the "analytical" Polanyi. In this perspective, economic sociology can be understood in a broad sense as the sociological perspective applied to a plural economy with a market, i.e. an economy which is not limited to the sole market economy, despite the privileged position of the latter in modern societies.

The study of the market economy can integrate the relational and institutional frameworks without which this economy could not develop. Relational networks, which are of utmost importance to understand certain markets, such as the labour market, may, as has already been showed for the electric industry, explain certain enterprises' strategies. Investment choices guided by a logic of profit-maximisation are very open. So there exist cases in which the decisions of enterprises can be understood only by taking into account the role of personal networks that explain, to a certain extent, the finally selected option. Beyond these forms of shoring on interpersonal contacts, most existing markets are not self-regulated: they are framed by institutions providing particular social or environmental rules. In other terms, the intertwinement between markets and institutions can be analysed in the light of a historical tension between deregulation and regulation which is constitutive of market economy. The autonomy of the market is a liberal utopia which is periodically re-actualised and countered by the creation of regulating institutions.

If the approach to markets can be made plural, economic sociology should however not be reduced to a sociology of markets, except if the latter are "absolutised." Non-market economy cannot be forgotten. An economic principle other than the market, namely redistribution, was mobilised through public action to give rise to the Welfare State, progressively creating a non-market economy. The intertwinement of market and non-market economy therefore has to be studied: it is crucial in agriculture as well as in many industry and service sectors.

In this respect, a non-monetary economy adds to money-driven activities. Another feature of economic sociology may be its interest for these non-monetary dimensions of the economy. The household economy continues to shape, to a certain extent, whole segments of the economy, and research on social ties in a gender perspective shows that inequalities within families cannot, to a large extent, be separ-

ated from the actual functioning of Welfare States [Lewis 1992] and are reflected in gender-based differences among salaried workers [O'Connor 1996].

Moreover, as stated by the solidarity-based economy approach [Laville 1998; Laville, La Rosa 2007; Laville, Marazzi, La Rosa, Chicchi, 2005; Laville, Cattani 2006], it is possible to carry out a descriptive and comprehensive analysis of the practices which recompose the relations between the economic, social, cultural, and political spheres by combining the notion of reciprocity with those of market and redistribution. Beyond inherited communities such as the family, the setting up of the political community and the recognition of the individual, both factors that are to be found in modern democracies, allow a positive freedom which is expressed in the development of reciprocity-based actions and cooperative practices on the basis of voluntary commitments. The claim for a capability in the economy and the request for a legitimisation of initiative independently from capital ownership can thus be traced in multiple forms of association that have been reaffirmed as topical in the last decades.

The flourishing of very diverse research strands, therefore, demonstrates the renewal of economic sociology. Nevertheless, a lack of dialogue still exists, in particular between English-speaking and Latin-speaking works, mainly for linguistic reasons. In this context, one could be tempted to focus on the important gaps between the various components of a trend, the identity of which remains to be refined. Regarding this last point, however, we may once again recall Granovetter's lesson. In his essay, he insists on the proximity between the spirit of French-speaking and English-speaking economic sociologies. More broadly, exchanges between economic sociologies must be intensified; in this regard, one should mention the now regular meetings between Italian and French sociologists [Laville, Mingione 1999; Laville, La Rosa 2004; 2007].

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**Abstract:** In this paper I illustrate the polisemy of the concept of embeddedness in Mark Granovetter's work. In the introduction of the essay that Granovetter wrote for French readers, he states that English-speaking economic sociology can be prone to neglecting the cultural and political forces going beyond networks. He therefore sees a possible complementarity with other economic sociologies, influenced by Polanyi and more inclined to take these dimensions into consideration. From this decomposition of the overarching concept of embeddedness into various kinds emerges the possibility to mobilise these versions jointly, thus elaborating a sociology of contemporary economy. I show how these various meanings of the concept of embeddedness should not be opposed one to another, but rather it's important to envisage them as complementary.

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**Keywords:** *economic sociology, France, United States, Granovetter.*

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