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Note from the editor

Economic Sociology and capitalism

The tides of economic sociology are intimately linked to the fate of the market in modern societies, particularly its impact as a dominant blueprint for the formation of economic relations. In one of the founding scripts of New Economic Sociology, Swedberg claimed that sociology had lost interest in markets as social arenas after the age of classical sociologists (Swedberg 2003: 266). After Weber, Simmel, Marshall and Durkheim had passed on the torch – all of whom had had a self-evident interest in "socio-economics" and markets – Parsonian thinking became dominant post 1950s. Here, the economy was treated as a subsystem that functions in its inner (market) core very much like economists describe it (Krippner 2001), while around it cultural and political action and system logics define individual preferences and principles of institutional regulation. Historically, this understanding of markets as framed or governed by society paralleled political thought in the "Golden Era" of macroeconomic governance and welfare state expansion in Europe and North America.

In the 1980s and 1990s, however, markets were rediscovered on both levels simultaneously: the global triumph of free trade and competition-friendly economic and social policies co-evolved with sociologists' renewed interest in what sorts of social formations emerge in markets if and after they are freed from state and law regulation. In their many empirical studies on how markets develop and function, a new generation of economic sociologists showed how far from reality all economic – and at the time most political – perspectives were that assumed that stability, cooperation and efficiency emerged in markets. Instead, they showed that if free competition is opened up for market actors, habits, routines, norms, networks and conventions take over, spark all different forms of social exclusion and create power imbalances.

While the faith in free markets started diminishing after the problematic consequences of globalization and welfare state privatization became visible in the late 1990s, the financial turmoil of 2008 with its unavoidable full-frontal interventionist stabilization of national economies reminded societies – and sociologists – of the fact that they live in a capitalist market order. Contrary to what many left-wing politicians today still believe, the turn to deregulation had not been fostered by a society-wide 'sudden love' for capitalism or radical liberalism, but depended, as it had always done, on capitalism's capacity to promise and secure stability, growth and a high standard of living, at least for those groups (of employers and workers alike) who could stand the test of global free trade. The financial crisis reminded everybody of capitalism's resilient habit to not care about the stability of the whole system if that comes into conflict with private profit interests. As Klaus Kraemer shows in his article in this issue, mainstream sociology as well as economic sociologists had over the course of the Golden Era become reluctant to even use the concept of capitalism.

Today, it seems that speaking of 'capitalism' as the correct concept to label the contemporary economic order is highly favored again among social scientists. Since the onset of the Greek sovereign debt crisis in 2010/11, many political economists in Europe and North America have been engaging in intense debates about the relation between capitalism and democracy in the face of European austerity measures and the widespread ascendance of right-wing populism (Streeck 2014; Crouch 2011; Woodruff 2016). This raises the question which insights economic sociologists can contribute to understanding contemporary capitalism and its precarious stability as a social order. Specifically speaking, the question is which particular social relations make markets capitalist, and what how do the social, political, cultural and cognitive embeddedness of markets (Zukin, DiMaggio 1990) contribute to the functions and dynamics of capitalism. These questions define the topic of the first issue of the 2016/17 volume of the EESN.

It is my impression that there are four major fields of economic sociological research that provide important insights for the analysis of contemporary capitalism. These are (1) the construction of calculation and future expectations as calculative devices for investment, entrepreneurial innovation and strategies of production and marketing, (2) the social structuring of resource and revenue distribution in markets, (3) the cultural and political legitimation of the core institutions of capitalism, such as private property, firm control or contract law, and (4) the social formation of consumer demand.

(1) Joseph Schumpeter has stressed that if we accept the equilibrium model of the fully competitive market, the core

capitalist elements of growth and profit cannot be explained (Schumpeter 2012). Instead, innovation that 'dares' to try new combinations of production factors depends on entrepreneurial action. Sociological perspectives have turned Schumpeter's classical celebration of the individual genius from 'its head to its feet' and pointed towards the importance of social structures that foster entrepreneurial behavior (Stark, Beunza 2009; Deutschmann 2010). Particularly in the uncertain context of market relations, in which double contingency is ubiquitous, knowledge and cognitions become important facilitators for rational planning into the future (MacKenzie 2006; Caliskan, Callon 2009; MacKenzie 2011). In this context, some authors describe the role of narratives and imaginations for making calculative economic action possible in an uncertain market environment (Beckert 2016; Castoriadis, Curtis 1997: 213ff.). This is even more so for the analysis of financial markets in which future expectations are traded at present values (Esposito 2011). For the analysis of contemporary capitalism, it is important to study how social patterns of knowledge shape the direction of investment and innovation into the future, therefore fostering (or potentially blocking) a growing marketization and opening (or closing) opportunities for profit. An important part of economic sociology research has always been the influence of economic knowledge on real economic practices, the 'performativity' of economics, and this begs the question how the rational, calculative habitus of 'capitalists' is inserted into economic relations and organizations as a form of dominant knowledge or a measurement tool, and how it is able to drive out other action orientations.

(2) Possibly due to market sociology's early, and maybe its too strong focus on the shortcomings of the standard economic market model, we lack many comprehensive perspectives on the distributive impact of the social embeddedness of markets. Organizational sociologists in the field of market analysis have stressed the consequences of cognitions and institutional rules for the symbolic, institutional and material resource distribution in markets shaping a particular strategic field of action (Fligstein, McAdam 2012; Fligstein 1990). Scholars working on the social origins of value have pointed towards the role of experts and cognitive and normative product rankings for price building, and therefore revenue streams, in markets (Aspers 2009; Christophers 2011). Accounting rules and management paradigms are important influences on the potential distribution of economic value (Cooper, Sherer 1984; Froud, Williams 2007). They show that the straightforward dichotomy between wages and profits is not able to capture all potential distributive effects of markets, if markets are understood as organizational patterns for group interest and collective action. The long lasting and extensive debate about different "varieties of capitalism" (Hall, Soskice 2001) in comparative and international political economy has also been taken up by economic sociologists in this context. Researchers who have studied structural affinities between market organization and political institution-building show that institutionalized production regimes do not only create complementary group organization among firms and trade-unions that may facilitate or hinder corporatist coordination for policy-making. Moreover, these national production regimes will, vice versa, also be supported and defended by distributional alliances within markets, intensifying and reproducing existing structures of resource and power inequality (Beyer 2010; Mills et al. 2008; Hollingsworth, Streeck 1994). Economic sociologists such as Harrison White have examined such inner-market power coalitions and organizational patterns, and explained how producer networks form niches and coalitions (White 2002). These networks may eventually use their power to guard their market positions by institutions. However, a more encompassing answer to the distributional effects of market embeddedness depends on how the double layer of distributional principles in markets – networks on the one hand and institutions on the other – can be integrated into one framework. A broader sociology of market distribution would be needed that integrates primary market distribution through networks and secondary re-distribution through social institutions. This will help to understand better the multiple distributional effects of capitalist economies as well as the socio-structural dimensions of capital accumulation. Elementaries of such an approach are visible in the works of Christoph Deutschmann, who discusses capitalism and its crises in this issue.

(3) The recent global financial and debt crises have triggered widespread public and political debate about the cultural and moral legitimacy of (financial) capitalism (Wieviorka 2012; Dean 2009; Fourcade et al. 2013). This debate was fueled even more by the strange political resilience that contemporary global financial market regulation showed in spite of the huge crisis (Blyth 2013; Du Gay, Morgan 2013; Münnich 2016). Behind the surface of regulatory carelessness, de-coupling and over-complexity in financial markets there is another, maybe deeper sociological question involved: how can we explain that this worldwide explosion of volatile future trading, ever-increasing reflexivity and public ignorance about the functioning of financial markets was perceived as a legitimate way for

Western societies to allocate resources and create growth. Even though one could argue that everything happened mostly unnoticed by most social groups many researchers have pointed to the importance of positive legitimizing principles for the rise of global and financial capitalism (Krippner 2012; Seabrooke 2010; Boltanski, Chiapello 2005; Münnich 2015). Particularly from a historical point of view, economic sociologists concerned with both the rise of new markets and deregulation in formerly state-controlled sectors have stressed the importance of normative and cognitive ideas that have guided and justified the continuous expansion of the principles of free competition and profitability into new areas (Zelizer 1992; Hirschman 1986; Mau 2015; Goede 2005). It may therefore be fruitful to re-consider Albert Hirschman's classic question of whether there are re-occurring and stable cultural patterns that accompany or foster the expansion of core capitalist institutions into more and more social fields.

(4) Capitalism depends on growth and, therefore, the continuous stimulation of demand for new products or at least a higher consumption of existing products. Classical economic sociologists like Thorstein Veblen and Pierre Bourdieu have engaged in understanding the social logics behind consumption (Bourdieu 2010; Veblen 1994). The above mentioned research perspectives of social valuation and the calculation of future worth of goods and services include the demand side of the market. Consumer sociology points toward the social processes of preference building and the cultural construction of taste, fashion or marketing strategies (For an overview see: Hellmann 2009). For a further analysis of capitalism, however, it will be necessary to transcend the conceptual separation between production, marketing and consumer preferences, which has shaped modern economic thinking. Instead, we need to examine in a more detailed way how the stimulation of new demands and its congruence with the next steps of the technically and socially possible product innovation are organized in capitalist societies, as well as how the lack of congruence between culturally and socially rooted demand and production possibilities contributes to instability and crisis in capitalist economies. Such a 'sociological re-reading of Keynesianism' would also have to include the changing structure and behavior of households and add that to the insights we have about the changing role of state investment and consumption in macroeconomic governance.

I hope that the two articles and the interviews we have gathered in this *EESN* issue will provide an insight to and provoke debate about how economic sociologists could provide conceptual tools and gather empirical evidence for understanding contemporary capitalism. This will help to answer the question of how capitalist principles of accumulation, coordination and distribution can remain dominant and expand globally, although economic sociologists have plausibly and with broad empirical evidence rejected all functionalist convergence theories. If we as economic sociologists dig deep and lay open the complex multitude of historical, cultural, political and social aspects of economic relations and organization, how can we explain that we still live in a society that may be labelled 'capitalist'?

With this issue, the *Newsletter* also has a new book reviews editor. After seven years, Mark Lutter passes on this task to Lisa Suckert of the Max Planck Institute for the Study of Societies in Cologne. We would like to thank Mark Lutter for his dedicated work and wish Lisa Suckert a good start in her new task.

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