EMBEDDEDNESS AND BEYOND. CONFERENCE ON THE STATE OF ECONOMIC SOCIOLOGY

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Do Sociological Theories Meet Economic Realities? – went the provocative subtitle of the most recent international economic sociology conference *′Embeddedness and Beyond′*, held in Moscow, October 2012. Indeed, approaches towards dealing with the current economic turbulence show how different narratives can sometimes coexist in contested spaces without speaking to each other, as was the case of the Occupy Movement. Here, with their post-capitalist vision, participants pitched their tents in front of the very symbol of capitalism: the London Stock Exchange. At the conference, Sandy Ross from the London School of Economics suggested that, as with the Occupy Movement, speaking at cross-purposes should be avoided in science as well. To better capture reality scholars should breach boundaries within economic sociology and between disciplines. To this end the conference was a success, as scholars with various academic backgrounds and inspiration ranging in fields from sociology to cognitive science, economic history and complex system research to science and technology studies gathered from around the world with their palette of research techniques, from ethnographic research to the state-of-the-art mathematicised (network) analytics.

The four day conference on the current state of economic sociology was an interim event of the International Sociological Association and the European Sociological Association's Economic Sociology Research Network, and was organized by the Russian Federation's National Research University – Higher School of Economics. During the four days over one hundred papers were presented in four plenary sessions and eight mini conferences that ran in parallel.

The conference theme was built around the central concept of economic

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sociology: social embeddedness. Over the last quarter of a century new economic sociology has emerged and evolved, by and large within the broad theoretical framework that concerns the social embeddedness of economic action. This has given rise to a large number of insightful sociological theories and empirical studies about economic phenomena. Yet, as the organizers claim, today's rapidly evolving and highly uncertain economic realities put these theories to a challenging test. Are these theories relevant when describing market transitions in post-communist and developing countries? Can we use them to understand the consequences of the continuing global financial crisis and technological changes? Overall, are our theories robust enough for addressing such questions or do we need a completely new toolkit to tackle them? The conference brought together the leading experts in the field who shared their own views about these questions. In the following section we give a brief overview of the plenary sessions and then describe some highlights from the mini-conferences. The authors hope that this overview will give the reader a little insight into the vibrant ambiance and exciting agenda of the conference and provide some hints about relevant topics and themes within current economic sociology.

The first day's plenary session was all about the big picture: *"Capitalist Development and Institutional Change"*. Glenn Morgan from the University of Cardiff showed how global capitalism and national capitalisms are interacting in the twenty-first century. The increasing internationalization of many markets (natural resources) and firms (multinational companies) is in progress. While on the other hand, national regulatory systems (credit control) and other national institutions (capital-labor relations) remain important determinants and continue to influence the overall performance of economic actors.

On the same day Frank Dobbin from Harvard University gave an interesting lecture about the institutional change of the past twenty years in the US, with the title *"The Fund Manager Value Revolution"*. (Dobbin 2012) He showed that in the 70's - 80's pension fund managers and other institutional investors, inspired by the development of agency theory, changed the way firms were managed. The new schemes were intended to reduce agency costs by aligning the interests of managers with the interests of the firm. One of the main innovations this "revolution" brought was stock option compensation. Under this scheme executives received windfall payments every year that share prices grew but shared none of the downside risks with investors – Dobbin explained. The bonuses of fund managers were likewise tied to growth in the value of shares, so, as with executives, fund managers did not share downside risks. "By promoting stock options institutional investors could ensure that the interests of corporate executives would coincide with their own interests, if not always with those of shareholders, who were exposed to most of the downside risk." (Dobbin 2012 p. 54) What happened is, with the rise of the institutional investor, the principal – agent problem developed one more layer of complexity, with the pension fund manager coming in-between the original principal – the pensioner – and the agent, the corporate manager.

The second day's theme centered on the pet topic of economic sociologists – the *"Power of Networks"*. Roberto Fernandes from the MIT Sloan School of Management confessed that the first sociology class he ever took was taught by one Mark Granovetter. Yet he provocatively started his presentation by asking the question: "Do we actually know that networks have any power in the labor markets?" Fernandes made the case that economic sociologists hold the idea of the importance of networks with the same kind of religious devotion as economists think about market clearing. He satirically noted that networks have become so important in economic sociological circles that they have to appear somehow in every discussion.

Brian Uzzi from the Kellogg School of Management gave a very theatrical and persuasive speech about *"Collective Wisdom and Embeddedness"*. While working with a hedge fund he analyzed data about the instant messages that are sent between networks of stock traders parallel to all of the trades they make. As he explained, traders try to give meaning to the cascade of information they face from minute to minute. These messages contain information about what traders think will happen on the market. When no more information can be squeezed out of numerical data, decoding the millions of instant messages that flow between these networks of traders can provide new insights. With "big data" now available we can look at embeddedness in high-definition, not by just looking at the network but looking at the content of it. This can then be correlated to actual behavior.

On the following day two French sociologists, Laurent Thévenot and Marion Furcade, elaborated their views on the problem of *"Culture and valuation"*.

The final day was devoted to *"Knowledge, Technology, and Markets"* Karin Knorr Cetina from the University of Chicago talked about how financial markets have transformed from a network market to a global system. Until the 1970's, trading occurred through personal networks, which were required for finding out where the market was and for finding trading partners. Screen technology has changed the nature of financial markets. It allows a continuous and synchronized flow of information. Traders now only have to hit buttons on a screen, so an era of real-time trading has just commenced. Trading has become reflexive and interactive as a trader's actions manifest themselves instantly and become part of the market. Thus the market can no longer be thought of as a network market – human to human – but should be thought of as a - human to screen -market system. The latest trend is for trading by algorithm, which means that a new kind of market – a market-to-market regime – is becoming increasingly important.

David Stark of Columbia University talked about his recent research: *“Cognitive Networks in Financial Markets”*. He immediately disagreed with Knorr Cetina and pointed out that financial markets should still be understood as networks, but not as old kinds of social networks but new attention networks where traders have to allocate their attention across multiple issues, devices and people.

Around the plenary sessions a chain of mini-conferences was organized. The following is a sneak peek into this rich program of thematic sessions.

Numerous theoretical approaches are currently being fruitfully employed by economic sociologists, thus a mini-conference was held on *“New Theoretical Perspectives in Economic Sociology”* to foster debate around issues such as theorizing quality and valuation, and the evergreen topics of ties in markets and the problems of embeddedness.

“Money and finance” is an important field of economic sociology; the mini-conference around this theme was full of interesting presentations, from *“Building Markets for Bank Cards”* by Róna-Tas Ákos to the sociological accounts of the Global Financial Crisis.

With Neil Fligstein as chair, the *“Organizations and Institutions in Emerging Markets”* mini-conference was on the formation and transformation of organizations and markets in both developed and developing societies. One of the highlights was Victor Nees’s (Cornell University) presentation. He summarized his recently-published book *“Capitalism from Below: Markets and Institutional Change in China”* and argued that the country’s private enterprise economy was built from the bottom-up to become one of the greatest success stories in the history of capitalism.

The *“Emergence and Innovation in Markets and Organizations”* mini-conference took a closer look at institutions that emerge in response to ongoing technological advances and economic pressures. It was here that the Corvinus Institute of Sociology and Social Policy was represented through a presentation on the “innovation problem” in the transformed societies of Europe. This research used data from the EU Community Innovation Survey, as well as qualitative interviews from Laki Mihaly’s study about market evolution. The mini-conference covered a range of topics, from networks of venture capitalists in present day Israel to entrepreneurial networks in late imperial Russia. In this section we also heard about the latest collaborative efforts of David Stark and Vedres Balázs who studied the assembly of creative teams in the video game industry.

In the *"Gender and Work Transformation"* section we learned about a test to find out whether at employment interviews female job applicants are evaluated more favorably when they are paired with female or male interviewers.

The *"Market Society and Moral Order"* section dealt with the theoretical and empirical relationship between market institutions and the production of moral categories. Authors touched upon "contested commodities" (also known as "blocked exchanges") such as human organs or sexual services and markets for funerals and gambling.

The recently influential performativity theory suggests that economic theory plays a constitutive role in modern markets and that markets are "embedded" in economics. Participants of the mini-conference *"From Economic Knowledge to Economic Reality"* discussed the performativity of economics through examples which ranged from socialist planning to present day online consumer reviews.

The American dominance of the field at the conference was very palpable; out of the eight featured speakers, six came from American universities and only two came from Europe (one from England and one from France).

It is clear that economic sociology is now a part of business education. Some of the presenters came from top institutions such as the Tepper, Sloan and Kellogg Schools of Business – perhaps indicating that economic sociological theories and research are increasingly lending themselves to practical application.

The conference itself was successful, due to a large extent to the chair of the local organizing committee and vice-rector of the host university, Vadim Radaev, who appears to be an important personality in Russian economic sociology with many valuable international connections. The local organizers cleverly used the event to market their Higher School of Economics, which celebrated its 20th anniversary. As in 2014 Corvinus University's Faculty of Social Sciences will be 25 years old we would also be happy to participate in a conference of international importance at home.

As the title indicated, the talk at the conference went beyond the central theme of embeddedness; the buzz words were *performativity* and the problems of *valuation* and *evaluation*. This was reflected in the closing presentation of the conference which David Stark started by introducing us to his views on the future of economic sociology and departed by giving reference to a memorable moment in the history of sociology which he called "Parsons´s Pact". (Stark 2011) Half a century ago, at Harvard University, Parsons was developing an over-reaching grand theory that would encompass all social sciences but one. Parsons was very ambitious but understood that there was one discipline that he would prefer not to take on directly: economics. So he walked down the stairs and up to the Littauer Center at Harvard University to talk to his colleagues in the Economics Department and said "I make no claim over your territory". In Stark's understanding, Parsons was making a pact according to which economists should study *value* and sociologists would study *values*. In other words, economists could have a claim on researching the economy while sociologists could stake their claim on researching the social relations in which economies are embedded. So from then onwards sociologists analyzed the economy only insofar as it related to the embedding of cultural values and cognitive frames or social relations. But they left the topic of valuation to economists, and economists´ practices of estimating value were left unstudied. Yet, as Stark stated, "We did not sign the Pact". This gives us sociologists an opt-out from this Parsonsian declaration. To realize the potential of economic sociology it is required that we do our work under new terms. An economic sociology that breaks with Parsons´s Pact will be free to abandon the dualisms of ´value versus values´ and ´economy versus embedded social relations´. From the static concepts of value and values it can focus instead on the ongoing processes of valuation. And whereas economics does not claim to study "the economy", preferring instead to use terms such as the "science of decision-making under conditions of scarcity", economic sociology should claim that the objects of its study are general problems instead of specific domains.

Overall, this conference provided a useful space for debate and the fruitful exchange of ideas with scholars of different backgrounds and approaches. We know from various pieces of research that these kinds of settings promote creativity and scientific advancement. (Uzzi et al. 2005) Yet we still hope to see a single theory that can emerge to consolidate the diversity which has been nurtured; one which will help to further strengthen the place of economic sociology in explaining socio-economic life. In this regard we sympathize greatly with David Stark's efforts to overcome the Parsonian divide in order to give new direction to the study of economic sociology.

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