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Theorizing in Economic Sociology

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This volume on reimagining economic sociology contains a number of interesting and creative suggestions for how to reimagine economic sociology.¹ The authors of the different chapters go about their task in mainly two ways. They either take on new and interesting topics, using existing theories, or they look at old topics in new and innovative ways. In this chapter I will suggest another way of reimagining and improving economic sociology, which is more indirect but which addresses the topic in a more wholesale manner. This is to focus on how you theorize in economic sociology, especially how you theorize in a creative and practical way.

While it is true that good sociology consists of roughly equal amounts of good theory, good methods, and good data, there exist some reason for singling out the theory part. Being part of the sociological profession, economic sociologists have no problem today in being well trained in how to gather data, and in analyzing these with the help of existing methods. There exist good courses which students can take in these topics, both at the undergraduate and at the graduate level.

The situation is different when it comes to theory. No courses exist today in sociological theory that help the students to develop a practical skill in producing and handling theory in a competent and innovative manner. This is one of the reasons, and perhaps the most important one, why today's theory has not kept up with methods. The result is an imbalance between theory and methods, with sociologists spending very little time on theory and a huge amount of time on methods.

Being part of sociology, economic sociology also suffers from this situation. If you want to reimagine economic sociology in a fundamental manner, in other words, you have to confront the issue of how to produce new and better theory.

In work I have done during the last few years, I have suggested a way for how to proceed in this situation, insofar as sociology in general is concerned (Swedberg 2012, 2014a, b). Rather than focusing on theory itself, and teaching theory in the usual manner, I suggest, you need to look at *the practical ways* in which you have to proceed in order to produce interesting and creative theory when you work with empirical material. The main focus according to this

¹ Patrik Aspers and Nigel Dodd (eds.), *Reimagining Economic Sociology* (forthcoming in 2015).

viewpoint is on what happens *before* you produce a theory; therefore I refer to this approach as *theorizing*.

In this chapter I will apply these ideas to economic sociology, as a way of reimagining economic sociology. I will first say something about theorizing in general and enumerate the various steps you need to take when you engage in theorizing. I will then then show what happens when you apply this approach to economic sociology.

From Theory to Theorizing

There currently exists two major ways of doing research in sociology. You can either start from a theory and engage in so-called theory-driven research. Or, which is much more common, you start from some general hunch or idea you have. Both ways of proceeding make it hard to come up with something new in terms of theory.

Selecting your research topic based on a preexisting theory has a tendency to severely narrow down the ways in which you can explore the topic you are interested in, and also how to handle the data involved. In addition, theory-driven research tends to use standardized data and tends to have little interest in ethnographic and related kinds of data. For both of these reasons, the theory-driven approach makes it difficult to theorize in a creative way.

Starting out your research in a more conventional manner, that is, by relying on some hunch or idea that you happen to have, also makes it hard to theorize well. You typically end up with data that go well beyond the initial hunch or idea. And this creates the following dilemma: you either have to squeeze the data you end up with into the original idea; or you go with the data and drop the original idea. Both are difficult to unite with good theorizing.

How then to proceed? My suggestion is that you need to have access to more and deeper knowledge of the topic *before* you develop your original idea or hunch. You need to hold off on your early hunches and ideas till you know more about the topic you want to research. Once you know more, you are in a much better position to develop a theory that is close to the existing situation.

My suggestion for how to get this extra knowledge is to add a stage to the conventional research process that I call *the prestudy*. It is similar in some ways to the pilot study or the exploratory study, but it also differs from these. For one thing, its main purpose is theoretical. Secondly, the prestudy is conceived as an integral part of the research process as a whole. Its purpose is to come up with some good ideas, which later will be properly researched and tested in *the main study*.²

To come up with a good theory, you also need to learn how to build a theory and train yourself in this type of enterprise. When you theorize in the prestudy, you can then draw on this knowledge and, as a result, become better at theorizing.

[Insert # 1 here]²

The ways in which you theorize during the prestudy are not very different from the ways in which you theorize during the main study. They include the following steps or ways of proceeding: observation (1); naming the phenomenon, developing concepts and perhaps construct a typology (2); using analogies, metaphors and patterns (3); and coming up with an explanation (*abduction*; 4)

Before describing each of these steps, there are two general points I would like to make, First, while there exists some works on concepts, analogies and do on by social scientists, cognitive scientists have been much more interested in these topics; and it is important for social scientists to be aware of this latter literature for good introductions, see e.g. Frankish and Ramsey 2012, Holyoak and Morrison 2012, Reisberg 2013).

Secondly, each step in the theorizing process does not only have a value in itself but also *a heuristic function*. This means that it both drives the theorizing process forward *and* can help to throw new light on the topic that is being researched. When you, for example, try to find a new name for a phenomenon or when you try develop a concept, you may also discover new aspects of the phenomenon under study. The same goes for using analogies, metaphors and the like. Since the main purpose of the prestudy is precisely to come up with new ideas, it is important to emphasize this heuristic function of the individual steps in the theorizing process.

² For insert 1, see the end of this chapter.

Step 1: Observation

When you want to theorize in a creative way in sociology you have to start with observation. This goes for qualitative as well as for quantitative studies. If this is not done, as Durkheim and others have argued, you will end up by taking your early and immature notions (*prénotions* or preconceptions) for the truth and what you want to prove (e.g. Durkheim 1964; Bourdieu, Chamboredon and Passeron 1991). This is a case when a little bit of knowledge is a dangerous thing.

What you first of all want to do at this point is instead to dig up enough new knowledge to erase your preconceptions as much as possible. This can be done by paying close attention to the existing empirical facts of the phenomenon, be it in the form of descriptive statistics or some type of qualitative knowledge.

Once your preconceptions are gone, you need to figure out what is actually going on. The type of knowledge that is needed at this point is often of the suggestive type; and the reason for this is that you want to get a sense of what the phenomenon is *really* about. Note that any type of knowledge about the phenomenon is acceptable and useful at this stage. This means everything from what you can find in some archive to dreams, poetry, interviews, newspapers and more. And, again, the reason for proceeding in this way is that you want to discover new aspects of the phenomenon in question.

Since it is not necessary to carry out a systematic study of a phenomenon to come up with new ideas about it, no such study needs to be carried out at this stage. Note however that by proceeding in this way the probability of making errors is sharply increased. These errors will presumably be caught in the main study, when the new ideas will be confronted and tested with systematic knowledge.

The earlier these errors can be caught, however, the better. To some extent this can be done already during the prestudy by drawing on the insights of Tversky-Kahneman and others on the type of errors that people typically make when they are faced with uncertainty (anchoring bias, availability bias, and so on).

Through its links to general sociology, economic sociology has inherited a useful tradition of how to approach reality in an empirical way. Sociologists have done field work since the 1920s and used increasingly advanced forms of statistics since World War II. During the last decade or so sociologists have also become more interested in ethnographic forms of work.

In terms of methods, economic sociologists have more or less followed the general development in sociology. Weber, for example, did no fieldwork as opposed to the industrial sociologists from a few decades later. Today's economic sociologists use everything from the most sophisticated quantitative methods to the most advanced forms of qualitative research. One example in this volume of an economic sociologist who has let empirical observation guide his theorizing can be found in the chapter by Aspers (Ch. [X]). Many of his theoretical points about identity come straight out of his research on fashion and photography.

Note that economic sociology is in a very advantageous situation when it comes to observation, compared to mainstream economics (e.g. Maas 2011, Maas and Morgan 2011). Neoclassical economists have a century-long tradition of prioritizing theory at the expense of empirical work (see e.g. Simon and Bartel 1986, Figlio 1994, McCloskey 1994, Prasch 2007). You can still hear mainstream economists approvingly refer to Milton Friedman's argument that the best theory is the one that is based on assumptions that are "wildly inaccurate", as compared what goes on in reality (Friedman 1953:14).

It is also still the case that when economists use empirical data in their analyses, they many times prefer official statistics to field work and produce the data themselves (e.g. Piore 1979, Helper 2000, Angrist and Pischke 2010). These are serious handicaps for the many mainstream economists, who have just started to realize that they are on the wrong track with their heritage of deductive theorizing.

But there already exist a number of economists who do serious empirical work. .
According to Paul Krugman, for example,

The profession [of economics] has shifted towards nitty-gritty empirical investigation using lots of data. Unless you have a brand-new insight, the best you can do is to find evidence that hasn't been exploited. Maybe that will suggest new theoretical insights, but the starting point is the data. (Krugman 2010)

Some economists agree with Krugman's assessment, but seem less hopeful about the current situation. According to Robert Shiller, for example, "there's [still] an attitude in the profession that collecting data is for lesser people. That it's like janitor work; it would dirty your hands" (Shiller 2013).

When economic sociologists make their initial observations, it is also advisable that they stay away from economic theory. To a large extent modern economic theory is the outgrowth of preconceptions among academics and was created with no or little contact with empirical reality. That economic theory has to be brought in before the process of inquiry is over, is on the other hand clear. But at the stage of discovery the chance of harm is very much present, just as it would be to start out exclusively from sociological theory.

Economic reality is still largely unexplored by social science; and one reason for this is that economists have produced very abstract and non-empirical work for nearly a century. The decision by mainstream economists to remove institutions from their research agenda in the late 1800s and not to reintroduce these till a few decades ago was especially unfortunate. Still, this development does open up the space for economic sociologists.

Step 2: Naming the Phenomenon, Developing Concepts, Perhaps Construct a Typology

Once the preconceptions are gone and some penetrating observations have been made, naming the phenomenon becomes important, in order to provide it with an identity. Modern sociologists have not been very interested in this issue, which is a pity since using a new name helps to isolate what is being studied and to set it off from other phenomena. The process of naming, it should be added, can also be used for heuristic purposes, in the sense that every word has a number of associations that can be looked at for possible leads and insights.

Reflecting the general situation in modern sociology, today's economic sociologists have not expressed much interest in naming. They have nonetheless introduced several new names, some more successful than others. The name of "motherhood penalty", for example, is clear and easy to understand (e.g. Correll, Benard and Paik 2007). But this term does not indicate that what is at issue is a phenomenon in the economy, namely the reluctance of employers to hire mothers.

“Making out” is perhaps a less successful term than motherhood penalty. The reason for this is that it gives associations to something very different from what its author had in mind, namely the attempt by workers to kill time by treating their job as a game (Burawoy 1979:84).

As an example of much better term one can mention “fictional expectations” by Jens Beckert, which is counter-posed to “rational expectations” in economics (Ch. [X]). In an attempt to figure out what will happen in the future – what to expect – it is necessary to engage in some fiction; and the idea that you can map out future action in a perfectly rational way is illusory.

Once a name has been assigned to a phenomenon, it typically needs to be turned into one or several concepts (for the role of concepts in social science, see e. g. Goertz 2006). What exactly takes place when a concept is formed is currently not very well understood, but it can perhaps best be described as an elimination of details in combination with a move towards generalization.

Weber’s favored type of social science concept was the ideal type, which he describes as an attempt to analytically accentuate the central traits of some phenomenon. Weber is careful to point out that it especially helps the social scientist to get a handle on the phenomenon at an early stage. He also says that the ideal type has a decidedly heuristic quality.

To be effective in the main study concepts also need to be operationalized and indicators located. This is a point where theory and methods meet, and where both also need each other. During the research process you typically oscillate between theory and methods; and this is especially true for the movement from concept to indicator (e.g. Swedberg forthcoming).

Economic sociologists have not been particularly interested in concepts nor in the process of concept formation. Still, many economic sociologists can probably identify with Melville Dalton, who once summarized his experience when it came to handling concepts in the following way:

[When I worked on *Men who Manage*] (1) I struggled among the mixture of helpful and inadequate concepts I brought in from my academic training, as (2) I also searched for more flexible and – as it seemed to me – more relevant concepts. From this mulling, I settled on

such unconventional specimen as ‘axis of reward-right’, ‘out-of-role’, ‘role-front’, ‘theft-intelligencer’, and so forth. (Melville 1967: 74)

Today’s economic sociologists have, however, discussed one concept with quite a bit of passion, and that is *embeddedness*. Since this is the most famous concept in modern economic sociology, something should be said about this debate. According to Mark Granovetter, he came up with the idea of embeddedness as a result of intuition; he also invested it with a meaning different from that of its originator, Karl Polanyi (Krippner et al 2004).

Granovetter did not, however, elaborate much on what he meant by this concept. While many attempts have been made to use the concept of embeddedness and develop it further, Granovetter himself has stated that he views it as a very general and a heuristic concept (Krippner et al 2004:133). Embeddedness, in brief, indicates the direction in which the researcher should look, rather than what he or she will find.

The concept of embeddedness, however, has also caused quite a bit of problem in the transition from concept to indicator or, more generally, the process through which a concept is operationalized. There exists a strong tendency at this stage in modern sociology to replace the concept with a variable, something that means that the concept itself is forgotten and with it, also the link to a theoretical tradition.

In Ch. [X] Nina Bandelj addresses this issue when she criticizes the transformation of embeddedness into a variable without any links to the original concept, that is, simply into an empirical measure of more or less “embeddedness”. When you proceed in this manner, you fail to capture the basic content of the concept, namely that all economic actions are embedded in social relations. Economic actions can be embedded in different ways, but not be more or less embedded.

It is often helpful to develop typologies at the stage of the prestudy since preconceptions tend to bunch together phenomena that should be kept apart from an analytic viewpoint. According to many textbooks, typologies should only be used when this can be justified on empirical grounds. This, however, is not the case in the prestudy, where the main point is to come up with new ideas (e.g. Bailey 1973). To use a 2 x 2 table can, for example, be helpful at this point, since it forces you to think through some types you otherwise might not.

One place where you can find a number of useful typologies in economic sociology is in Weber's chapter on economic sociology in *Economy and Society*. Many of these typologies have been constructed with the help of historical material, such as housekeeping versus profit-making, and Weber's typology of capitalism (rational capitalism-political capitalism-traditional capitalism).

As a more recent example of a useful typology, one can mention Patrik Aspers' status markets and standard markets (Aspers 2009). A number of interesting typologies can also be found in the literature on varieties of capitalism, such as liberal market economies and coordinated market economies (Hall and Soskice 2001).

Step 3: Using Analogies, Metaphors, Patterns

Analogies, metaphors and patterns may not represent necessary steps in the process of theorizing, in the sense that they absolutely have to be used once you have observed a phenomenon, named the phenomenon, and created one or several concepts and perhaps a typology. Still, they deserve to be tried out, not least for heuristic purposes.

Most of what we know about analogies, metaphors and patterns come from cognitive science (e.g. Holyoak and Morrison 2012, Reisberg 2013). Also literary science has a tradition of looking at metaphors, while suspicion or lack of interest is more characteristic for the social sciences. This does not mean that metaphors are not used by social scientists, only that social scientists typically use them but do not pay much attention to them.

People constantly use analogies, according to cognitive scientists, and the main reason is that they make it possible for people to handle new facts and new situations. They essentially accomplish this by illuminating one phenomenon with the help of another. In the terminology of cognitive science, the knowledge of a "source" is "mapped" onto "the target", which thereby becomes easier to understand.

There exist simple as well as complex forms of analogies, just as these can focus on the surface of a phenomenon, on its structure or on a whole system. It is sometimes also helpful to

use one analogy after another, for example when the problem that needs to be solved is extra difficult (“bridging analogies”; Nersessian 2008).

Most cognitive scientists view metaphors as belonging to the family of analogies, and therefore believe that they do not need a separate analysis. There do, however, exist some reasons for discussing metaphors in their own right, and one of these is that they operate in a somewhat different way from analogies. To say, for example, that you understand one type of animal’s brain by looking at that of another is an analogy. To say that the human brain is like a computer is a metaphor.

There also exists some interesting works in philosophy and literary science on metaphors. One often cited theory is that of philosopher Max Black, who has suggested that a metaphor should not simply be viewed as a way of projecting the meaning of one phenomenon onto that of another (“the substitution view”). A real metaphor operates in a different way, namely by changing the meaning of both phenomena that are used in a metaphor (“the interaction view”; Black 1962).

Patterns may at first sight seem quite different from analogies and metaphors. But all of these are similar in that they can be used to analyze some phenomenon that has been observed and which needs to be explained. Patterns are either visual or non-visual; they can also entail repetition or not. In many cases, just mapping out the pattern of some phenomenon can be very helpful (e.g. Jefferies 2012).

Like people in general, economic sociologists use analogies all the time. In order to make sense of some new way of buying and selling, for example, they may use the idea of a market or gift exchange as an analogy. In trying to make sense of a financial crisis, they may compare it to the Depression, and so on.

It can be argued, as Dodd does in Ch. [X], that money operates as a kind of super-analogy, in that the value of any good can be related to that of the others with the help of money. This may well be another way of expressing one of Simmel’s central ideas in *Philosophy of Money*, namely that money makes all things equal (Simmel 1978; see also Dodd 1994). It would also seem that the idea of commensuration is close to that of analogy (Espeland and Stevens 1998).

An analogy can be false, something you find out when you confront it with facts. It can also sometimes be useful to undo some existing analogy or metaphor that is false, such as Krugman does in his well-known article “A Country is Not a Company” (Krugman 1996).

That the line between an analogy and a metaphor is somewhat fluent can also be illustrated by the coming-into-being of a famous term in both sociology and economic sociology. When Parsons was translating *The Protestant Ethic* in the late 1920s, he came across the following analogy. The Puritans, according to Weber, viewed the act of becoming rich as a sign of God’s benevolence, but they also wanted to stay faithful to God and not become servants of Mammon. They wanted to live in such a way that they could rid themselves of their riches, one Puritan said, as easily as you can remove a cloak from your shoulders. But this is not what happened historically, according to Weber; and soon the Puritans found that the cloak around their shoulders had, as it were, turned into an iron casing.

Weber’s analogy is handsome and suggestive; and the reader gets a sense for how being rich may change a person, even if he or she does not want this to happen. Now, Parsons famously translated “iron casing” in a very free way, namely as “iron cage”. In the process, he also transformed what is a subtle analogy into a rather clumsy metaphor: living in a capitalist society is like living in a cage.

Also modern economic sociologists have struggled with metaphors, in more or less inelegant ways. One example of this involves the main metaphor of modern economic sociology, namely embeddedness. And here the frustration has been huge. What exactly is meant by this term? Is being embedded the same as being enmeshed? Is the economy embedded in society, and what exactly does this mean? Does it perhaps mean that the economy and the society are fundamentally different (and that the economy is therefore not “social”)?

According to one author who has tracked Polanyi’s use of the term embeddedness, Polanyi only used it incidentally (Barber 1995). According to another author, who insists on the centrality of the term embeddedness to Polanyi’s work, the author of *The Great Transformation* probably got the word embeddedness from mining. In other words, the economy was so embedded in English society before the Industrial Revolution that it literally had to be broken out of society, just as coal has to be broken out of stone when it is mined (Block 2001:xxiv).

The analysis in Donald MacKenzie's monograph on the rise of options trading in the United States is similarly centered around a metaphor. Actually, MacKenzie uses two metaphors, as is clear from the title of his book: *An Engine, Not a Camera: How Financial Models Shape Markets*. The two metaphors nicely illuminate one another and also help to cast some light on MacKenzie's main thesis, namely that economic models of finance do not just reflect reality but also operate on it and change it (e.g. MacKenzie 2006:259). This is a more complex idea than the usual version of performativity, namely that the economic actors "perform" some economic theorem when they buy, sell and so on.

Before leaving the topic of metaphors, it should be mentioned that some years ago there was a debate among economists about the role of metaphors in economic theory. This debate was started by Deirdre McCloskey, who was later joined by a few other rebellious economists (McCloskey 1983, 1986). The main inspiration for the debate came from literary theory, and the main point that McCloskey et al wanted to make was that economists often use metaphors, and that they consequently are not as scientific as they think.

One positive result of this debate was that the omnipresence of metaphors in economic language was pointed out:

Bubbles, bears, bulls, bliss points, sunspots, cobwebs, and dirty floats all dot the economic landscape. Our most 'rigorous' scientific expressions are unabashedly metaphorical. When speaking of <price mechanism>, <transmission mechanism>, <inflation>, <human capital>, <policy instrument>, <multiplier>, and <accelerator>, we do not intend a literal identification with a machine. (Klamer and Leonard 2001:23)

After a few years, however, the debate about metaphors in economic theory died out. The reaction of mainstream economists was cool: "we now know that we use metaphors – so what?" (e.g. Solow 1988). Still, the debate did lead to the production of some interesting pieces of scholarship on the role of metaphors in economic theory (e.g. Klamer and Leonard 2004, Mirowski 1994). The idea of Arjo Klamer and Thomas Leonard that certain metaphors can operate as heuristic tools when you study economic life, is also helpful ("heuristic metaphors"; Klamer and Leonard 2004:32-4). Using metaphors, in other words, can help you to discover new aspects of economic life.

When it comes to patterns and their use in economic sociology (or in economics), there is very little to be said. Like many social scientists, economic sociologists routinely use the term “patterns”. They find patterns in their data; they try to lay these bare; and they try to explain them, typically through some social mechanism. What exactly is meant by the term “patterns” is, however, little known and deserves much more attention, not least as a way of preparing economic sociologists for their work with big data (for an example of the latter, see e.g. Eagle, Macy and Claxton 2010).

Step 4: Coming Up with an Explanation

The explanation is often seen as the very centerpiece of scientific analyses. One example of this attitude can be found in the work of Charles S. Peirce, who used the term *abduction* as more or less synonymous with coming up with an explanation (e.g. Swedberg 2014b).

The topic of explanation also constitutes a very difficult topic, primarily for two reasons. One is that you cannot discuss explanation without also talking about causality, which is a notoriously hard topic. To present a convincing explanation in a social science analysis these days is furthermore very demanding from a methodological point of views.

Neither of these two difficulties, which have to be faced squarely in the main study, are however of much importance at the stage of the prestudy. What matters here is primarily to come up with a good idea for how explain something; and it is precisely the emphasis *on the practical process of coming up with an explanation* that makes Peirce’s work on abduction so attractive (see Swedberg 2014a).

Two ways in which the social scientist can become good at explaining are the following. First, you need to become familiar with many different types of explanation. This makes it easier to come up with one of your own. Students sometimes believe that there only exists one way of explaining things, while there typically exist a number of these in any one science. Different sciences also tend to have their own preferred ways of explaining things, which means that it is

useful to be familiar with the way that things are explained in a number of different sciences besides that of sociology, say biology, archaeology and law.

Armed with a knowledge of many different ways of explaining things, the theorizer can also learn quite a bit about his or her topic just by running through a number of these. Not only may this help him or her to find a good explanation, it will also draw his or her attention to different aspects of the topic.

Explanations can be established in many ways: through the use of statistics, models, comparisons and experiments. Counterfactuals are also helpful, and so is a functionalist perspective. All of these have also either been used or can be used in economic sociology.

Statistical explanations are often used in economic sociology as elsewhere in sociology. One recent area where this type of explanation has proven very useful is in public health. During the last few years sociological studies of the relationship between economic crises and public health have started to appear in medical as well as sociological journals (e.g. Stuckler and Basu 2013). When unemployment rises, so will suicide, alcohol-related deaths, mental illnesses and so on. To this can be added that financial crises are often followed by cuts in welfare expenditures, including expenditures on health care.

Many studies in economic sociology use comparisons to explain, both when it comes to contemporary topics and historical ones (e.g. Dobbin 1994, Beckert 2007). One advantage with proceeding in this way is that it allows for the use of both quantitative and qualitative data.

To abstract and argue “as if” with the help of a model is also a common way of explaining, for example in networks studies. Networks lend themselves nicely to modeling, since they typically focus on a single aspect of some phenomenon, say if two people are on the same board of a corporation, if they know each other, and so on. The fact that models can be used in network studies may also be one reason why an increasing number of this type of studies are done by economists these days (e.g. Goyal 2011).

Modeling represents the most popular way for economists to approach a topic and explain it. A study of articles that appeared in the highly ranked *Journal of Economic Theory*

shows however that these models can also become an end in themselves and have little to say about important empirical questions (Klein and Romero 2007, Klein 2014).

Sociologists do not use experiments very much, in contrast especially to psychologists. This is a pity since many interesting and non-conventional economic topics can be studied with the help of this method, as shown by behavioral economists. But it is also true that behavioral economists tend to universalize their findings and neglect the social dimension of their topics. There exist, in other words, good reasons for economic sociologists to start using experiments. As part of this enterprise, they may also want to try out field experiments, a method that has recently become popular with mainstream economists as well as progressive development economists (e.g. Levitt and List 2008, Parker 2010).

Something should finally also be said about two other ways of explaining things that have found little use in modern economic sociology. These are functionalist explanations and counterfactuals. There exist at least two good reasons why economic sociologists may want to use a functionalist argument. One is Weber's argument that while a functionalist explanation is "highly dangerous", it is also "indispensable" for coming up with new ideas (Weber 1978:15). There exists in other words a heuristic quality to functionalism.

The second reason is Frank Knight's argument that in any society the economy fills a number of "functions", meaning by this that it has to operate in a certain way if a society is to continue to exist (Knight 1967). This idea has been further developed by Talcott Parsons in his notion that the economic sub-system has to fulfill certain functions if society is to survive.

Counterfactuals come in many different versions, and the one that is often discussed these days is of a statistical type (e.g. Morgan and Winship 2007). But counterfactuals can also be used in many other ways, some of which may be able to help to advance economic sociology. Take for example Robert Fogel's famous study of what the U.S. economy would have looked like if there had been no railroads in the 19th century (Fogel 1964). More generally, the notion of counterfactuals lends itself to many imaginative uses.

Preparing for Theorizing

So far I in this chapter have argued that in order to theorize well the economic sociologist may want to start out by observing, and then go through a number of different steps till an explanation has been produced. By proceeding in this way, more of a place can be allotted to creativity than if the study is carried out in a conventional manner.

But to execute a study in this alternative way – by starting with a prestudy and then, if the prestudy is positive, proceed to the main study – is only an option if the sociologist has carefully prepared for theorizing. More precisely, the sociologist has to be trained in general sociology as well as in economic sociology.

Most economic sociologists start out by being trained in sociology in general; and what they hopefully learn as part of their education are two things that are essential to theorizing well also in economic sociology. The first is to develop a sociological eye or to look at the world from a sociological perspective in a nearly instinctual way. The second is to be familiar with a good number of sociological concepts and theories.

Why you need to be able to look at things in a sociological way is clear and does not need to be commented on. The reason for the latter is that it is very useful to have a number of concepts handy when you look at a phenomenon and try to get a handle on it. The concepts do not need to have been deeply assimilated; they just need to be available so you have something to start with. Another reason for knowing a certain number of concepts is that when you write up the analysis you need to be able to relate your findings to the sociological tradition, so they can be integrated into it.

Both of these points need to be stressed, not least in order to make clear that the perspective of theorizing that is discussed in this chapter differs from grounded theory (Glaser and Strauss 1967). According to grounded theory, the sociologist is encouraged to analyze society directly based on observations – but the fact that you also need to know what sociology is and have a number of sociological concepts at your disposal is not properly noted and worked out.

Another point that should be mentioned at this stage is one that can be found in Ch. [X] by Frank Dobbin and Jiwook Jung. They argue that sociology today is split into many semi-autonomous areas, and that each of these has appropriated some part of the sociological heritage but also left many theories and concepts out. It is therefore important, they say, that if you want to study, say, economic power, you should be aware that most studies of power are based on the notion of interest and do not take meaning structures into account.

Armed with a capacity to look at reality from a sociological perspective plus being familiar with a fair number of theories and concepts, what else do you need to know when you transition from being a sociologist in general to being an economic sociologist? This is a question that, to my mind, today's economic sociologists need to discuss among themselves. In the meantime, I suggest that it would be helpful if economic sociologists were trained in two areas, beyond having developed a sociological eye and knowing a good number of sociological concepts and theories.

First, economic sociologists need to develop a deep sense for what an economy is. So far, there exists next to no discussion of this topic in economic sociology; and as a result there is quite a bit of confusion among economic sociologists, as indicated for example by the endless debate about embeddedness (Swedberg 2009). Should the economy be equated with the market, as is sometimes done in mainstream economics? Or should it instead be equated with the household, as was the case for many centuries before the advent of modern economics? Is the state an organic part of the economy, as argued in political economy? Or should it be seen as exogenous to the economy, as in mainstream economics? Is the economy part of society as a whole? If so, is it a subsystem of society? Finally, is the economy social, economic or perhaps both?

By working through questions of this type, a knowledge of what constitutes the economy will develop. As to knowledge of different theories and concepts in economic sociology, this is to my mind an essential prerequisite in order to theorize well in economic sociology. And again, just as with the case of theories and concepts in sociology in general, this knowledge does not have to be particularly deep. It is enough that you are familiar with them, so that you can remember them and draw on them when you are in the middle of an analysis, trying to figure things out.

This last argument, of course, is based on the assumption that we know what theories and concepts exist in economic sociology; and this may not always be the case today. This chapter is not the place for an inventory of this type, but it is clear that if you go through the works of Marx, Weber and Polanyi you can easily locate a good number of useful theories and concepts. And the same goes for the works of today's economic sociologists, as illustrated by the preliminary list of theories and concepts that I have put together in the appendix ("Some Concepts and Theories in Economic Sociology").

Concluding Remarks

There exist different ways of approaching the topic of how to reimagine economic sociology. You can, for example, come up with new topics to analyze with existing theories; and you can apply new theories to old topics. In this chapter I have argued that there also exists another and more wholesale way, namely by drawing attention to the way that you theorize in economic sociology.

In trying to show how this can be done in a practical way, I have drawn on my own ideas for how to theorize, especially as developed in *The Art of Social Theory* (Swedberg 2014).. These ideas are tentative, in the sense that they build primarily on my own thinking as well as on my experience of teaching classes in theorizing. To get a better handle on the topic of how to theorize well in sociology and social science, we clearly need a collective discussion and the insights of many people.

The same, no doubt, is true for economic sociology. So far the discussion of theory in economic sociology has been of the traditional type. The ideas of say Bourdieu on the economy have been confronted with those of a Harrison White or a Granovetter. While this type of exercise is often helpful and has its own merits, it needs to be complemented with much better knowledge of how you go about theorizing in a practical way.

Is there some way of theorizing in economic sociology that is ultimately better or preferable? The answer to this question is a qualified "yes" in my view. While it is possible to accomplish interesting and important studies in economic sociology by carrying out a theory-

driven type of analysis or, alternatively, a purely empirical and non-theoretical type of study, these two ways of proceeding carry less promise for the future in my mind. The alternative that I advocate can be summarized as follows: theorizing understood as a practical process that can be learned and taught as efficiently as methods are being taught today; and that is primarily based on social observation and informed by a deep sense of what sociology is.

Appendix: Some Concepts and Theories in Economic Sociology

In order to theorize well, it is useful to know a number of concepts and theories that you can draw in, when working on some phenomenon. What follows is a sample of these, taken from classical economic sociology and modern economic sociology. Some of the concepts cluster together, indicating that certain concepts are extra helpful in forming new concepts (such as “class” and “work”). Two important places where many key concepts in economic sociology are presented and discussed are Ch. 2 (“Sociological Categories of Economic Action”) in *Economy and Society* by Max Weber and *Primitive, Archaic and Modern Economies* by Karl Polanyi (ed. George Dalton).

appropriation (Weber)

business group (Granovetter)

capital (Marx et al) – accumulation of capital – primitive accumulation (Marx) - capitals (human, social, cultural and more – Bourdieu et al)

capitalism (Marx) – rational capitalism, political capitalism, adventurers’ capitalism, cosmos of capitalism, spirit of capitalism (Weber) – new spirit of capitalism (Chiapello and Boltanski) - varieties of capitalism (e.g. liberal market economies versus co-ordinated market economies - Hall and Soskice) – world-system [of capitalism] (core, semi-periphery, periphery - Wallerstein)- investor capitalism (Useem) – disorganized capitalism (Offe)

class – ruling class, working class, class fraction, class struggle, class consciousness: class in itself, class for itself (Marx) - class as life chances (Weber) - contradictory class location (Wright) - big classes and small classes (Grusky-Weeden)

commodity (Marx) – fictitious commodities (land, labor, money - Polanyi) - decommodification (Esping-Anderson)

conception of control [in a corporation] (e.g. finance conception of control and the shareholder value conception of control - Fligstein)

consumption - conspicuous consumption (Veblen) – means of consumption (Ritzer) - prosumption (Ritzer) – secret consumption (Goffman)

corpocracy (Block)

culture – economic culture (Weber) – capitalist culture (Weber) - cultural wealth of nations (Bandelj and Wherry)

dependency theory (Cardoso et al)

distinction (Bourdieu)

division of labor – organic solidarity and mechanical solidarity (Durkheim) – economic, technical and social division of labor (Weber) - gendered division of labor

double ethic (Weber)

double movement (Polanyi)

economic, formal and substantive (Polanyi)

economic anomie (Durkheim)

economic circle (Simmel)

economic ethic (Weber)

economic field (Bourdieu)

economic habitus (Bourdieu)

economic phenomena-economically relevant phenomena-economically conditioned phenomena (Weber)

economic opportunities (Weber) - opportunity structure (Merton)

economic power (as opposed to political power) – powers of control and disposition (Weber) – power resources (e.g. economic resources – Korpi)

economic social action (Weber) – rational and traditional economic action (Weber)

economic subsystem (Parsons and Smelser)

economic socialization

economistic fallacy (Polanyi)

economic traditionalism (Weber)

embeddedness and disembeddedness (Polanyi, Granovetter) – over- and underembeddedness (Uzzi) – types of embeddedness (cognitive, cultural, political, ideational; DiMaggio and Zukin, Block and Somers)

emotions – commercial passions (Tocqueville) - economically important sentiments (Simmel)

entrepreneurship – forced entrepreneurship – ethnic entrepreneurship – entrepreneurial group (Ruef) – emergent entrepreneurship

fictional expectations vs. rational expectations (Beckert)

financial hegemony (Mintz and Schwartz) - financialization (Krippner et al)

forms of integration: reciprocity-redistribution-exchange (Polanyi)

household – householding versus profit-making (Weber) - household work - industrial district (Marshall et al)
informal economy (Hart)
interest – class interest (Marx) – the principle of self-interest properly understood (Tocqueville) - ideal interests and material interests (Weber) – passionate interests (Latour and Lépinay)
interlocking directorates (Mizruchi et al) – broken ties (among members of corporate boards - Palmer)
making out (Burawoy)
market (e.g. Weber, Polanyi) – market struggle (Weber) – the self-regulating market and market elements (supply crowd, demand crowd or both - Polanyi) – market signaling (Spence, White) – upstream markets and downstream markets (White) - external versus internal markets (Swedberg) – market devices (Preda et al) - status markets and standard markets (Aspers) – market work and market professionals (Cochoy and Dubuisson-Quellier)
money (e.g. Weber, Polanyi) – market money and administrative money (Weber)– all-purpose money versus special purpose money (Polanyi) – special monies (Zelizer) - credit-money (Ingham)
motherhood penalty (Correll et al)
natural economic laws (Dobbin)
networks – within networks exchange (DiMaggio and Louch) – tertius gaudens (Simmel, Burt)
occupation – occupational prestige – occupational career; license and mandate (Hughes) - occupational segregation (by gender, race)
open and closed economic relations (Weber)
performativity (Callon) – counterperformativity (McKenzie)
precarious employment (Bourdieu)
profession (Hughes et al) – professionalization - jurisdiction of a profession (Abbott)
rationality - formal [economic] rationality and substantive [economic] rationality (Weber)
scopic media (Knorr Cetina)
social construction of the economy (Granovetter et al)
social economics/Sozialökonomik (Weber, Schumpeter) - socio-economics (Etzioni and others)
status (Weber) – status contradiction, status dilemma (Hughes) – status attainment (Blau, Duncan)- master status (Hughes)

theodicy of good fortune (Weber)

trade – administered trade, gift trade and market trade (Polanyi)

value – use value and exchange value (Marx) - valuation (Beckert, Aspers) – worth (Stark)

wealth versus capital (Weber)

work – wage labor (Marx) - vocation (Weber) – restriction of production (Roy et al) - dirty work and respectable work (Hughes) – mistakes at work (Hughes) - emotional work (Hochschild) - time bind (Hochschild) - caring labor (Folbre) – market work versus household work - second shift (at home, after work - Hochschild) - deskilling of work (Braverman) - relational work (Zelizer) – empty labor (Paulson)- free work (Aspers)

Zelizer circuit

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Insert # 1. The Two Parts of the Research Process or Inquiry in Social Science: The Prestudy and The Main Study

Phase # 1: The Prestudy or Early Theorizing

- Observe - and Focus in on Something Interesting or Surprising to Study
- Build out the Theory (name the phenomenon; develop concepts, analogies, types and so on to capture the process, pattern etc involved)
- Complete the Tentative Theory through an Explanation

Phase # 2: The Main Study or The Phase of Major Research and Justification

- Draw up the Research Design based on the Research Question
- Execute the Research Design and Theorize Again
- Write up the Results

² In *The Art of Social Theory* I discuss why I have chosen the term “prestudy”. Herbert Blumer had similar views even if he did not single out the theoretical element and also used a different terminology (see especially Blumer 1954).