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Editorial

Analysing the Change of Markets, Fields and Market Societies: An Introduction

Klaus Nathaus & David Gilgen [*]

There are indicators that economics and markets are moving back into the focus of historians. On the one hand, events outside academia like the recent financial crisis and its many side-effects raise the awareness for economic matters and demand historical and social scientific analysis. Looking at the past years, it is noticeable that historians like Werner Abelshauser, Harold James and Werner Plumpe have contributed more to the understanding of the current crisis than neo-classical economics (Abelshauser 2009, James 2009, Plumpe 2010). On the other hand, there are developments within the discipline that point towards a renewed interest among historians for economics and markets. Most prominently, the history of consumption has become a booming field of research which allows for questions of cultural history like the construction of meaning and identity formation, but at the same time requires an understanding of economic structures and markets (McKendrick/Brewer/Plumb1982, Siegrist/ Kaelble/Kocka 1997, Trentmann 2009, Haupt/Torp 2009). Furthermore, the concept of "Wirtschaftskulturgeschichte" (Abelshauser/Gilgen/Flume et al. 2011) approaches in a historical comparative perspective Economic Cultures as competing as well as complementary systems and sets a new analytical frame beyond the approaches neo-institutional theory. Apart from that and also on a more conceptual level, leading proponents of the cultural turn in history like William H. Sewell (2005, 2010) and Geoff Eley (2005) have noticed that the shift away from social to cultural history has in some respect gone too far. Registering that occasionally an older economic determinism has been substituted with an equally totalising concept of culture, they make the case for a careful return to research topics like economics and the market that have loomed large on the agenda in the 1970s, but have received less attention in the last thirty years.

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If it is true that historians currently become more aware of the role of economics and markets in society while at the same time older approaches underwent a necessary critique by cultural historians, our discipline has to look out for updated concepts to study markets that take the lessons of the theoretical debates of the last decades to heart. This issue of Historical Social Research features concepts from economic sociology and argues that they enable a fruitful dialogue about how to research economic history after the cultural turn.[1]

What Economic Sociology Has to Offer to Historical Research – and *vice versa*

The so-called New Economic Sociology became a coherent perspective in sociology since the mid-1980s and is by now a mature field of research (for overviews see Smelser/Swedberg 2005, Fligstein/Dauter 2007). It acknowledges that markets – far from being a self-regulating pricing mechanism to bring supply and demand into equilibrium – in one way or the other are embedded in social relations, norms, rules and understandings that frame them and allow them to function in the first place. These elements must not be seen as hindrance or as interfering with optimal market outcomes, but as a necessary precondition for market exchange.

Rather than taking the near ubiquity of markets at face value, economic sociology starts from the improbability of markets that is rooted in the fact that market actors are forced to take risky decisions in a situation of incertitude: They cannot be sure that trading partners will cooperate in the way they intend; they do not know whether or not a buyer or a seller shares the same understanding of the value of a certain good; and they have to take into consideration that competitors may come up with a better product or offer (Beckert 2007). With such "coordination problems" in mind, studies in economic sociology have pointed out how personal networks, institutions (like law and regulation, economic policy and technology), as well as cognitions (the unwritten rules of economic behaviour, ranging from norms and the belief in economic models to professional routines) have shaped the performance of markets.

Economic sociologists commonly trace the origin of their sub-discipline back to the 1980s and refer to Mark Granovetter's article on "Economic Action and Social Structure: The Problem of Embeddedness" (1985) as one of the, if not *the* foundational paper. Not only did Granovetter coin (or rather: re-invent) the term "embeddedness" which then became the key concept for the field of economic sociology. He also, and this is why it seems useful to briefly discuss

[1] We are not the first historians to follow this trail. For empirical studies that engage with economic sociology see for instance Zierenberg 2008 and Kemper 2010. See also Berghoff/Vogel 2004 for a conceptual discussion.

his foundational contribution, tried to steer economic sociology clear from potential determinisms, promoting a multi-faceted approach against any of the available "master keys" to economic behaviour. Granovetter locates his approach between what he calls "over- and undersocialised conceptions of human action". On the one hand, he takes a critical stance against "undersocialised" views on economic behaviour, most prominently neo-classical economics which bases its analysis on the concept of a "homo oeconomicus". This positioning has been taken up and highlighted by many of Granovetter's followers, with the consequence that economic sociology gained a distinct profile in opposition to mainstream economics. On the other hand, Granovetter distinguishes the sociological approach to economics from "oversocialised" conceptions of action. This point has featured far less prominently in subsequent discussions, but seems highly relevant to present-day historians. According to Granovetter, "oversocialised" approaches perceive "social" influences as "a force that insinuates itself into the minds and bodies of individuals (as in the movie *Invasion of the Body Snatchers*), altering their way of making decisions (1985: 486)". Granovetter warns the researcher of economic behaviour to reduce the individual actor to some kind of zombie that is solely driven by "class" – which he mentions explicitly –, but also "culture" as a single determining force and unable to alter its fate. While at first sight an "oversocialised" concept acknowledges social influences on individual decision making, it totalises their effect and thereby isolates actors from social interaction, just like "undersocialised" concepts do. Granovetter's critique of "over-" and "undersocialised" conceptions of action urges researchers of economic behaviour to consider the influence of multiple social forces on individuals. They also allow for actors being able to act against these forces in a way that they perceive as strategic, this way recombining and changing them. The study of this continuous oscillation between social forces and individual action bring up the problem of change and requires approaches that are sensitive to processes. In other words, they necessitate historical studies that take into account that certain frames of markets have to be understood in a long term perspective.

Keeping a balance between "over-" and "undersocialised" conceptions of action proves to be a continuing challenge. In some respect, economic sociologists have fallen short of Granovetter's demanding task, as they commonly limited their studies to demonstrate the impact of either networks or institutions or cognitions on market actors. One could argue that such analyses rest on "oversocialised" concepts of economic behaviour, as they maximise the determining effect of personal ties or market perceptions or technology, for instance, to the detriment of individual agency and the potential force of the respective other social factors. A recent contribution by Jens Beckert (Beckert 2010) points out the problems of research that is compartmentalised into network analysis, institutionalism or performativity and proposes a framework that might bring us nearer to the middle ground Granovetter envisaged. In his article, Beckert suggests distinguishing between networks, institutions and cognitions as three social forces that may constrain, but also enable actors to enhance their position in the market. According to Beckert, these three social forces should be seen as interrelated, but not to be conflated with one another, so that, for instance, an institutional change such as the appearance of a new technology can be employed by actors who are excluded from the dominant networks or marginalised because of the ruling cognitions to overcome their disadvantage. Likewise, a new management fashion may shift the attention to new actors and their skills, so that they may form new networks and lobby for new legislation, which ultimately changes the overall framework and the performance of the respective market. How transformations in any of the three social forces play out and affect a given market depends on the singular constellation of actors, constraints and resources. In no way are developments inevitable, as actors are subjected to various social influences simultaneously and choose which means and strategies to employ to better their position on the market. However, the setting of networks, institutions and cognition create to a certain (short or middle term) degree path dependency. Furthermore, their interplay cannot simply be understood as an evolutionary process, but changes in one sphere tend to cause co-evolutionary processes in other spheres. This again points to the valuable contribution that historians can make to understand change and continuity of markets.

The multifariousness of a framework that takes into account the mediated and interconnected influence of ontologically different social factors should make it attractive to historians who also aspire to be "specialists for embeddedness" (Kocka 2010). Actually, the openness to unique situations that Beckert's concept implies suits an ideographic discipline like historiography better than nomothetic sociology, as it is difficult to see how general assertions about the functioning of markets can be made on the basis of studies that acknowledge the particularity of historic contexts and constellations. Obviously, studies that analyse how competing actors adapt to and transform interrelated networks, institutions and cognitions go beyond the demonstration that any of the three social forces shape markets in the first place. To extract general findings from single case studies would require more data and complex models of causality. Sociologists will probably have better answers to this problem, but it seems that drawing together case studies that apply the same conceptual framework and trying to arrive at a typology by comparisons would be a first step in this regard. Such a typology could look out for constellations, but also for recurring sequences or mechanisms (Mayntz 2004). All of this puts the stress on temporality and the problem of change, which corresponds to the expertise of historians who are trained to self-reflexively construct narratives.

Markets, Fields – and Economics

While Beckert's framework is useful in that it differentiates between institutions, networks and cognitions as distinct, yet interrelated factors, it is less clear in its use of the field concept which it borrows from Pierre Bourdieu. Beckert (2010) uses the terms "market" and "field" interchangeably and merges the two into "market field" in the course of his paper. This blending of "market" and "field" seems to indicate a general problem in economic sociology, as for the sake of embeddedness the market as a distinct social sphere is sometimes dissolved in its social context. As John Hall noticed in a symposium on embeddedness, the word "market" could be left out of the discussion on economic sociology, and this "would not take one iota away" from the analysis (Krippner et al. 2004: 128).

To us, this seems again a case of overstating the important point that economic sociologists have to make. While it is clear that markets are embedded and in practice economic behaviour is intertwined with diverse social factors and conditions, it seems nevertheless advisable to analytically separate "the economic" from "the social" as distinct spheres. This way, one does not lose sight of the particularities of markets in contrast to other social systems. Perceiving markets as a phenomenon *sui generis* in turn allows concepts from economics to be incorporated into the research design, making them fruitful for historical and sociological analysis of markets. Mainstream economics may choose to ignore economic sociology,[2] but the latter may gain in weight the more it opens up to potential partners among economists, rather than continuously re-drawing the border against economics.

To point out the compatibility of socio-historical research into markets with certain strands in economics, this issue contains a contribution by Rudolf Richter. Richter, being the mentor of institutional economics in Germany (and beyond), takes transaction costs as a starting point to analyse different theoretical approaches of institutional economics. He differentiates the influence of transaction costs and their institutional responses on market allocation along the time axis of transactions. He demonstrates from a neo-institutional perspective how institutions frame actors' behaviour and facilitate market exchange. In this vision, institutions are historically formed and socially agreed norms and rules that do compensate information asymmetry before, incomplete contracts during, and imperfect foresight after market transactions. However, this neither presupposes strong assumptions about rationality nor means that institutions cause optimal and stable solutions.

To include economics into the suggested framework, it seems useful to distinguish between market and field, as Klaus Nathaus (in this issue) suggests.

2 In fact, economics – at least in the United States – is the discipline with the least interest in collaborating with other disciplines (Jacobs/Frickel 2009: 49).

Concentrating on *markets* enables us to study the governing principles of a given market in a narrow sense. Markets for different goods – like labour, innovations, consumer products, insurance policies, copyrights or weapons – adhere to different economic logics which may not determine their performance, but do set certain incentives and constraints which have to taken into account to fully understand the behaviour of the actors involved. The analysis of how networks, institutions and cognitions affect and are being employed by actors then concentrates on the *field* in which the respective market is embedded. The flexible concept of field allows us to take into consideration the role of actors that are not involved in trading as such, but take an influence on the performance of markets nevertheless, like rating agencies, patent offices or literary critics for example.

Whereas markets can be defined in a general sense, as Patrik Aspers demonstrates in his opening article to this issue, the boundaries of fields are continuously contested and therefore blurred. To solve the problem of identifying and approaching a field, business anthropologist Brian Moeran in his contribution to this issue discusses book fairs as "field configuring events" that attract all stakeholders of the respective industry and serve as a frame for the market to function. A feature that makes fairs "field configuring" is the attention that every participant pays to all the incidents that happen in this carnival-like setting. Working like a burning lens, a fair can foment a rumour or a "half-baked" idea into a force that may create new facts within the industry. This makes events not just a representation of the market order, but also a factor of contingency and therefore a potential source of change.

The importance of events can also be gathered from the contribution by Axel C. Hüntelmann on the market for pharmaceuticals in the German Empire. The fact that this market was tightly governed by state regulations concerning the quality of the remedies available to patients was to a high degree the result of strategic actions of key players on the market. But it also owed to the tuberculin scandal of 1891, a health hazard that motivated authorities to prevent potentially harmful medications to enter the market and thereby contributed to the relatively tight control regime for the production of pharmaceuticals in Germany.

The History of Market Societies as a Field for Interdisciplinary Research

As pointed out, historians and sociologists may find a common ground in the concepts of economic sociology for the joint study of changing markets and hopefully find ways to arrive at general findings from case studies. But this interest in the functioning of markets is only one possible avenue for interdisciplinary research. More recently, sociologists have expanded their scope from markets to market societies and redirected the question of how society shapes markets to how markets affect societies (Fourcade 2007, Beckert 2009). So far, there is little research being done in this important area of study, but first attempts indicate that fruitful work on market societies will have to be interdisciplinary.

For sociologists to advance in the study of market societies, it will not only be important to get reliable "data" from historians, but also to beware of narratives that may forestall their findings. This is one important message that sociologists who study market societies may take from Christiane Eisenberg's contribution to this issue. Eisenberg expresses great scepticism against sociologists' orientation towards Karl Polanyi's account of the rise of market society in his book on the "great transformation", a study that actually falls short of historiographical standards. However, Eisenberg also has to admit that historians have currently no alternative on offer, as basic historical research into the origins and the trajectories of market societies is lacking. In a more positive light, this makes the history of market societies a fruitful field for future collaborative research.

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In addition to the contributions already mentioned, the special issue contains sociological and historical case studies of different markets that make use of current concepts from economic sociology. Sociologist C. Clayton Childress applies Beckert's framework of interrelated networks, institutions and cognitions to analyse recent developments of the literary field in the United States. He argues that new roles and relations between actors do not simply flow from technological changes, but are brought about by publishers, printers, retailers, agents, critics and others who are confronted with social influences as constraints, but also try to employ them as resources.

Historian Ruben Quaas begins his study on the early history of the market for fair trade coffee in Germany with the coordination problems outlined by Beckert (2007). As he acknowledges that fair trade is a market embedded in a political movement, he is able to get German activists as well as Latin-American coffee farmers into perspective, which demonstrates the openness of his chosen concept for social, cultural, political and economic concerns that fair trade is connected with. Adding to economic sociology's finding that markets are embedded, he also shows that the increasing professionalisation and commercialisation of fair trade brought with it new ties and relations, so that the market to some extent created its own embeddedness.

Sociologist Sebastian Giacovelli deals with the emerging market for electric energy, focussing on the formation of the European Energy Exchange in 2002 as the central trading place for energy in Germany. While before the liberalisation of the electricity market, energy was seen as a service, but not a commodity, a few years later the trade with electric energy as a commodity had become legitimate. To account for this transformation, Giacovelli analyses the strategies that proponents of the exchange chose to gain legitimacy for the emerging market.

Historian David Gilgen traces the introduction of the patent law of 1877 in Germany, taking the perspective of representatives of the chemical industry who pressed for a form of regulation which proved to be innovative, but which seemed to contradict the leading players' "rational" business aims. Gilgen chooses neo-institutional economics as his theoretical framework and explains the actions of lobbyists in reference to Mancur Olson's theory of collective action.

Finally, Jens Beckert has contributed a postscript to the current issue in which he reflects on the collaboration between sociologists and historians to understand markets, fields and market societies. Critically discussing the conceptual articles and case studies at hand, he picks out the problem of legitimacy, the importance of events in the formation of markets and the configuration of fields, the role of disorder in the evolution of markets and the relation of markets and fields as the main threads running through this issue. Referring to the case studies, he acknowledges the applicability and the fruitfulness of concepts from economic sociology for historical research. For the investigation of the development of modern capitalism, a task which he identifies as a pressing issue for future research in economic sociology, he sees greater interdisciplinary challenges ahead. Nevertheless, he deems a close cooperation between sociologists, historians, and political scientists necessary.

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