

UNIVERSITY OF MICHIGAN

Sociology 515
Economic Sociology
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Fall 2008

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Economic sociology is concerned with the social bases of economic behavior. Although the field contains a wide range of perspectives, economic sociologists generally share the view that economic action is social action and that economic institutions are socially constructed and culturally and historically specific. This class is the core course for the Economic Sociology and Organizations program in the Department of Sociology. The course will introduce students to the key issues in the field. Topics include classical and neoclassical economic models of human action and sociological alternatives, the history of the large corporation, transaction cost economics, the power, neo-institutional, and embeddedness models of firm behavior, sociological models of production, labor, and financial markets, the determinants and consequences of interfirm relations, and the role of economic institutions in the larger society.

Although this course may serve as partial preparation for the Economic Sociology and Organizations preliminary examination, no guarantee of comprehensiveness is assumed. The focus of the course is economic sociology, and not the sociology of organizations. Coverage of topics is not at the level of depth necessary for the exam. Moreover, because economic sociology is such a broad area, certain key topics are absent from the syllabus. Contemporary comparative work is given relatively little attention, as is coverage of historical (as opposed to contemporary) work on globalization. Still, the goal is to cover a broad range of topics to give the student a taste of the vibrancy of the area.

The course will be run as a seminar. This means that each session will be primarily a discussion rather than a lecture. I will begin each class with a brief lecture of normally between 45 and 60 minutes. After that, students, either individually or in groups of two, will make five to ten minute presentations in which they raise ideas for discussion. The remainder of the session will involve discussion. Students will choose their topics the first or second week of class and will meet with the instructor during the week prior to their presentation.

In addition to one's contribution to class discussion (including the presentation), the grade will be based on a term paper due one week after the last day of class (each will count for 50 percent of the final grade). The paper may be a critical literature review, a substantive discussion of a topic, an empirical research paper, or a research proposal (in

the form of a grant or fellowship proposal). Paper topics must be approved in consultation with the instructor. Students are also required to submit each week an approximately two page running commentary on the assigned readings (this assignment is waived in the weeks of the student's presentations, and students are entitled to take two additional "weeks off" of their choosing). All of the assignments will be described in more detail in class. A list of required readings is presented in the course outline below. Readings from journal articles that are available on-line will appear as files on the class CTools site. Other readings will be in coursepack form through Dollar Bill Copying, 611 Church Street (just below South University). I have also ordered two books (available at the Shaman Drum Bookstore, 313 South State Street), the purchase of which are strongly recommended:

Granovetter, Mark and Richard Swedberg (eds.), *The Sociology of Economic Life*
 Granovetter, Mark, *Getting A Job* (2nd edition)

COURSE OUTLINE (Readings from journals, as well as selected other readings, are located on the class CTools site. Readings from books other than those recommended for purchase are in the coursepack)

September 2: Introduction to the Course

Readings: Richard Swedberg and Mark Granovetter, "Introduction to the Second Edition," pp. 1-19 in Granovetter and Swedberg.

September 9: Are Markets Natural?

Readings: Adam Smith, *The Wealth of Nations*, vol. 1, pp. 5-19; Karl Polanyi, *The Great Transformation*, pp. 43-67; Clifford Geertz, "The Bazaar Economy," pp. 139-144 in Granovetter and Swedberg; Charles W. Smith, "Auctions: From Walras to the Real World," pp. 176-192 in Richard Swedberg (ed.), *Explorations in Economic Sociology*.

September 16: The Rise of the Large Corporation

Readings: Alfred D. Chandler, Jr., "Introduction: The Visible Hand," pp. 1-12 in Chandler, *The Visible Hand*;¹ William G. Roy, "Functional and Historical Logics in Explaining the Rise of the American Industrial

¹ This introduction to Chandler's classic book, *The Visible Hand* (1977), provides a brief overview of his general argument. It is by no means a full summary, however, and I strongly recommend that you read the book in its entirety. My only reason for not requiring more of it is that Chandler's narrative is so seamless that it is futile to assign specific chapters. I have decided not to require you to read the entire book within a week's time. At some point, however, all of you will want to give the book a thorough, cover-to-cover, reading.

Corporation,” pp. 305-325 in Granovetter and Swedberg; Richard B. DuBoff and Edward S. Herman, “Alfred Chandler’s New Business History: A Review,” *Politics and Society*, 1980:87-110; Charles Perrow, *Organizing America*, pp. 217-228.

September 23: Transaction Cost Economics and Sociological Critiques, I

Readings: R. H. Coase, “The Nature of the Firm,” *Economica*, November 1937:386-405; Oliver E. Williamson, *The Economic Institutions of Capitalism*, pp. 43-67; Patrick McGuire, Mark Granovetter, and Michael Schwartz, “Thomas Edison and the Social Construction of the Early Electricity Industry in America,” pp. 213-246 in Richard Swedberg (ed.), *Explorations in Economic Sociology*.

September 30: No class; Rosh Hashanah

October 7: Neo-Institutional Theory; Culture and the State

Readings: Frank Dobbin, *Forging Industrial Policy*, pp. 1-27; Neil Fligstein, *The Transformation of Corporate Control*, pp. 1-32, 191-225; Gerald F. Davis, Kristina A. Diekmann, and Catherine H. Tinsley, “The Decline and Fall of the Conglomerate Firm in the 1980s: The Deinstitutionalization of an Organizational Form,” *ASR*, August 1994:547-570; Douglass C. North, “Institutions,” *Journal of Economic Perspectives*, Winter 1991:97-112.

Recommended: Avner Greif, “Institutions and International Trade: Lessons from the Commercial Revolution,” *American Economic Review* May 1992:128-133.

October 14: The Embeddedness Model

Readings, Mark Granovetter, “Economic Action and Social Structure: The Problem of Embeddedness,” pp. 53-80 in Granovetter and Swedberg (*AJS*, November 1985); Brian Uzzi, “The Sources and Consequences of Embeddedness for the Economic Performance of Organizations,” *ASR*, August 1996:674-698; Stewart Macaulay, “Non-Contractual Relations in Business,” pp. 265-283 in Granovetter and Swedberg (*ASR*, 1963); Melville Dalton, “Men Who Manage,” pp. 315-344 in Granovetter and Swedberg.

Recommended: Paul DiMaggio and Hugh Louch, “Socially Embedded Consumer Transactions: For What Kinds of Purchases Do People Most Often Use Networks?” *ASR*, October 1998:619-637.

October 21: No class; midterm study break

October 28: The Market

Readings: Eric Leifer and Harrison C. White, "A Structural Approach to Markets," pp. 85-108 in Mark S. Mizruchi and Michael Schwartz (eds.), *Intercorporate Relations*; Neil Fligstein, "Markets as Politics: A Political-Cultural Approach to Market Institutions," *ASR*, August 1996:656-673; Joel M. Podolny, "A Status-based Model of Market Competition," *AJS*, January 1993:829-872; Podolny, *Status Signals*, pp. 10-21; Wayne E. Baker, "The Social Structure of a National Securities Market," *AJS*, January 1984:775-811.

November 4: Labor Markets and Social Capital

Readings: Mark Granovetter, *Getting A Job*, pp. 3-62 (I recommend the entire book); James S. Coleman, "Social Capital in the Creation of Human Capital," *AJS*, 1988:S95-S120; Ronald S. Burt, "The Gender of Social Capital," *Rationality and Society*, 1998 (preprint available on CTools site); Roberto M. Fernandez and Nancy Weinberg, "Sifting and Sorting: Personal Contacts and Hiring in a Retail Bank," *ASR*, December 1997:883-902.

Recommended: Mark S. Mizruchi and Linda Brewster Stearns, "Getting Deals Done: The Use of Social Networks in Bank Decision Making," *ASR*, October 2001:647-671.

November 11: Responding to the Market- Interlocks and Alliances

Readings: Donald Palmer, Roger Friedland, and Jitendra Singh, "The Ties that Bind: Organizational and Class Bases of Stability in a Corporate Interlock Network," *ASR*, December 1986:781-796; Mark S. Mizruchi, "What Do Interlocks Do? An Analysis, Critique, and Assessment of Research on Interlocking Directorates," *Annual Review of Sociology*, 1996:271-298; Walter W. Powell, Kenneth W. Koput, and Laurel Smith-Doerr, "Interorganizational Collaboration and the Locus of Innovation: Networks of Learning in Biotechnology," *ASQ*, 1996:116-145; Ranjay Gulati and Martin Gargiulo, "Where Do Organizational Networks Come From?" *AJS*, March 1999: 1439-1493; Christopher Marquis, "The Pressure of the Past: Network Imprinting in Intercorporate Communities," *ASQ*, December 2003:655-689.

Recommended: Wayne E. Baker, "Market Networks and Corporate Behavior," *AJS*, November 1990:589-625; James R. Lincoln, Michael L. Gerlach, and Peggy Takahashi, "Keiretsu Networks in the Japanese Economy: A Dyad Analysis of Intercorporate Ties," *ASR*, October 1992:561-585; Edward J. Zajac and James D. Westphal, "Director Reputation, CEO-Board Power, and the Dynamics of Board Interlocks," *ASQ*, September 1996:507-529.

November 18: Consequences of Interfirm Networks

Readings: Mark S. Mizruchi, "Similarity of Political Behavior Among Large American Corporations," *AJS*, September 1989:401-424; Gerald F. Davis, "Agents Without Principles? The Spread of the Poison Pill through the Intercorporate Network," *ASQ*, December 1991:583-613; Pamela R. Haunschild, "Interorganizational Imitation: The Impact of Interlocks on Corporate Acquisition Activity," *ASQ*, December 1993:564-592; Donald Palmer, Brad M. Barber, Xueguang Zhou, and Yasemin Soysal, "The Friendly and Predatory Acquisition of Large U.S. Corporations in the 1960s: The Other Contested Terrain," *ASR*, August 1995:469-499. Mark S. Mizruchi, Linda Brewster Stearns, and Christopher Marquis, "The Conditional Nature of Embeddedness: A Study of Borrowing by Large U.S. Firms, 1973-1994," *ASR*, April 2006:310-333.

Recommended: Lisa A. Keister, "Engineering Growth: Business Group Structure and Firm Performance in China's Transition Economy," *AJS*, September 1998:404-440.

November 25: Corporate Control and Financial Markets

Readings: Michael Useem, *Investor Capitalism*, pp. 1-37; Mark S. Mizruchi, "Berle and Means Revisited: The Governance and Power of Large U.S. Corporations," *Theory and Society*, October 2004:579-617; Gerald F. Davis and Mark S. Mizruchi, "The Money Center Cannot Hold: Commercial Banks in the U.S. System of Corporate Governance," *ASQ*, June 1999:215-239; Linda Brewster Stearns and Kenneth D. Allan, "Economic Behavior in Institutional Environments: The Corporate Merger Wave of the 1980s," *ASR*, August 1996:699-718; Mitchel Y. Abolafia and Martin Kilduff, "Enacting Market Crisis: The Social Construction of a Speculative Bubble," *ASQ*, June 1988:177-193.

Recommended: Beth Mintz and Michael Schwartz, *The Power Structure of American Business*, pp. 1-44; Linda Brewster Stearns and Mark S. Mizruchi, "Banking, and Financial Markets," pp. 284-306 in Neil J. Smelser and Richard Swedberg (eds.), *The Handbook of Economic Sociology*, Second Edition.

December 2: Transition Economies

Readings: David Stark, "Recombinant Property in East European Capitalism," *AJS*, January 1996:993-1027; Douglas Guthrie, "Between Markets and Politics: Organizational Responses to Reform in China," *AJS*, March, 1997:1258-1304; Gary G. Hamilton and Nicole Woolsey Biggart, "Market, Culture, and Authority: A Comparative Analysis of Management and Organization in the Far East," pp. 444-477 in Granovetter and Swedberg.

Recommended: Lisa A. Keister, "Engineering Growth: Business Group Structure and Firm Performance in China's Transition Economy," *AJS*, September 1998:404-440 (in the Ctools section for consequences of interfirm relations, above); Victor Nee, "The Emergence of a Market Society: Changing Mechanisms of Stratification in China," and Yu Xie and Emily Hannum, "Regional Variation in Earnings Inequality in Reform-Era Urban China," *AJS*, January 1996:908-992; also see the comments by Oberschall, Parish and Michelson, Walder, Fligstein, and Szelenyi and Kostello, pp. 1028-1096.

December 9: Globalization

Readings: Mauro F. Guillen, "Is Globalization Civilizing, Destructive, or Feeble? A Critique of Five Key Debates in the Social Science Literature," *Annual Review of Sociology*, 2001:35-60; Neil Fligstein, "Globalization," pp. 191-222 in Fligstein, *The Architecture of Markets*; Joseph E. Stiglitz, "What I Learned at the World Economic Crisis," *The New Republic*, April 17, 2000 (on the CTools site); Robert Hunter Wade, "Is Globalization Reducing Poverty and Inequality?" *World Development*, April 2004:567-589.