The Economic Sociology of Capitalism, edited by Victor Nee and Richard Swedberg

The Economic Sociology of Capitalism. Edited by Victor Nee and Richard Swedberg. Princeton, N.J.: Princeton University Press, 2005. Pp. xlvii+457. $65.00 (cloth); $26.95 (paper).

Frank Dobbin
Harvard University

The Economic Sociology of Capitalism might have been titled *The Sociology of Economic Institutions.* The chapters, presented at Cornell in September 2001, catalog current thinking about how institutions lead to regularities in economic behavior. They define institutions variously as cognitive frameworks, social networks, and regulatory parameters that create opportunities and constrain behavior.

Avner Greif's lucid forward introduces the varieties of institutionalism, all of them oriented to explaining the varieties of capitalism. Game theory is the point of departure, and it is to game theory that institutional approaches in sociology and political science are contrasted. In their slim introduction to the volume Victor Nee and Richard Swedberg do not take strong sides in the debate about how to conceptualize institutions; rather they point to the range of conceptions, sketch the intellectual antecedents of some of those conceptions, and then open the floor for debate.

Swedberg's own chapter, subtitled "An Introduction and an Agenda," begins the debate with a compelling call for a sociological perspective on interest. Sociologists have focused on social relations in explaining economic behavior, and thus have developed one-sided models that neglect interest—perhaps because economists had staked that terrain. As a result we do not have a truly sociological theory of interest.

Both Douglass North and Francis Fukuyama point to gaps in the economic model that sociology might fill; even institutionalists within economics are ahistorical and fail to consider the possibility of multiple, roughly equal equilibria—alternative ways of organizing economies effectively. If there is more than one way to skin a cat—if all economies are not converging on the one best way—then institutions deserve more attention. For North, market incentives and state regulatory institutions explain why different corporate forms might prosper in different settings. Nee argues that North is too sanguine about the adaptability of firms. China's firms did not readily adapt to changing market and regulatory conditions—inertia won out. Peter Evans introduces three new institutional theories of development from economists that draw on sociological concepts.

Together, the seven theoretical and programmatic pieces at the front of the volume present sociological and economic institutionalism by triangulation—or septangulation. Both disciplines trace regularities in economic behavior to institutions. While economists have not given up the rational actor model, they have argued that history, as it is crystallized in institutions, shapes rational action. Sociologists continue to see self-

interested rational action as socially constructed, and hence as explanandum rather than explanans, but they now pay attention to interest as motive, or they should do so.

Parts 2 ("Institutions of American Capitalism") and 3 ("Global Transformation and Institutional Change") reprise recent work by some of the most creative and insightful sociologists around. The value added is not trivial, for authors step back to discuss the wider implications of their studies. These chapters are both inspiring, for their insight and their common vision of institutions and institutional change, and frustrating, for their lack of a cumulative view of the project of economic sociology and (relatedly) for their lack of a common vocabulary. Sociologists have not arrived at the sort of consensus on conceptual models and terminology that the "queen of the social sciences" should have, or that the king has had since Paul Samuelson pulled it all together in the years after World War II.

The chapters catalog sociology's rich and creative insights about economic institutions. Three chapters describe how formal institutions structure markets. Neil Fligstein's model of corporate strategy resembles the Nee and North models in its focus on market competition and regulatory institutions; what distinguishes Fligstein's model is that managers are interested in firm stability rather than profits, though seeing as he theorizes that interest is historically constructed, perhaps stability has been superseded. John Freeman sketches the institutional preconditions for the rise of a venture capital industry, expanding the ecological paradigm to consider institutions and bridging a structural hole between ecologists and the rest of economic sociology. Mary Brinton compares school-to-work institutions, finding that the Japanese system of school-employer coordination does not work so well in hard times for those with hard luck. The arguments here differ from those of Nee and North, but authors do not say exactly where they differ or what they add.

Three chapters take up Nee's theme of institutional inertia. James Baron and Mike Hannan find that Silicon Valley start-up firms preserve the preferences of their founders and initial venture capitalists long after both have gone. Gerald Davis and Christopher Marquis ask whether foreign firms that list on the American stock market adopt the shareholder-value governance practices favored by American investors and regulators. Inertia prevents change, though firms that recruit American directors make some changes. John Campbell looks for convergence in national tax policies under global competition. Inertia wins here as well, but Campbell's explanation is that managers and investors recognize comparative advantages in institutional arrangements and will pay higher taxes for them. These chapters revive ideas about institutional inertia from the work of Philip Selznick, Mayer Zald, Burton Clark, and Arthur Stinchcombe, and they resonate with Nee's findings. But we have to make out the value added by each piece for ourselves.

Three chapters represent the growing cadre exploring the cognitive and

affective underpinnings of economic institutions. Mitchel Abolafia uses Karl Weick's sense-making approach to study the Federal Reserve Bank's Open Market Committee, whose members do a lot of post hoc sense making of their own activities and of the machinations of the economy. Institutions provide the frameworks for individual sense making, and structured sense making reinforces institutions. Ko Kuwabara asks why participants altruistically provide feedback on eBay. Affective attachment to a virtual social world is at work alongside rational calculation. Viviana Zelizer examines the relationship between capitalist "circuits" and social relations, with the cases of caring work and local currencies, to argue against the academic bifurcation of the rational economic world and the intimate social world. Circuits of relations, as anthopologists define them, tie these realms together.

Two chapters deal with networks as institutions. Paul DiMaggio and Joseph Cohen enrich the economic theory of network externalities with sociological insights about prestige and inequality, which shape and are shaped by the diffusion of television and the Internet. Then AnnaLee Saxenian shows that networks spanning Silicon Valley, Taiwan, and China have led to high technology production sites in East Asia. As in Nee and North's world, markets and states matter, but here social networks (return migration and long-standing social ties) are key as well.

If you squint at these chapters you can see the outline of a powerful sociological model of how institutions shape economic institutions by providing cognitive frameworks, notions of interests, opportunities for entrepreneurialism, and constraints on feasible business strategies. Redundant terms from different paradigms and a reluctance to trace the intellectual roots of ideas have made this outline hard to see without squinting, but the book provides the raw material for a very dynamic future for economic sociology.

Open for Business: The Persistent Entrepreneurial Class in Poland. By Elizabeth Osborn and Kazimierz M. Slomczynski. Warsaw: IFiS Publishers, 2005. $28.50.

Lawrence King
University of Cambridge

Elizabeth Osborn and Kazimierz M. Slomczynski have produced a valuable work of interest to those studying postcommunism. The 11 substantive chapters feature a wealth of useful information, with empirical analyses of various aspects of nonagricultural "entrepreneurship" (the self-employed and small employers). The authors analyze numerous surveys (including excellent panel data) to examine stratification patterns as well as entrepreneurial personality. There is also a nonstatistical content analysis of autobiographies of entrepreneurs published in a major Polish news-