

University of Wisconsin, Madison
Sociology 652, Spring 2021
Economic Sociology and Economic Institutions

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Spring 2021
TR 2:30-

3 credits

This course is intended to serve as an introduction to sociological analyses of the economy, economic processes, and economic institutions. The central focus is to understand how economic activities are shaped, facilitated, altered, and impeded by social relations and social institutions. The course is divided into five parts. The first introduces us to economic and sociological ways of thinking about economic activity. On the economic side, we examine the core features of the neoclassical approach to the economy, with a special emphasis on key (but problematic) concepts that open a space for sociology. On the sociological side, we encounter the notion of "social embeddedness," which originated with Karl Polanyi and came to the forefront of modern economic sociology through the work of Granovetter. This concept implicitly or explicitly permeates much of the work in this area that has been done over the last twenty years. The basic aim of the readings in this section is to begin to get an idea of the different meanings of embeddedness in order to understand how economic processes are shaped and constituted by social relations. The second part of the course deals with three alternative dimensions of institutions that permeate the literature. Each emphasizes distinct aspects of how institutions work. In doing so, they lead observers to understand economic institutions in somewhat different ways. The third part of the course examines the core legal building blocks of economic institutions: contracts, property, firms, and labor. The fourth part of the course focuses on the growing importance of "financialization" in the U.S. and world economies. Here we examine both the financial crisis of 2008 and the ways in which financialization has altered the structure of firms and employment relations. In the final portion of the course we turn to recent work on macro-level institutions: networks, industrial regions, and the state. These can be seen both as specific forms of "embedded" economic relationships and as alternatives to more atomized (and perhaps fictitious) market relations. We also begin to consider variations across societies in the organization of economic institutions and activities, and the ways in which these forms of organization may facilitate distinctive economic capacities and possibilities.

Course Requirements

Please note that this course is open to both undergraduate and graduate students. Requirements vary depending on whether you are an undergrad or a graduate student.

A. Attendance and Participation

All students must attend class and participate. This will be 10% of your grade, regardless of whether you are an undergrad or graduate. The course will unfortunately be run primarily as a lecture. If there is a sufficiently large number of grad students, we may set up an additional discussion section for graduate students that will meet once a week in addition to scheduled course times.

B. Readings

All students must do the core readings before the class meets. On average, this is around 50 pages per week for undergraduates. Some of the readings are difficult. Don't let this worry you too much, as they should become clearer in lecture.

Graduate student reading averages more like 125-200 pages per week. Such is the life of an intellectual (and/or the ideological portion of the ruling class, if you prefer Marx's categorization to mine).

C. Written Requirements

Undergraduates

There will be three written take-home assignments. The dates that the papers will be handed out and/or due are noted on the syllabus. Each paper constitutes 30% of your grade. The papers should be considered take-home exams. **It is extremely unlikely that you will be able to do a good job on the papers if you do not attend class.** For all papers, I require that you turn in both: a) a hard copy (typed) of the paper; b) a computer file version of the paper (preferably in Word RTF format). The latter can be emailed to me. **YOU WILL RECEIVE NEITHER CREDIT NOR A GRADE FOR THESE ASSIGNMENTS UNLESS AND UNTIL YOU TURN IN BOTH COPIES -- HARD COPY AND COMPUTER FILE!!!!**

Graduate students

The default requirement for graduate students is that you will submit three short (8-10 pp.) paper assignments each worth 30% of your grade. Each paper will involve critical reflection and engagement with issues raised in core readings and lecture. These papers must include discussion of at least some of the "graduate only" reading. The exact nature of the papers is up to you, but they **should not be summaries of the readings**. Rather, they should take critical issue with (some portion of) the readings, develop ideas, and engage the arguments/authors we are covering. To steal a sentence from Erik Wright, the paper "can be written as if it were designed to be a published 'commentary' in a journal, or a book review, or a substantive essay in its own right dealing with the issues in the reading."

Note, however, that if you have other ideas for what you would like to do as a written assignment, I am flexible. If you have specific things you want to achieve or that would be more useful to you we can discuss ways to make these part or all of the official writing assignment. However, if you plan to do something other than the default assignment, you **MUST** talk to me about this during the first four weeks of classes, i.e., before the end of September.

Graduate students are also required to turn in both a hard copy and an electronic copy of paper assignments.

I. Economic and Sociological Views of the Economy –Themes and Concepts

Week of January 26-28: Economic Approaches

Neil J. Smelser and Richard Swedberg. 2005. Extract from "Introducing Economic Sociology." from Neil J. Smelser and Richard Swedberg (eds.). *The Handbook of Economic Sociology*, 2d ed., Princeton University Press, pp. 3-6 only.

Robert Gilpin. 2001. "The Neoclassical Conception of the Economy." Pp. 46-60 from *Global Political Economy: Understanding the International Economic Order*. Princeton: Princeton University Press.

Randall Bartlett. "Information, Uncertainty, and Power." Chapter 5 (pp. 73-101) of *Economics and Power: An Inquiry into Human Relations and Markets*. New York: Cambridge.

*Oliver Williamson. 1993. "Calculativeness, Trust, and Economic Organization." *Journal of Law and Economics*, 36:453-486.

Week of February 2-4: Concepts of Social Embeddedness

Mark Granovetter. 1985. "Economic Action and Social Structure: the Problem of Embeddedness." *American Journal of Sociology*. 91,3:481-510.

Karl Polanyi. 2001 [1944]. "The Self-Regulating Market and the Fictitious Commodities: Land, Labor, and Money." Chapter 6 (pp. 71-80) of *The Great Transformation: The Political And Economic Origins of Our Time*. Boston: Beacon. (It would help to also read Chapters 4-5.)

*Jens Beckert. 1996. "What Is Sociological about Economic Sociology? Uncertainty and the Embeddedness of Economic Action." *Theory and Society*. 25, 6:803-840.

*Greta B. Krippner. 2001. "The Elusive Market: Embeddedness and the Paradigm of Economic Sociology." *Theory and Society*. 30,6:775-810.

Week of February 9-11: Norms and Value Commitments in Economic Action

Michael Sandel. "What Money Can't Buy: The Moral Limits of Markets." *Tanner Lectures on Human Values*, Oxford University, 1998.

Viviana Zelizer. 1978. "Human Values and the Market: The Case of Life Insurance and Death in 19th Century America." *American Journal of Sociology*. 84,3:591-610.

Kieran Healy. 2000. "Embedded Altruism: Blood Collection Regimes and the European Union's Donor Population." *American Journal of Sociology*, 105,6:1633-1657.

*Jon Elster. 1989. "Social Norms and Economic Theory." *Journal of Economic Perspectives*. 3,4:99-117.

First paper assignment handed out 2/11; due by 5 pm 2/18

II. Conceptualizing Economic Institutions

Week of February 16-18: Institutions as the Rules of the Game

Douglass C. North. 1993. "Institutions and Credible Commitment." *Journal of Institutional and Theoretical Economics*. 149,1:11-23.

Geoffrey M. Hodgson. 2006. "What are Institutions?" *Journal of Economic Issues*. 40,1:1-25.
READ ONLY pp. 1-19.

*Douglass North and Barry Weingast. 1989. "Constitutions and Commitment: The Evolution of Institutions Governing Public Choice in Seventeenth-Century England." *The Journal of Economic History*. 49,4:803-832.

*Avner Greif, Paul Milgrom, and Barry R. Weingast. 1994. "Coordination, Commitment, and Enforcement: The Case of the Merchant Guild." *Journal of Political Economy*. 102,4:745-776.

Week of February 23-25: Institutions as Moral Commitments and Cognitive Classifications

Philip Selznick. 1992. Excerpts from *The Moral Commonwealth*. "Part III: The Moral Institution." Berkeley: University of California, pp. 231-238; 265-280; 286-288.

John Meyer and Brian Rowan. 1977. "Institutionalized Organizations: Formal Structure as Myth and Ceremony," *American Journal of Sociology*. 83:340-363.

Frank Dobbin. 2001. "Why the Economy Reflects the Polity: Early Rail Policy in Britain, France, and the United States." From Mark Granovetter and Richard Swedberg (eds.). *The Sociology of Economic Life*. New York: Westview, pp. 401-424.

*Mary Douglas. 1986. Chapters 4 & 5 from *How Institutions Think*. New York: Syracuse, pp. 45-67.

III: Institutional Building Blocks: Property, Contract, Agency

Week of March 2-4: Contracts and Firms

Stewart Macaulay. 1963. "Non-Contractual Relations in Business: A Preliminary Study." *American Sociological Review*. 28:55-69.

Oliver Williamson. 1985. "The Governance of Contractual Relations." Chapter 3 (pp. 68-84) of, *The Economic Institutions of Capitalism*. New York: Free Press.

*Oliver Williamson. 1991. "Comparative Economic Organization: The Analysis of Discrete Structural Alternatives." *Administrative Science Quarterly*. 32,2:269-296.

Week of March 9-11: The Legal Construction of the Corporation

Paul Milgrom and John Roberts. 1992. "The Concept of Ownership." Pp. 288-293 from *Economics, Organization, and Management*. Saddle River, NJ: Prentice-Hall.

Jean-Philippe Robé. 2011. "The Legal Structure of the Firm." *Accounting, Economics, and Law*. 1,1:1-86, **READ ONLY SECTION 2, pp. 13-56**.

David Ciepley. 2013. "Beyond Public and Private: Toward a Political Theory of the Corporation." *American Political Science Review*. 107,1:139-158.

*Henry Hansmann and Reinier Kraakman. 2000. **READ ONLY p. 387-405** of "The Essential Role of Organizational Law." *Yale Law Journal*, 110:387-440. (You are encouraged to read the remainder of the article.)

Week of March 16-18: The Employment Relation – A 'Special Type' of Contract

Scott Masten. 1988. "A Legal Basis for the Firm." *Journal of Law, Economics, and Organization*. 4,1:181-198.

Matthew W. Finkin. 1986. "The Bureaucratization of Work: Employer Policies and Contract Law." *Wisconsin Law Review*. Pp. 733-753.

Lauren B. Edelman et al. 1999. "The Endogeneity of Legal Regulation: Grievance Procedures as Rational Myth." *American Journal of Sociology*. 105,2:406-454.

*Oliver Williamson. 1975. "Understanding the Employment Relation." Chapter 4 (pp. 57-81) of *Markets and Hierarchies: Analysis and Antitrust Implications*. New York: Free Press.

SECOND PAPER ASSIGNMENT HANDED OUT IN CLASS 3/18; DUE 3/25 BY 5 PM

IV. Financialization and its Consequences: Reconfiguring Corporations and Contracts

Week of March 23-25: The Rise of Shareholder Value

William Lazonick and Mary O'Sullivan. 2000. "Maximizing Shareholder Value: A New Ideology for Corporate Governance." *Economy and Society*. 29,1:13-35.

Gerald F. Davis. 2009. "From Banks to Markets: How Securitization Ended the 'Wonderful Life.'" Chapter 4 (pp. 102-153) of *Managed by the Markets: How Finance Re-Shaped America*. New York: Oxford.

Lynn Stout. 2014. "The Corporation and the Law." *Proceedings of the American Philosophical Society*. Vol. 158, 4, pp. 364-371.

*Adam Goldstein. 2012. "Revenge of the Managers: Labor Cost-Cutting and the Paradoxical Resurgence of Managerialism in the Shareholder Value Era, 1984 to 2001." *American Sociological Review*. 77,2:268-294.

Week of March 30-April 1: The Changing Nature of Work: The Fissured Workplace and the Gig Economy

David Weil. 2014. *The Fissured Workplace*. Harvard University Press, pp. 1-26, 93-121.

Steven Greenhouse. 2015. "Uber: On the Road to Nowhere." Prospect.org

Alex Rosenblat and Luke Stark. 2016. "Algorithmic Labor and Information Asymmetries: A Case Study of Uber's Drivers." *International Journal of Communication* 10:3758-3784.

Week of April 6-8: Financialization and the Financial Crisis

Greta Krippner. 2011. "What is Financialization." Chapter 1 (pp. 27-57) of *Capitalizing on Crisis: The Political Origins of the Rise of Finance*. Cambridge: Harvard.

John L. Campbell. "Neoliberalism in Crisis: Regulatory Roots of the U.S. Financial Meltdown." *Research in the Sociology of Organizations*. 30B:65-101.

Wolfgang Streeck. 2014. "How Will Capitalism End?" *New Left Review*. 87, pp. 35-64.

- *Neil Fligstein and Adam Goldstein. 2010. "The Anatomy of the Mortgage Securitization Crisis." IRLE Working Paper 200-10. Berkeley: Institute for Research on Labor and Employment.
- *(recommended, but in a different ballpark altogether) Donald MacKenzie and Yuval Millo. 2003. "Constructing a Market, Performing Theory: The Historical Sociology of a Financial Derivatives Exchange." *American Journal of Sociology*. 109,1:107-145.

V: Macro-Level Institutions

Week of April 13-15: Supplier Networks and Regions – High Road or Low?

- AnnaLee Saxenien. 1996. "Inside-Out: Regional Networks and Industrial Adaptation in Silicon Valley and Route 128." *Cityscape: A Journal of Policy Development and Research*. 2,2:41-60.
- Josh Whitford and Jonathan Zeitlin. 2004. "Governing Decentralized Production: Institutions, Public Policy, and the Prospects for Inter-firm Collaboration in US Manufacturing." *Industry and Innovation*. 11:1-2, 11-44. (this selection subject to change)
- David Weil. 2014. *The Fissured Workplace*. Harvard University Press, "Supply Chains and the Fissured Workplace." pp. 159-177.

Week of April 20-22: The State and Economic Development

- Peter B. Evans. 1995. *Embedded Autonomy: States and Industrial Transformation*. Pp. 3-18; 39-60.
- Ha Joon Chang. 2012. "Kicking Away the Ladder: Neoliberalism and the 'Real' History of Capitalism." Pp. 43-50 in Chang Kyung-Sup, Ben Fine, and Linda Weiss (eds.) *Developmental Politics in Transition: The Neoliberal Era and Beyond*. London: Palgrave.
- *Vivek Chibber. 2002. "Bureaucratic Rationality and the Developmental State." *American Journal of Sociology*. 107,4:951-989.
- *Peter B. Evans. 2010. "Constructing the 21st Century Developmental State: Potentialities and Pitfalls." Pp. 37-58 in Omano Edigheji. (ed.), *Constructing a Democratic Developmental State in South Africa*. HSRC Press.

Week of April 27-29: Varieties of Capitalism

- Peter A. Hall and David Soskice. 2001. "An Introduction to Varieties of Capitalism." in Peter Hall and David Soskice (eds.), *Varieties of Capitalism: Institutional Foundations of Comparative Advantage* (Oxford: Oxford University Press), 1-36; 54-62.
- Markus Gangl. 2004. "Institutions and the Structure of Labour Market Matching in the United States and West Germany." *European Sociological Review*. 20,3:171-187.

THIRD PAPER ASSIGNMENT HANDED OUT IN CLASS 4/29; DUE 5/6 by 5 pm

Expectations, Information, Statements of Symbolic Compliance to Institutional Rules

As befitting a course in economic sociology and institutions, and keeping in line with our readings on the new institutionalism, the remainder of the syllabus covers a number of rules and directives promulgated by the university and higher-level institutions that increasingly regulate the classroom, or at least the construction of syllabi. (Except for point I, which is entirely mine.) For a discussion of the origins and functions of such rules, see John Meyer and Brian Rowan. 1977. "Institutionalized Organizations: Formal Structure as Myth and Ceremony," *American Journal of Sociology*, v. 83: 340-363. Note that Meyer and Rowan's discussion of decoupling and ceremonial compliance is often apposite. Note too that the university's "generic course template" now runs three pages long – before any substantive intellectual requirements are outlined – thus emphasizing that maintaining legitimacy in an increasingly rationalized world entails costs.

A. Course Policies. The professor adheres to all department, college, and university policies regarding accommodations for students with disabilities, religious holidays, incompletes, plagiarism, and student evaluation of the course and its instruction.

B. Accommodations. Please send me an email by the end of the second week of the course if you are eligible for special arrangements or accommodations for testing, assignments, or other aspects of the course. This may be the case if English is your second language or you experience a physical or psychological condition that makes it difficult for you to complete assignments and/or exams without some modification of those tasks. Accommodations are provided for students who qualify for disability services through the [McBurney Center](http://www.mcburney.wisc.edu/). Their website has detailed instructions about how to qualify: <http://www.mcburney.wisc.edu/>. Provide a copy of your accommodations request (VISA) to the instructor by the end of the second week of class. We try to reserve rooms and proctors by the third week in class, so we must know of all accommodations by then.

If you wish to request a scheduling accommodation for religious observances, send an email by the end of the second week of the course stating the specific date(s) for which you request accommodation; campus policy requires that religious observances be accommodated if you make a timely request early in the term. See the university's [web page](https://kb.wisc.edu/page.php?id=21698) for details: <https://kb.wisc.edu/page.php?id=21698>

C. Writing Center. Students are encouraged to take advantage of the resources and classes offered by the Writing Center (located at 6171 Helen C. White Hall) to help with organization, thesis statements, grammar, sentence structure, and appropriate citations. See: <http://www.writing.wisc.edu>. Before submitting your short paper, you are expected to be familiar with the guidelines on the Writing Center website about "Quoting and Paraphrasing Sources" (see: <http://writing.wisc.edu/Handbook/QuotingSources.html>). See next section regarding 'Academic Integrity.'

D. Academic integrity. By enrolling in this course, each student assumes the responsibilities of an active participant in UW-Madison's community of scholars in which everyone's academic work and behavior are held to the highest academic integrity standards. Academic misconduct compromises the integrity of the university. Cheating, fabrication, plagiarism, unauthorized collaboration, and helping others commit these acts are examples of academic misconduct, which can result in disciplinary action. This includes but is not limited to failure on the assignment/course, disciplinary probation, or suspension. Substantial or repeated cases of misconduct will be forwarded to the Office of Student Conduct & Community Standards for additional review. For more information, refer to studentconduct.wiscweb.wisc.edu/academic-integrity/.

I take plagiarism and academic misconduct very seriously, and it is not uncommon for me to refer cases to the dean's office, so please don't do it!! If you have questions or concerns about the rules for any of the assignments or exams, or if you have questions about what constitutes plagiarism, please feel free to ask me about it.

E. Sexual harassment and misconduct. Professional conduct and appropriate behavior are critical to create a safe learning environment for students and instructors alike. Here is a statement about sexual harassment from the University: **What is Sexual Harassment?** Unwelcome sexual advances, requests for sexual favors, and verbal or physical conduct of a sexual nature constitute sexual harassment when:

- submission to such conduct is a condition of employment, academic progress, or participation in a university program; or
- submission to or rejection of such conduct influences employment, academic or university program decisions; or
- the conduct interferes with an employee's work or a student's academic career, or creates an intimidating, hostile or offensive work, learning, or program environment.

Tangible Action or Quid Pro Quo (This for That) Sexual Harassment and Hostile Environment Sexual Harassment are both illegal and unacceptable. One practical implication is that instructors (faculty or graduate students) may not date students to whom they will be assigning grades. If you believe that you have been harassed, contact the chair of the Department of Sociology (socchair@ssc.wisc.edu), The Title IX office (TitleIX_Coordinator@wisc.edu), or see this link for confidential sources (<https://compliance.wisc.edu/titleix/campus-procedures/reporting/complainant/>).

F. Departmental notice of grievance and appeal rights. The Department of Sociology regularly conducts student evaluations of all professors and teaching assistants near the end of the semester. Students who have more immediate concerns about this course should report them to the instructor or to the chair, 8128 Social Science (socchair@ssc.wisc.edu).

G. Course learning outcomes. Beyond the specific substantive and methodological content covered in this course, it has been designed to achieve the following instructional objectives designated as priorities by the Department of sociology:

- *Critically Evaluate Published Research.* Sociology graduates will be able to read and evaluate published research as it appears in academic journals and popular or policy publications.
- *Communicate Skillfully:* Sociology majors write papers that build arguments and assess evidence in a clear and effective manner.
- *Critical Thinking about Society and Social Processes:* Sociology graduates can look beyond the surface of issues to discover the "why" and "how" of social order and structure and consider the underlying social mechanisms that may be creating a situation, identify evidence that may adjudicate between alternate explanations for phenomena, and develop proposed policies or action plans in light of theory and data.
- *Prepare for Graduate School and the Job Market:* Students use their social research skills to identify opportunities for employment or further study, assess their qualifications for these opportunities, and identify strategies for gaining the necessary knowledge and experience to improve their qualifications. Students are encouraged to develop and maintain portfolios of their written work and educational experiences to aid them in preparing applications and to learn how to present their.
- This class also has the goal of teaching you to begin to *articulate analytically coherent and testable theoretical arguments*, as well as to enable you to answer the specific questions on the syllabus. Those goal are the instructor's.

H. Institutional statement on diversity: "Diversity is a source of strength, creativity, and innovation for UW-Madison. We value the contributions of each person and respect the profound ways their identity, culture, background, experience, status, abilities, and opinion enrich the university community. We commit ourselves to the pursuit of excellence in teaching, research, outreach, and diversity as inextricably linked goals.

The University of Wisconsin-Madison fulfills its public mission by creating a welcoming and inclusive community for people from every background – people who as students, faculty, and staff serve Wisconsin and the world."
<https://diversity.wisc.edu/>

I. Electronics:

I do not allow audio or video recording of lectures or discussions without express, written permission. Under no circumstances are students allowed to post audio or video recordings on the internet or third party websites.