

Economic Action and Social Structure: The Problem of Embeddedness

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Discussion in class:

- At the beginning of the presentation, the professor gave a brief introduction to this paper. As far as the oversocialized human action, he mentioned an interesting example of the class system in India, which restricts people's behavior and human action to a great extent. That class system can be regarded as a certain kind of social norm or social structure that the author mentioned in the paper.
- During the introduction of the oversocialized human action, the class had a discussion about whether game theory is related or proposed based on it. Since one of the main claims of game theory is that all the participants know the cost of every single choice, which can be regarded as everyone has a sort of social norm or common sense in the oversocialized view.
- When we introduce the example of the oversocialized approach of generalized morality, we use the gas station change as an example. Our classmate mentioned that this example might be out of date since the self-service gas stations with card readers were universal. Then, we discussed more generalized morality that we may use within the gas station, such as, "we trust our waiter won't steal our credit", "we trust the reader won't steal our CC number", and "we trust the payment institution will ensure our transaction is safe".
- In terms of the empirical approach, we originally concluded the question as to the enterprise boundary question ("Under what circumstances economic functions are performed within the boundaries of hierarchical firms rather than by market processes that cross this boundary."). The professor mentioned a more accurate one, which is why do the hierarchical structures within the firm emerge? And is this simply due to economic efficiency?

Conclusion:

To conclude, this paper can be viewed as the birth of the new economic sociology. After bringing in the concept of embeddedness. There are some problems which need to be discussed. The first problem is the maneuverability of embeddedness, this is a general problem of sociology. How to apply those concepts, how to use this concept to analyze human behavior? In this aspect, economics statements are generally more easily manipulated than sociology. The second problem is the paradox of embeddedness. In the

paper of embeddedness, Granovetter has mentioned some side effects but does not go deep. Later, researchers find that the fraud and opportunistic behavior caused by trust relationships will cause more damage than without embeddedness state.