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Field, habitus, and
economic reason: Prospects
of conceptualizing economic
action

Research paper

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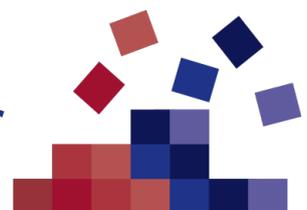
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Abstract

The limitations of rationality in economic action have stimulated sociological approaches to the economy as positive critiques of orthodox economics. This paper contributes to design a view of the social basis of economic action under uncertainty. Starting out from some critique of the rational actor model, and informed by the embeddedness tradition, the article proposes a field and habitus approach to economic action. Bringing the complex elements of field and habitus to the center of attention helps in examining how cognitive acts matter for economic reason, but remain obscure in orthodox economic models. The simultaneous inclusion of the field and habitus concept and the emphasis on cognitive acts are applied to signaling decisions. This helps explain how economic action is shaped by resources in a way well suited to economic reason and thereby contributes to an understanding of the social dynamics of markets.

Keywords

Economic man | Economic sociology | Embeddedness | Preferences | Self-Interest | Symbolic interaction

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1. Introduction

The critical assessment of rationality in economic action is a predominant theme in socio-economics research. As actual decision making does not fit the rational paradigm originating from a world of complete information, independent decision making and fixed preferences (Goffman 1951; Schein 1980; Luhmann 1991; Weber 2005), a wide variety of conceptualizations linking action to structure has emerged (Granovetter 1985; White 1992). In this basic view, action is regarded as socially embedded, thus indissolubly linked with the wider external context (Goldthorpe 1987). Any decision making is embedded in the social, cultural, and political context, and subject to cognitive structuration (Giddens 1984; Luhmann 1988). Within markets, such actions often represent decisions within the social space of an industry or organization.

Various attempts to reconstruct (Simon 1951) or embed action (Baker 1984; Uzzi 1997) have not led to much theoretical advancement of an alternative to the rational actor model (Powell and DiMaggio 1991; Fligstein 2001; Beckert 2003), mainly due to their different focus on either how the structure of action is conceived or on external variables which influence the action process and outcome. It is not argued here that the notion of embeddedness should find its replacement in an alternative action theory, but simply that it lacks to account for the various dimensions of social structures and that of agency. For this purpose, any attempt might be carved out for a sociological theory of action that would help make sense of the integration of individual agents and their impact on the dynamics of economic contexts.

In this article I suggest to contribute to a sociological theory of action in economic contexts. Such an attempt, it is argued, has to account for the consequences resulting from the complexity and novelty inherent in economic decision situations and which generate genuine uncertainty (Beckert 1996, 2003; Dequech 2001). As further argued, this uncertainty complicates the selection of optimizing strategies assumed by the rational actor model, because the situations do not have those characteristics presupposed by an action theory that is based on the construction of causal relationships between means and outcomes of action. Uncertainty thus complicates the proposed means-ends logic of rational economic decision making, yielding economic action principles different from utility maximization.

Informed by the embeddedness tradition, this article suggests basing an understanding of action in economic contexts on an interpretation of action in terms of "economic reason" as elaborated by Pierre Bourdieu (2000, 2005). This conceptualization has not yet received the scientific attention it deserves as a frame for a non-teleological understanding of action (cf. Smelser and Swedberg 2000). This construct is based on three central elements linking micro and macro levels: the economy as a field, the element of struggle, and the economic habitus. This conceptualization focuses on cognitive acts by which actors observe actions and mutually recognize them as regards their reasonability within the common field structure. Reasonable actions (strategies) are understood as being grounded in the agent's cognitive processing of the situation, out of which the processing itself is a product. This is not to say that reasonable actions are only anchored on the socially structured habits and propensities but that the agent's schemes of perception and appreciation are the product of the collective and individual history, which Bourdieu described as the "collective individual". Embeddedness thus refers to the social structuration of meaning enacted by the fact of embodying objective structures. This process is relatively (not absolutely) determined, but socially structured.

The argument develops in three steps related to economic action. First, it discusses the importance and characteristics of rationality and the limitations of rational actor models for the analysis of economic action in today's context of growing uncertainty. Second, it provides – informed by the

embeddedness tradition – the basis for introducing a field and habitus perspective in the section that follows. I argue that while the notion of action in rational actor and sociological approaches can hardly be fully compared due to fundamental differences of their conceptual levels, they both qualify as useful bases for specific aspects of action in theoretical as well as conceptual terms. In the last part previously developed theoretical considerations will be applied to the investigation of signaling processes. The aim is to relate Bourdieu's view on the economy to the signaling literature and to differentiate it from the embeddedness frame.

2. Rational Action and the breakdown of the means-ends logic

A great number of rational choice explanations of social phenomena focus on the assumption that actors enact situations in which social structures cause the belief system to vary, either by determining ex-ante what the actor expects to happen given a particular action (if the actor has perfect knowledge) or placing limitations on one's knowledge of possible courses of action. As Josh Whitford pointed out, in any theory that retains an explanation on social structure determining the outcomes of a particular action, the principal assumption of "fixed preference orderings makes this tantamount to claiming that social structure dictates payoffs (so we often say that changes in behavior are caused by "changed payoffs" although we really mean "changed outcomes" of actions that in turn represent different utility levels)" (Whitford 2002: 328). The notion of preferences is linked to the maximizing assumption, in the sense that actors maximize their utility (for instance, by choosing between different goods or bundles of goods) on the basis of some final state they behave instrumentally to obtain. The principle of rational instrumental action is characterized by ends which are ex-ante defined, and by means which are known and selected by optimization (cf. Bandelj 2009). Most importantly, as John Dewey wrote, "the acceptance of fixed ends in themselves is an aspect of man's devotion to the ideal of certainty" (1922: 236). However, when the means-ends logic breaks down because of uncertainty, individual optimizing decisions based on "utilitarian self-interest" with the aim of exchanging goods and services for the maximum cost-benefit are no longer possible (Granovetter 1985). The key intimation is that actors are driven by infinite egoism and their choice is simply that of the best means to their achievement. In this, however, I will follow Jens Beckert's point that Emile Durkheim (1984) – and more recently Amitai Etzioni's (1988) most influential critical argument that actors are not only driven by selfish motives but also display in their decisions their individual mixture of motives – does not go beyond providing an assessment of the natural propensity of selfishness. In addition to the normative affective area of decision making evoked by Etzioni, we may also mention Russell Fazio's work on multiple processes by which attitudes guide routine behavior (1990). Rather, as Beckert theorized (2003), such critical assessment adds to the explanation of outcomes, in that "the diverse values and norms which actors hold and follow in their decision making can be modeled in rational actor theory by incorporating them either directly into the notion of preferences or by referring to them as constraints on the realization of selfish motives." This amounts to saying that the critical assessment of rational choice theory still understands decisions in terms of an optimizing process shaped by preferences and constraints, but enhances the focus of a rational actor as a "calculator" who knows exactly what and how to calculate by, in the words of John Gray, the idea of the "rule follower" (Whitford 2002).

Instead of attacking any teleological conceptualization of action for confining on the assumption that we optimize our decisions by calculating the expected consequences of action, rather than explaining the preferences and constraints of human behavior in any instance, I will avoid falling into the trap of criticizing a theory for failing at what it is not supposed to do. I adopt a different approach. Any revision of the teleological conceptualization of action, it is argued, should account for the uncertainty of economic decision situations, which prevent actors from understanding means-ends relationships. For this reason, I propose that we pay attention to recognition defined as a social process in which belief and preference systems on the relevant markers of a situation are activated (Lash 1993). That is, I urge researchers investigating the social foundations of the economy to take into account that mutual recognition influences economic action, because it shapes our understanding of what means to use – in other words, what strategies to follow – to make optimal use of existing resources under given constraints. Moreover, once we adopt this stance, we need to reconsider the extent to which the rational actor model is a misleading concept for analyzing decision making in economic contexts if a rational calculation of all parameters is impossible due to uncertainty.

Uncertainty prevents an understanding of the relevance and interrelation of different determinants so that actors cannot assign means-ends relationships properly. In market signaling a further aspect has to be considered. Admittedly, from the individual's viewpoint, recognition mechanisms shape actions which are subject to recognition, such as "signaling", and hence, may serve as a heuristic aiding rational economic behavior. Such recognition (including its undercurrents and manifestations) likely complicates the set means-ends rational logic of any individual decision making. Here it is by definition impossible for actors to choose means rationally because the foundation of rational calculation is missing. How shall we apply means rationally if we are part of on-going mutual recognition processes which shape to some extent the goal of action, but more importantly, the use of optimizing strategies in order to achieve these goals? This uncertainty of economic situations constitutes a valuable point of departure for posing the sociological question of the principles of economic action under vaguely determined knowledge of the consequences of decisions.

It is this reasoning from which we can see that uncertainty has important consequences for the common understanding of economic behavior as rational action. These include the inability of actors to establish a means-ends logic and to deduce their action on the basis of goals, then to select strategies based on given information, and subsequently, choose from among alternatives in order to optimize their utility. One of the most remarkable contributions to the classical economic approach to rationality including some of its well-known declinations is Frank Knight's work *Risk, Uncertainty, and Profit* (1921), in which he argued that actors rely on "devices" referred to as hierarchical structures or occupational role differentiation. In a similar vein, Keynes (1921) mentioned, besides advice and fashion, habit as a "device" of the rational, economic men to deal with situations in which probabilities are unknown due to our lack of skill in arguing on what is given evidence. Modified versions have been provided by Herbert Simon's work on bounded rationality (1957), Jack Hirshleifer and John Riley's piece (1992) as well as George Akerlof's (1970) and Spence's (1974) contributions on the analytics of uncertainty and information. Another strand of research originates from evolutionary mechanisms as proposed by Richard Nelson and Sidney Winter (1982, 2002), or Hannan and Freeman (1989), to cite just a few, which has shifted attention from reconstructing an enhanced rational actor model towards the consequences of such evolutionary mechanisms (for an overview see Beckert 1996).

What implications, then, do approaches that refute the rational actor model have for the common understanding of such a means-ends logic? As we have reviewed, some argue that uncertainty

refers to a situation in which actors cannot assign probability distributions to possible outcomes, thus challenging the capability of actors to allocate their resources in a way that would maximize their utility. However, instead of developing an ever more fine-tuned model of rational calculation, we prepare to account for the structural effects on (and of) economic action, which are rejected by neoclassical theory, and breaks with the abstract, automatic determinism, or in other words, the methodological individualism. For this purpose we will first review the notion of embeddedness and its various attempts.

3. Embeddedness and field habitus in economic action: linking micro-macro frames

The concept of embeddedness, first invoked by Karl Polanyi (1944 [2001]), came into focus in the early 1980s with the publication of a theoretical essay by Marc Granovetter (1985), who proclaimed embeddedness to be an intellectual catalyst for the new economic sociology. Since then the new economic sociology, and with it a large amount of monographs, such as *The Transformation of the Corporate Control* (1990) by Neil Fligstein, *Structural Holes* (1992) by Ronald Burt, and *The Social Meaning of Money* (1997) by Viviana Zelizer, has established its position (for an overview see Smelser and Swedberg 2000). Within this field the concept of embeddedness met interest in various disciplines such as management (Baum and Dutton 1996; Dacin, Beal and Ventresca 1999), political sciences (Locke and Jacoby 1997), and to some extent economics (Dequech 2003; Piore 1993).¹

Here we take the concept of embeddedness as a basis for a coherent critique of neoclassical economics. In this regard, Krippner and Alvarez (2007, p. 221) have convincingly argued that critiques that consider the Granovetterian notion of embeddedness as dealing with the problem of atomism, and the Polanyian formulation as dealing with the problem of the analytically autonomous economy, are indistinguishable within the neoclassical paradigm. More to the point they note that an atomistic perspective, that is, a perspective that assumes isolated, self-interested actors who arrive on the scene already equipped with an inborn tendency to "truck, barter, and exchange" (and who carry fully formed preference rankings), requires essentially no governance structure to police exchange (Krippner and Alvarez 2007, p. 222). It is further argued that in such a world free of vice of any kind, we are – with the assumption of atomism – in the world of the self-regulating market, in which politics and culture play an interfering role and in which the economy is described as taking the form of an analytically autonomous sphere.

Once we leave the critique of economics and move towards the sociological discourse, we can see that the Polanyian tradition has developed a quite distinct relationship to the discipline of (neo-classical) economics than has the Granovetterian notion of embeddedness. Implicitly or explicitly, purveyors of the Polanyian perspective are concerned with the integration of the economy into broader social systems, and share a focus on the mutual constitution of state and market (Polanyi (1944 [2001]), Polanyi et al. 1957). Polanyian scholars reject the idea that markets can exist outside of state action, and adhere to the argument that economic actions become destructive when they are "disembedded", or not governed by social or noneconomic authorities. Polanyians attempt to substitute the notion of "embeddedness" with an account of state and economy. What partly deploys Polanyi's concept from a strict sociological critique of the neoclassical model of economic action is his acceptance of the generic notion of "Homo Economicus" as (historically specific) institutionally based. Human behavior is less a matter of self-interest or maximization, than a matter of historicity.

Granovetter's conception of embeddedness involves identifying the relational bases of social action in economic contexts. The existence of "Homo Economicus" is rejected in its pure, determinist version that "disallows any impact of social structure and social relations", suggesting some

invariant motivation for human behavior (Granovetter 1985, p. 483). Granovetter generalized a conception of social action as embedded in social networks and noted that “actors do not decide as atoms outside the social context, nor do they adhere slavishly to a script written for them by the particular intersection of social categories that they happen to occupy” (1985: 487). With respect to this conception, economic transactions are entangled in a net of personal relationships that explain order in economic life.

In “Principles of an Economic Anthropology” (2000), which was originally published as an article entitled “The Economic Field” in 1997, Bourdieu contributed to deepen our understanding of social relations with the idea of economy as a field, and links micro-macro levels by adding his concept of field habitus. Thus the subsequent section draws heavily upon his work. By building on earlier work such as the *Outline of a Theory of Practice* (1977) and later *The social construction of the economy* (2005), a field and habitus perspective provides two major advancements. First, it aids economic sociology to rethink action as based on the interplay between the concepts of habitus, field, and different types of capital. Second, it offers the construct of economic reason as social foundation of economic behavior.

In opposition to economic orthodoxy, which conceives of individuals as “Homo Economicus” subjecting his decision making to rational calculation, and as actors performing roles or acting fully conscious in conformity with models, Bourdieu (1977) proposed his concept of habitus. This concept is argued to overcome methodological individualism – with regard to the individual as the ultimate autonomous unit – and collectivism that is presumed to regard the collective as elementary. Insofar as the field defines the structure of the social setting in which action takes place, in which the habitus operates, an agent’s habitus is an active residue or sediment of his past. It functions within his present, shaping his perception, thought, and action, and thereby molding social practice in a regular way (Bourdieu 1993[1984]). As summarized elsewhere, the phenomenological nature of the habitus is seen to consist of dispositions, schemas, forms of know-how and competence, all of which are acquired in structured social contexts whose patterns and purpose, and underlying principles they incorporate as both an inclination and a *modus operandi* (Crossley 2001). We may refer back to Fazio’s work (1990) here. Contrary to Etzioni’s approach, which remains in the rational calculus (even though normative), Fazio’s routinized behavior is a short cut based on individual history similar to the way in which habitus represents a short cut of personal – and in case of the firm, organizational – history.

What emerges from this definition is the conception of habitus as determinant of an actor’s disposition to recognize and “play” the game. As one plays the game, it is the trace of past trajectories inscribed in the habitus that agents set in their strategies against the forces of the field. These strategies produce a response that is not pre-given in its direction in the stimulus, and that is not deducible from knowledge of the situation alone. They are based on a habitual pre-understanding of the game, or the apprehension of certain stimuli, by attention to a particular side of what is “real”, that exist only for an agent disposed to *perceive* them and capable of perceiving them (Bourdieu, 2000). It is the socially constituted habitus and the way in which it shapes an agent’s perception, motivation, and action that makes an agent disposed to recognize and play the field. For instance, empirical findings from an analysis of the INSEE (Institut National de la Statistique et des études économiques) housing survey of 1984 suggest that the propensity to buy rather than to rent depends on the structure of capital possessed – in other words, the relative proportions of economic and cultural capital. Secondary data analysis shows that corporate managers/entrepreneurs normally possessing more material goods are more often house owners as opposed to teachers, artistic occupations, and public sector managers. In addition, the propensity to attach greater importance to the technical, and less to the symbolic, aspect of

houses was shown to increase as one moves down the social hierarchy (Bourdieu 2005 p. 31). Furthermore, the relationship between field and habitus is circular, in that involvement in a field shapes the habitus that, in turn, shapes actions that reproduce the field (cf. Crossley 2001). This account reminds us of the circularity which Durkheim (1922) referred to in his works on the relation between society and the individual, even though Bourdieu placed greater relevance to individual dispositions and the competence of improvisation in contrast to Durkheim's relatively stronger mechanistic vision (Crossley 2001).

If we reflect upon such a concept of agency, the specification of economic action follows Max Weber's quite different point of describing rational calculation. According to Weber (2005), agents make choices on the basis of information taking into account the actions and reactions of their competitors. In such a theoretical conceptualization economic action is not only characterized by anticipations of future actions and reactions, i.e., conditions that actors bring into being, but by the fact that means and goals are reciprocally interrelated.² A more concrete understanding of goals or their change makes different perspectives of means possible and reasonable. As Joas and Beckert (2002) have argued, this concept of reciprocity anchors the notion of goals in the action process and argues against the external setting of goals as advocated by teleological approaches. Thus, Weber's concept of maximizing can be framed in Bourdieu's sense of a set of possible means and ends, a "space of possibles" (Bourdieu 2000 p. 76). Depending on their "space of possibles", actors are more or less able – disposed – to maximize their utility. This opens the notion of rational action, as used in economic theory, because it allows for the consequences of uncertainty. Actors are disposed to act reasonably as they might not be able to identify the optimal but reasonable means that maximize their utility.

If an optimal choice of means cannot be achieved from rational calculation based on preferences and beliefs, economic behavior depends on the human mind, which is, as Herbert Simon (1957) argued, generically bounded, but as Bourdieu (2000) emphasized, because it is embedded in the social context and thus socially structured and determined. Empirical findings on the housing market support this argument by showing how human preferences and beliefs vary according to diverse contextual factors and affect decisions such as whether to rent or buy a house (Bourdieu 2005). As a consequence of the diversity of decision situations and the actor's limited capability and disposition to perceive this diversity, the actor resorts spontaneously to a set of general laws of action. Such processes in the background of economic reason develop beyond consciousness. They guide action as if being without any intention. Such a non-teleological understanding suggests considering embedded action in economic contexts not only as regards the means-ends interrelationship, but in a wider sense to conceptualize economic reason as an organizing principle of economic life.

A major aspect elementary for economic reason, which forms part of the underlying grammar of action, is adaptive capacity. Bourdieu argued that an economic habitus generates behaviors that are particularly well suited to those conditions from which they arise and which they tend to reproduce (Bourdieu, 2000). In a similar vein, pragmatist views suggest that any habit or rule of action already implies our perception of situations which already incorporates a judgment on the appropriateness of certain kinds of action (Joas 1996, p. 160; Bandl 2009). In a field-and-habitus-based view such judgmental heuristics provide the basis for economic actions unintentionally oriented towards adopting well-suited (appropriate) strategies. These strategies may take the form of recruitment decisions, consuming behavior, or investment strategies.

If I use recruitment decisions as an example, we may observe an emphasis upon competence, skill, know-how, and disposition, which resonate the role certain types of capital and dispositions to

play in this “game”. The action of players (here recruitment for a post) is strategic. Players act, most commonly, so as to maximize their field-specific capital (in the case of firms to increase their organizational capital). It is evident, however, that such action is characterized by an insufficiency of the requisite knowledge about the best candidate or by time pressure, and thus actions are based on available knowledge and on agents’ pre-understanding. What is perceived and recognized as valuable in this specific game results from the interplay between the current situation of the firm, the information at disposal and the individual background of the players. If we now assume a particular selection decision in which the recruitment officer’s educational background is similar to the educational background of a potential candidate, we may hypothesize two scenarios depending on whether choosing an embeddedness or the field and habitus approach. Whereas purveyors of the embeddedness framework would most probably argue for reasons of complementarities, purveyors of the field and habitus perspective would resort to a different strategy. In Bourdieu’s view, the recruitment officer would be endowed with adaptive capacity that guides him to (unintentionally) take decisions aimed at reproducing the firm as a field. He would be disposed to perceive this candidate’s educational certificate as an asset, and recognize this as valuable due to his own pre-understanding that complements the available information at that moment. For this decision, it is only of second order whether this educational background is important to the firm for instance in terms of complementarities. Such decision making is conditioned, because it is adapted to the conditions that reproduce this firm as a field.

This process of adaptation in terms of “adaptive expectations” (Bourdieu 2000, p.86) by virtue of an inscription of organizational conditions is invisible as long as the involved habitus is well suited, which makes the effects of a certain recruitment decision redundant in relation to the effects of the situation of the firm. On the contrary, the efficacy of the habitus can be seen in situations in which it is not the product of its actualization. This can be the case when recruitment agents, on the basis of their habitus, cling to dispositions that are out of the organizational conditions of the firm (their client), and make selection decisions that lead to a counter-adaptive mismatch of the candidate. Such effects of hysteresis, or lag of adaptation, explain clearly the persistent and, though not entirely, unchangeable nature of the habitus (Bourdieu 1977). It is important to note that this relative persistency of the habitus corresponds to a relative persistency of the rules of a field which make up the foundation of social and, also, economic games. These games follow a patterned set of practices, and in this way enable the habitus to produce what Bourdieu (2000) called “reasonable” (not rational) expectations. These expectations result from past experience and are adapted to the extent that is required by the (relatively) new situation. Economic agents orient their behavior on the basis of these reasonable expectations in order to master the competition. Whereas most pragmatic approaches emphasize the situational character of adaptation due to contingency (Bandelji 2009; Joas 1996; Whitford 2002), a field and habitus approach would highlight the relatively persistent quality of adaptive capacity.

Finally we may argue that the habitus that produces reasonable expectations provides a practical mastery of situations of uncertainty, which operates like a “sens pratique” (Lash 1993). This does not imply an aiming at possible future outcomes (as would be the case of the rational calculus), but presupposes a relation of practical anticipation referred to as “discovering in the very objectivity of the world what is, apparently, the only course of action, and grasping time-to-come as a quasi present (...)” (Bourdieu 2000, p. 86). At this point future possible outcomes provide orientation for the actor in the process of practical mastery to which he resorts in order to anticipate possible alternatives to the current state. This practical anticipation, in turn, is shaped by principles of differentiation and selection inherent in the economic habitus, which tend to ensure the conditions of its own reproduction imposed by the objective relations in the economic field. Once we adopt this stance, we may consider the embeddedness notion and the field habitus as

valuable links between micro and macro frames. However, both concepts stress these frames and its underlying dynamics in different ways.

4. Embeddedness versus a field and habitus approach: balancing micro-macro dynamics

Standard conceptions of embeddedness focus mainly on micro dynamics and are characterized throughout by a relational methodology. In general, one may argue that tie characteristics are relational qualities but also part of the structure of relationships. In other words, relational approaches consider ties (the content of exchange) but also the structure of the network. In economic sociology, researchers in the embeddedness tradition such as Wayne E. Baker (1984) have examined diverse situations in which denser social relationships, such as network ties, increase economic exchange. Ronald Burt (1983; 1995) investigated the contrary in terms of looser network ties, and generalized in this way his formulation that social actors who are in a position to bridge two actors which are otherwise not directly connected, i.e., a structural hole in Burt's terminology, can exert control, strategic advantage, and thus power. As a result of the emphasis on social structure, various researchers such as Viviana Zelizer (1988), Bourdieu (2005) and Neil Fligstein (1996) have criticized Granovetter's formulation of embeddedness for ignoring the social content in favor of social structure. This criticism, of course, has affected research in economic sociology, to center on the content rather than on structures shaped by network ties. Brian Uzzi (1996, 1997), for instance, differentiated between arm's length ties, i.e., corresponding to anonymous market exchange, and embedded ties based on enduring exchange relations shaped around nonmarket ties. In this regard, Uzzi discussed trust between parties, in-depth information transfer, and joint problem solving.³ A number of attempts deal with the idea of ties as providers of information benefits (Burt 1992; Uzzi 1997). Another line of development is represented by scholars who have made efforts to refine conceptualizations of embeddedness by using the notion of relational and structural (Granovetter 1993), and institutional embeddedness, contrasting ties involving formal organizations from interpersonal relationships (Brinton and Kariya 1998). A different approach has been chosen by James Montgomery (1998), who worked on a role-theoretic conception of embeddedness, or by Brent Simpson and David Willer (2005), who used social exchange theory. Importantly, these attempts, which focused on the very meaning of the concept, have been complemented by others attempting to redefine embeddedness as something else. Several scholars have approached embeddedness as social capital (Coleman 1988; Portes and Sensenbrenner), reputation (Raub and Weesie 1990), or in terms of its dynamic evolution over time (Mizruchi, Stearns and Marquis 2006). Although all of these attempts provide an important contribution to understanding the embeddedness of social relations, pursuing a relational methodology – as many of them do – tends to overlook the explanatory power of categories such as occupation or gender (Fligstein 1996; Zelizer 1988). In their outstanding contributions these scholars articulate networks among market actors as conduits for information on exchange opportunities and conduits for trust (see alternatively Fligstein 2001; Zelizer 1988). However, in this paper we undertake to focus on Bourdieu's alternative approach to the social basis of economic action as outlined hereafter. His contributions to economic sociology have been under-researched so far, in particular with respect to its potential of reconstructing macro dynamics of institutions and markets.

With the field concept Bourdieu developed an important theoretical enhancement to the model of embeddedness by focusing on the structural dimension embodied in the notion of the field itself (Bourdieu 2000, p.77). The economy can be conceptualized as a field (as can a firm or an industry) onto which agents within it confer a certain structure. Bourdieu (1977) viewed economic life as largely a result of an encounter of economic actors with a special disposition (the habitus) in the economic field. This field is characterized by a patterned set of practices that suggests

competent action in conformity with rules and roles (Bourdieu 1977), and as argued elsewhere, is made up of a structure of actual and potential relations (Bourdieu and Wacquant 1992). Its structure, if an organization is used as an example, is composed of power relations between relevant actors (e.g., managers, suppliers, owners of financial resources), which are defined by the volume and structure of capital and the various combinations they possess. We may thus interpret the stock of capital as a fundamental resource to gain advantage within a field, and thus, consider fields as so constructed that agents who occupy similar or neighboring positions are placed in similar conditions. The force attached to an agent depends on what Bourdieu calls "strengths" which are differential factors of success and which may provide a competitive advantage (2000, p. 75). These types of capital can be financial, cultural (which may manifest in the form of educational capital), social (such as useful contacts and networks), technological (such as innovative technical equipment), commercial (such as brands), organizational (such as a firm's reputation), and symbolic (status) (Bourdieu 1986).

Cultural, technical, and commercial capital exist in objectivized form (equipment, instruments), and in embodied form, literally linked individual body possessing competences and skills. The embodied form of capital, as defined by Bourdieu (1986, p. 242), is "the external wealth converted into an integral part of the person, into a habitus." It cannot be transmitted instantaneously (unlike money or property rights) and remains marked by its earliest conditions of acquisition which determine its distinctive value. Its transmission is "best hidden", so that it receives higher weight in the reproduction of the field than direct, tangible forms that are more strongly controlled. Bourdieu's view may thus be conceived as being rooted in an anticipation of the distinction between the two states of capital, the objectivized and the embodied, which has been spelled out in the article "The Instinct of Workmanship" of Thorsten Veblen (1898).

Social capital comprises the totality of resources, including financial capital and information, which may be activated through a "more or less mobilizable network of relations that procures advantage by providing higher returns on investment" (Bourdieu 2000, p. 76). In other words, we may consider the volume of an agent's social capital as dependent on the size of the network of connections that the individual can mobilize, and on the volume of capital (i.e., economic, cultural, or symbolic) possessed by the other members to whom the agent is connected (Bourdieu 1986, p. 249). We may indeed observe that Bourdieu (2000) refers to network ties and their related power, including informational power. However, he leaves partly uncommented the relation between social capital and symbolic resources, for which I draw on his description of "combinations" of capital in his work *Distinction* (1986, p. 249) where he describes social capital in terms of relationships of mutual recognition based upon social network and group or class membership. On this basis, I argue that social capital matters for economic coordination because it involves relationships of mutual recognition and knowledge, which both create the basis for the mastery of any symbolic resource, in other words symbolic capital. As a power in terms of brand loyalty, or commitment to a firm in the case of employees, symbolic capital functions as a form of credit, which presupposes trust and belief of those upon which it bears because they are supposed to grant it credence. As such, we may assume an investment in training for new recruits is effective if agents (the firm or the person entrusted with representing it) believe it – as a result of the overall structure of the field – to be so.

With his notion of the economy as a field Bourdieu took a clear structuralist vision that accounts for the effects that occur outside of any interaction. Thus, he put himself in opposition to the interactionist vision (Mead 1934; Cooley 1964 [1902]) which places at its center the influence directly exerted by one firm over another through any kind of interaction. In contrast to the interactionist vision, Bourdieu grounded his view on economic coordination on the structure of the

field which he defined by "the unequal distribution of capital, that is the specific weapons (or strengths), weighs, quite apart from any direct intervention or manipulation, on all agents engaged in the field." (2000, p. 76). In this way, he referred to the relative strengths that people can put into the struggle which determines their opportunities or "space of possibles". This space provides to the dominant position in the structure such that the structure acts on their behalf (cf. Bourdieu 1977, 1986). This implies that the structure of the field determines the rules of the game, for instance the price of entry into the field, and with its tendency to reproduce, it governs the distribution of chances of success or barriers to entry, which result from mechanisms such as permanent and accumulative (dis)advantage (Bourdieu 1986).

Let us assume the case of mechanisms which provide information to economic agents as one illustration of economic reason on coordination. These mechanisms bear regularities, which the field offers as a predictable and calculable future, and furnish the agent with skills, competences, and more in general dispositions (routines). They correspond to the rules set out in the very game, and allow agents – at least roughly – to acquire the ability of practical anticipation, which is shaped by the logic of the economic field (Bourdieu 2000). This logic nurtures a "calculating vision" and the "strategic dispositions" that follow from this vision, such that the most carefully planned and detailed strategies are limited and directed by structural constraints and the unequally distributed knowledge, both practical and explicit, of such constraints (Bourdieu 2000, p.76). For occupants of dominant positions, we may use human resource managers as an example. They are endowed with informational capital, particularly through their position in the firm, and through their knowledge of specific posts, which is a fundamental resource that makes it possible to choose the best strategies for managing human resources. Bourdieu (2000) reminded us, however, that any choices are choices among "possibles", defined in their limits by the structure of the field, and that actions owe their orientation to the structure of objective relations between those engaging in them and those who are objects of these actions. It is this specific structure that shapes the mechanisms of the field (Bourdieu 1977, pp. 72-87), and thereby affects the degree of freedom agents have for their strategies, in order to preserve or transform the current position in the field (Bourdieu 1986).

The concept of struggle is another key elements of Bourdieu's oeuvre laid out in several of his works,⁴ and it functions in conjunction with two further concepts: capital and field. According to Bourdieu (1981a, p.148) struggles represent individual and collective conflicts, transactions, and negotiations, which take place between the owners and the sellers of the means of production. Struggles are also central for the analysis of the economic field. Bourdieu referred to the notion of field of forces as a field of struggles, as a socially constructed field of action in which agents endowed with different species of capital confront each other in order to enter that field (i.e., gain access to exchange) and to preserve or transform their current relation of force. Firms in such fields undertake actions that depend, in their ends and effectiveness, on their position in the field of forces. By emphasizing the position in a field, more precisely the position in the structure of distribution of capital (in all its species), Bourdieu (2000 p. 78) argued that "strategies (...) are oriented by the constraints and possibilities built into their position and by the representation they (firms) are able to form of that position and the position of their competitors as a function of the information at their disposal and their cognitive structures."

Strategies in the economic field are made to a large extent explicit, on account of their means and ends relationship. They are often called native theories of strategic action, which are produced to assist particular business leaders in their decision making. This often results in an overestimation of the role of conscious business strategies, as opposed to the structural conditions and the dispositions of managers. However, major transformations of corporate structures in the last decades, which limited the competing firms in a market to a rather small number, have increased

the firm's ability to shape by such strategies the market situation. Dominant firms aim at improving either the position of the field or their own position within the field. Hence, they orient their strategies towards the reinforcement of their power. That is, they send, by virtue of their symbolic capital, signals to deter competitors from attacking (Bourdieu 2000). It may happen that these dominant firms are capable of influencing the tempo of transformation in relevant areas – holding back, maintaining expectation, or hustling and surprising, in order to exert power (Bourdieu 1981b).⁵

Major transformations within a field often imply major changes in the relation with the exterior of that field, this is to say, other fields and redefinitions of boundaries between fields, metaphorically a redefinition of where the stakes of the game lose their effects (Iellatchitch et al. 2003).⁶ The boundaries of the field create themselves a competition within the field, most commonly for power over state power, in particular over the power of regulation and, in case of labor, for funding for job creation. If firms had the possibility of using their social capital to exploit some of their properties that could serve as (symbolic) capital in the new state of the field, then they would be able to modify the rules of the game to their advantage. This structuralist vision is well expressed in the following statement from "Principles of an Economic Anthropology":

"What is called the market is the totality of exchange relations between competing agents, direct interactions that depend, as Simmel has it, on "indirect conflict", or in other words, on the socially constructed structure [of the field] of the relations of force to which the different agents engaged in the field contribute to varying degrees, through the modifications they manage to impose upon it, by drawing particularly, on the state power they are able to control and guide".

[Bourdieu 2000, p. 81]

Analogically, a firm's functioning as a field is once again based on the structure (that of the firm as a field), with its specific relations of power and area of freeplay [which] define the very conditions of that struggle (Bourdieu 2000). Senior executive decisions serve to illustrate that firms depend in the formulation of their strategies on the structure of power positions constitutive of the internal governance of the firm. More precisely, this results from the socially constituted dispositions of the senior executives whose freedom to act is constrained by the internal governance. Indices for such structure of power positions within a firm may take the form of the hierarchical position of the labor force, the educational capital of the labor force, or the bureaucratic differentiation. This structure of the field of power within the firm is closely related with the position the firm possesses in the overall economic context. This correspondence consists, on the one hand, of the volume of the various firms' capital, and on the other, the structure of the distribution of the capital among the various directors (Bourdieu 2000, p.82). A study of French employers published in *State Nobility: Elite Schools in the Field of Power* empirically demonstrates that there was a considerable homology between the volume and structure of capital of firms and their directors (Bourdieu 1996).

Similarly, research on key determinants of early career success finds that social and cultural capital are among the decisive factors in the achievement of higher educational credentials (in terms of symbolic capital) that led to the realization of more positive career outcomes. In cases where social origin was lower and individuals attained a lower education credential, career success was less likely to be as positive as with individuals of higher social origin who were endowed with a higher "title". Despite differences in social and cultural capital there was a certain homology between the volume and structure of capital of the (aspired) organizations and the new recruits, inferred by the prevailing structure of the field, which governed the respective rules of entry. In no small way the volume and structure of capital that individuals possess has determined differences in career

outcomes, which in combination with other field forces and external factors contributing to shape the relations of force within the field (the firm) and outside (e.g., changes of the overall economic situation, demographic developments) will eventually increase economic and social inequalities in the future (Hanappi 2007).

5. Signaling decisions in a theory of action

The consequences of a concept of action based on social theory should be addressed for the analysis of specific economic situations. This issue is addressed through a discussion of signaling processes. These are particularly valuable for an explication of the theoretical points developed because signaling activities face a paradox with regard to the view of markets: we can only choose optimal strategies for signaling activities if we watch each other within a market, but if we reduce the relationship to a conscious, "considered interaction" between competitors, we would neglect the structural forces conditioning such observables. If in the process of signaling competitors cannot rely solely on consciously considering observables it becomes impossible to understand signaling decisions as a rational choice between alternative signals to achieve an expected outcome.

Michael Spence formulated the signaling mechanism showing a profound knowledge of the limits of the rational actor model in explaining signaling and the need for an alternative approach to action theory (1973, 1974). In his application to labor markets, Spence insisted that the cost of a potential employee emitting a given level of signal decreases as the quality increases. Spence took education as the signal and postulated it as normal for the cost of acquiring a level of education to be lower the higher the (unobservable) quality of the signaler. Education is important in that it is visible and irrevocable and is correlated with the employer's valuation of the signaler, even though it is not necessarily related in any causal sense to productivity. Spence did not distinguish between the level of the signal and its associated quality, as together they shape the valuation of the productivity of the potential employee. Even more importantly, Spence treated a market by itself instead of treating it as embedded in a network. In his perception, an individual spreads out along a continuum of his educational signal and his productivity index (see White 1992). As employers wish to assess the productivity of candidates, which depends heavily on unobservable talent, they are confronted with a situation of uncertainty. Such uncertainty, as Harrison White (2002) argued, will facilitate the construction of some sort of institution, such as a market guided by signaling. According to White (2002, p. 102) "such a market depends on perception in common applicants of a schedule of wages that could be expected in response to various signals of talent discerned." Spence combined his insights into the shortcomings of the rational actor model for the understanding of signaling through the investigation of interaction and coordination on labor markets (Spence 1973, 1974). However, he fell short of providing an alternative model to rational actor theory as in fact he focuses primarily on cognitive assessments. It is only by considering empirical studies from economic sociology that one finds alternative understandings of action in signaling processes.

Conceptualizations of signaling processes, which are grounded in a teleological view of action, see signaling as a tangible mechanism in procedures of observation and inference, operational for the market. One important example is the work of Winter and Phelps (1970), who conceptualize firms as individual observers who examine changes in sales achieved by various changes in their own prices over time. New microeconomic modeling can contribute to extending Spence's signaling model with regard to its particular functional forms for cost and evaluation. Akerlof's version of signaling (1970) replaces working conditions for education as a signal and builds on the assumption that employers derive value from both the ability of the employee and from the

employee's working in different conditions. These are more or less differentiated models but they all build on a teleological interpretation of signaling processes, in which the signal observed by monopsonist buyers directs rational choice of optimizing strategies.

In what follows I have singled out one of the most important and useful sociological attempts to understand market signaling. These are empirical models which abandon the assumption that signaling could be articulated, as Spence did, as a cognitive construction (White 2002). What up to now has been seen as a cognitive construction is refashioned by a social constructionist view based on social role and network theories. According to White (1981), producers (signalers) do not perceive demand curves; instead they perceive choices of other producers and pick a "pricing/volume" combination that places them somewhere between those producers slightly lower in quality and those slightly higher in quality. Networks can also influence flows between two actors, and they can additionally be relevant when others in the market make inferences about the qualities of those two actors on the basis of the tie (Podolny 2005). A related empirical study indicates that consumers' perceptions of day care centers are affected by whether the center has a tie to a legitimate institution like a church or school (Baum and Oliver 1992). As a consequence of the specific structure of signaling processes, actors make signaling decisions based on the observation of an economic situation (White 2002). This finding from economic sociology coincides obviously with the embeddedness tradition.

The embedding of the economist's neoclassical theory of the firm within a sociological view of markets (White 1981) describes markets as self-reproducing social structures (or tangible cliques) in which firms watch the competition in terms of observables. This interactionist description would not find a theoretical backing in the embeddedness discussion attributing centrality to social networks for the sociological rethinking of the market (Granovetter 1985; Raub and Weesie 1997; Portes and Sensenbrenner 1993; Uzzi 1997). By contrast, it is argued here that from a field-and-habitus-based view markets reflect the totality of direct interactions that depend on socially constructed structures of the field (Bourdieu 2005). In this structuralist view, field forces affect market actors' ability to mobilize (e.g., control, guide and express) power and enact situations on the one hand. On the other, they create and restrain the ability to recognize, perceive and react to the characteristics of certain situations. Agents have to recognize the characteristics of other actors in the field, for instance, that an individual actor displays certain strengths. By recognizing these strengths or "signals", two mechanisms coincide: internal and external recognition. Once internally recognized within a field, which can be a firm, signals such as strong ties to the top management are regarded as legitimate and are, thus, converted into symbolic capital. This symbolic capital functions in line with the logic of the field. To the contrary, external recognition reflects the outside perspective – in the case of signaling strengths – towards the economic system and its general assumptions about the value of each of its components for organizational production (Iellatchitch et al. 2004; Mayrhofer 2002). The extent to which characteristics are recognized will either confirm the actor's expectations or create a new modified configuration of power relations (see analogically Bourdieu 2000, p. 78).

The signaling process itself is part of those sets of actions in which actors reproduce their own set of actions. These sets confirm as correct each actor's expectations of what it hoped was an optimal outcome (White 1981). This view is a case of "rational expectations" (Muth 1961; Kantor 1979) which are part of a feedback model (White 1981) derived from Spence (1974) and Akerlof (1970). These "rational expectations" build on the assumption of a generalized "market schedule" of observed outcomes rather than on the economists' supply-demand analysis. This market schedule is operationalized by $W(y)$, where W stands for revenue and y for income. Economic actors know the costs of their products and try to maximize their income by determining a certain volume for

their products. They do not know how these products are perceived. All they know is what volumes sell at what prices. This understanding of action contributes to the constitution of a course of action on the basis of observed and observable features, disregarding cognitive and motivational limits of optimization. It also explains the empirical findings that specific industrial markets concentrate in different market regions according to their cost schedules, other competitors, buyers and volume of production. Moreover, markets follow an ecological logic in which heterogeneous producers (actors) with differentiated strengths may find or maintain their position in four types of market niches. If we turn to labor markets, White extended Spence's model by demonstrating that signaling models for labor markets also work when the correlation of productivity with signal is positive (for a detailed description see White 2002). This implies that different market contexts enable different choices and that foreseen signaling decisions to achieve an expected outcome cannot be understood independently from the observed market schedule.

It would be misleading to see signaling decisions as originating from independent rational minds. However, even in the most unique species of a market, that is, the labor market (Solow 1990; Polanyi 2001 [1944], 1957), such assumption will turn out not to be visibly invalidated. What is sold in labor markets is human activity, which naturally involves dispositions, preferences, and interest. The idea that the productivity of the workers decides the salary, and who gets hired and promoted, may be inaccurate. First, because productivity is hard to measure and is influenced by many factors, e.g., ethnicity, gender or whether the work is in an expanding or contracting sector and the like. Different factors entail diverse opportunities which complicate the relation to productivity (for opportunity chains see Granovetter 1988; for space of possibles see Bourdieu 2000). Second, because interests are central to labor markets. Activities of human beings with interests of their own are sold. In a field and habitus perspective these interests lead actors into a subjective dialogue with the limited subspace in which they interact until they have stabilized in the limited subgroups of agents their own perception of an object or relation. If one understands signaling as taking place in complex situations and under conditions of uncertainty, the quality of signals difficult to observe is to a greater extent determined by internal and external recognition. The objective power relations of the field mark the structure through which signals are conceived. This is the same structure that gives little room for economic behavior for being counter-adaptive.

With the notion of economic reason a field and habitus perspective can articulate with the empirically established rational action theory. Reasonable expectations can be understood as expectations matching the objective probabilities assumed in rational choice theory. They are instantaneously adjusted or reinforced by the collective controls until they are conceived as confirming or disconfirming the field out of which they arise. Thus, we find an aggregated set of individuals behaving as if maximizing their utility. This interpretation, though generally justified in terms of the rational paradigm, does reflect reasonable expectations which, in contexts of uncertainty, only as a by-product reflect those of "the representative agent".

Advertising, like all symbolic action, is most successful when it stimulates socially constrained dispositions, which it expresses and provides an opportunity for acknowledgement. Advertising strategies follow general laws of operation that form such action applicable in all economic fields (Bourdieu 2005). Family-dominated business groups with members from the same kinship context provide orientation of the situation by exposing them to shared understanding (La Porta, Lopez-Silanes and Shleifer 1999). The break with rationalist expectations induces actors coherently structured in their propensities and habits to economic reason within social space.

6. Conclusion

This article started from the notion of embeddedness that induced economic sociology to prioritize the analysis of structural forces over the question of the foundations of economic action. A sociological conception cannot simply refer to the rational paradigm. Rationally calculated choice is limited due to complex and uncertain contexts which make it impossible for actors to choose optimal means for the achievement of expected outcomes. In contrast to a teleological model, a first step towards an approach has been sketched on the basis of the field and habitus concept of economic reason and applied to the understanding of signaling. The central concept of field and habitus has been discussed selectively to analyze the dynamics which generate and reproduce economic reason.

The purpose of introducing the field and habitus concept is not to replace the notion of embeddedness but to enhance economic sociology by one conceptual level. The field and habitus concept is assumed to complement the notion of embeddedness with the construct of economic reason. This would allow for a dynamic view of socially constructed action undertaken by agents using the power attached to them by virtue of their positioning in the field and which depends to a considerable part on the pre-understanding or apprehension of certain stimuli. The introduction of the field and habitus concept aids the understanding of how economic action is generated out of structural conditions, and how coordination as illustrated by signaling is grounded in observation and recognition of action. Relating these two cognitive acts to social structures helps to understand, first, the reinforcing and reproducing nature of economic action, and second, why actors make use of resources for well-suited action. The suggestion is that economic sociology should enhance its analysis of economic action by linking micro- and macro-level systematically in order to advance its understanding of economic action, and to provide ideas for an alternative to the rational-actor model. Such a micro-macro link and its correct determination are crucial for understanding the dynamics of firms and markets.

Notes

1. For spillovers of concept of embeddedness into various subfields of sociology, see Krippner and Alvarez (2007).
2. Whereas reciprocal interaction between means and goals is a central concept in pragmatist theory (Dewey 1958 [1925]), reciprocity in structuralist approaches is mostly associated with the “unconscious principle of the obligation to give, the obligation to give in return, and the obligation to receive” (Levy-Strauss 1950 p. xxxviii; see alternatively Bourdieu 1977: 5)
3. Obviously, we should not omit works dealing with the polyvalent nature of the concept, and which draw attention to potential limits of beneficial effects, for instance, when embeddedness turns into a liability. Portes and Sensenbrenner (1993) analyzed the phenomenon of network complementarity related to the paradoxes in immigrant economies, and found that network closure facilitates credit circulation, but also restrains incentives for entrepreneurial activities by decreasing individual mobility (cf. Waldinger 1995).
4. See “Structures, Strategies, and the Habitus” or “The Educational System and the Economy” published in *French Sociology: Rupture and Renewal since 1968* (Lemert 1981a,b; see alternatively Bourdieu 1977, pp. 72-73), *Question de Sociologie* (1993), and *Distinction* (1986).

5. One should note that the appearance of a new, innovative firm in the field (emerging out of another subfield) may transform, by virtue of the technological capital it possess, the tempo of transformation. For the discussion of innovation see for instance Beckert (2003).
6. See for relations of exchange with the superimposed field of politics/power the works of Anheier, Gerhards and Romo (1995) and Savage (2005).

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