abstract: This paper argues for a theoretical approach based on embeddedness which assumes that the economic actor is not an atomized and utilitarian individual, but is in fact positioned within specific historical and institutional contexts in various social networks. This approach is based on Polanyi’s critically debated contribution which allows for an empirical study of the diversity of institutional structures and of the significance of configurations of insertion within different social networks. Such diversity results from the double movement of disembeddedness and re-embeddedness caused by the spread of constantly emerging market opportunities, and by the importance held by the historically and culturally different selective processes of path dependency in the construction of the institutions of social regulation and of the socialized preferences of economic actors. Within these processes attention is given to the transformation of social systems based on reciprocity (household, kin, social capital networks, etc.), associations of shared interests, forms of economic organization (in a plurality of coexisting ‘economies’), unequal distribution of power, and political intervention.

keywords: culture ✦ embeddedness ✦ entrepreneurship ✦ kin network ✦ market ✦ path dependency ✦ reciprocity ✦ social institutions

Introduction

Embeddedness expresses the notion that social actors can be understood and interpreted only within relational, institutional and cultural contexts and cannot be seen as atomized decision-makers maximizing their own utilities. Embeddedness approaches prioritize the different conditions within which social action takes place. They challenge the utilitarian, ‘under-socialized’, neoclassical position, according to which behaviour is viewed as transcending the social, and the functional ‘over-socialized’ position,
where social conditions exist a priori to behaviours, and norms and values are deeply internalized. The concept of embeddedness is based on several assumptions about society: the actor is not an atomized individual; immediate utility cannot explain the full meaning of social relations; logics underlying the formation of institutions and their norms of behaviour cannot be removed from the contexts of social interaction within which these institutions exist. We put forward an additional assumption relevant to our present discussion: contemporary societies are experiencing convergent trends of transformation resulting in diverse processes of adaptation that evolve from specific social, cultural and cognitive configurations.

These assumptions are well described ethnographically in the anthropological literature, and are also present in Weberian approaches (methodological individualism) where they become criteria for the ideal type reconstruction of the meaning of individual action. We can also see them in structural approaches concerned with the dynamics of logics governing social behaviour.

The concept of embeddedness that followed from the work of Polanyi (1944, 1957) was revisited and reworked by Mark Granovetter (1985) and has ever since been at the centre of the theoretical and methodological debates within the so-called ‘new economic sociology’ (Swedberg, 1997, 2003). At the core of this approach, a number of important contributions illustrate the importance of social networks, social capital, the diversity of cultural and cognitive elements and the social construction of markets (Burt, 1992; Nee and Ingram, 1998; Zelizer, 1988, 1994).

Embeddedness-based approaches encounter analytical difficulties in their passage from a micro- to a macro-level examination. Unlike utilitarian and under-socialized frameworks of analysis, this kind of analysis is not fully formalized because it assumes that differences in time and space are embodied in the interpretations of social behaviours. Unlike over-socialized explanations, this approach does not codify conditions of social insertion by applying a priori modalities (i.e. internalized prescribed behaviour) to atomized actors who seemingly transcend social relations. Such relations must be better understood as being tied in some way to historical, spatial and cultural elements, which also need to be explained and understood.

As we see later, within embeddedness approaches it becomes essential to fix the link that explains the process through which networks and systems of social relations turn into institutions and macro-social regulations of behaviour. As Nee and Ingram (1998: 20) argue in relation to the Granovetter version of embeddedness,

\[\ldots\] without incorporating institutional effects, this network-embeddedness perspective is limited in its explanatory power. \[\ldots\] A firmer basis for intellectual
trade between economics and sociology results from understanding how institutions and network ties are linked. Specifying the social mechanisms through which institutions affect behaviour provides the missing link, integrating a choice-within-institutional-constraints approach with the network-embeddedness perspective.

The subject of the following discussion is to explore the notion of embeddedness from a theoretical perspective with a brief analysis of the contributions made by forerunners, such as Durkheim and Weber, and subsequently the contribution of Polanyi, to conclude with an illustrative application of the concept of embeddedness. There is an attempt to combine the methodological rigour of Granovetter’s approach – especially his critique of atomized actors in the over-socialized versions – with Polanyi’s contribution in order to single out the sociohistorical processes that allow us to shift from the various forms of embeddedness to the configuration of institutions regulating social and economic behaviour. In this sense, we reconsider the concept of path dependency, as a tool to identify the persistence of diversity and innovation inside the processes of social change. More to the point: why despite pressures to converge do important differences persist? The persistence, the resilience, the continuity, the survival, or whatever we may call it, of certain regional or local characteristics is a much neglected aspect in sociology. Explanatory difficulties arise also when such persistence induces changes (i.e. innovative or adaptive) that diverge from an alleged process of convergence.

We argue that the persistence of diversity cannot simply be dismissed as a residual epiphenomenon relegated to generic and reified terms such as ‘tradition’ or ‘culture’. This is the reason why we advocate path dependency to complement the network analysis typical of the studies of embeddedness inspired by the approaches à la Granovetter, while at the same time recuperating Polanyian fundamental categories.

We are aware that this article is only a brief contribution to positioning the concept of embeddedness within a broader empirical perspective. It is apparent that this sketchy exposition requires additional work in order to improve its theoretical depth and cohesiveness. Ultimately, this can also be reached in practice through the implementation of the method we advocate for empirical research. In this respect, the work by Tilly and Scott mentioned towards the end of this article serves to explain this theoretical approach.

**Durkheim’s Contribution: Social Ties, Institutions, Socialization**

Even though it was Polanyi who introduced the term ‘embeddedness’, tools for analysing the contextual diversity of social action were already
present in classic works, especially those of Durkheim and Weber. The former theorizes the relevance of social ties and socialization processes; the latter brings into relief the tensions characterizing the processes of rationalization. Both conceive of the actor not as a utilitarian and atomized *homo oeconomicus*, but as a subject inserted in diversified networks and institutional contexts, the very subject matter of sociological analysis.

For Durkheim, the advent of modern industrial society is accompanied by a profound transformation in the ties that characterize social life. The increasing and more complex division of labour, industrialization and urbanization progressively weakens ties of mechanic solidarity that regulate cooperation in the small and stable communities typical of the preindustrial era. Yet, Durkheim opposes the idea that ties in modern society are the inevitable outcome of fragmented and diversified self-interests. The mechanic interplay of interests would lead to conflict and anomie, to the break-up of society, and to the loss of opportunities for cooperation – ‘every harmony of interests conceals a latent conflict, or one that is simply deferred’ (Durkheim, 1984: 152). Organic solidarity is therefore a relation of cooperation socially built upon an institutional process regulated by norms and rules within which the modern nation-state and labour organizations play a key role. In Durkheim the critique to the idea of *homo oeconomicus* stems precisely from the belief that self-interest is always negotiated and subordinated to society as a whole. This perspective may lead to an over-socialized position, but at the same time it may provide insights into the way in which social ties generate the institutional regulation of behaviours characteristic of different situations of embeddedness. Durkheim’s contribution, to view socialization processes as a matrix of the different conditions of embeddedness, stems from this latter direction. Rules regulating social interaction are transmitted through learning, which takes place in situations of persistent diversity and ongoing change. Such situations determine not only new economic and technological opportunities, and consequently new regulative necessities, but also make possible different levels of individual freedom for next generation cohorts. This issue is also dealt with in the concluding section on path dependency and embeddedness.

**Max Weber: The Process of Rationalization as a Matrix of Diversity**

For Weber the interpretation of modern society relies on two linchpins: the notion of methodological individualism based on the motives of individual action; and the idea that modernity is characterized by complex processes of rationalization, which points to the increasing importance of rational action. Weber does not assume that social action is performed by
atomized individuals maximizing utility, but rather by persons influenced by their social networks, specific habits and traditions, by shared values and culture. The diversity of social contexts produces substantial variations in ‘the interest of the actors as themselves are aware of them’ (Weber, 1978: 30). It is from this concern with diversity that Weber’s contribution to the notion of embeddedness can be drawn.

Weber singled out two different forms of social interaction affecting social behaviour in different ways: one form comes into being when two or more actors are related by a shared sense of membership to a delimited social group (the community); the second arises when actors share common interests (the association). Rationalization does not entail the extinction of community ties (Vergemeinschaftung), but it sets off an ongoing transformation of these same ties, which inevitably causes tensions with associative relations (Vergesellschaftung). In particular, the pervasiveness of instrumental rationality is at odds with traditional habits. Change, therefore, does not lead to a uniform process of utilitarian individualism, but is the effect of variable forms of adaptation. Such forms constitute the main basis upon which the notion of embeddedness can be closely examined.

Weber’s second major contribution regards the tensions present within rationalization processes, particularly between formal rationality and substantive rationality. The former pertains to market exchange and immediate utility, the latter may be seen as the foundation of redistributive logics. While rational behaviour emerges from the tense interplay of these two forms of rationality, values determine the need for institutional regulation, the priority of the public good over the individual’s immediate benefit.

‘Formal and substantive rationality, no matter by what standard the latter is measured, are always in principle separate things, no matter that in many (and under certain very artificial assumptions even in all) cases they may coincide empirically’ (Weber, 1978: 108). Here Weber indicates an important tool to empirically analyse the diversity present in the processes of social construction of regulative institutions.

The Protestant Ethic and the Spirit of Capitalism (Weber, 1958) may be read as a pioneering work on sociocultural embeddedness. Weber notes how typical capitalist behaviour – profit-orientation and emphasis on the importance of professional beruf – can only develop and extend in favourable cultural contexts fashioned by the Protestant ethic. Therefore he reaffirms the idea that homo oeconomicus is not an atomized individual removed from his/her own cultural context, but rather that different sociocultural configurations – familial, ethnic, local and religious conditions in which any individual is socialized – keep a decisive influence on orienting his/her social behaviour.
Polanyi: The Process of Disembeddedness and Re-Embeddedness

Polanyi argues that the diffusion of market-based relations is a socially disruptive process. The notion of embeddedness may thus be used to understand the logics underlying the formation and transformation of social institutions in contexts of market exchange. In market-based relations immediate self-interest prevails over other relationships, causing diversified processes of disembeddedness – as economic relations bring about social disruption – and concomitant processes of re-embeddedness (i.e. new forms of regulation).

Polanyi shows how these concomitant and ongoing processes occurred historically and cross-culturally, describing them as a ‘double-movement’. His historical approach in *The Great Transformation* (Polanyi, 1944) denounces the disruptive effects of laissez-faire and emphasizes how serious tensions run through modern society. Countermeasures – i.e. new regulative institutions – are established to keep at bay the negative impact of the diffusion of market relations. In particular, the need for new regulative principles arose as the ‘fictitious commodities’ – labour, land and money – were entirely subject to the rules of self-regulating markets. The commodification of these elements that are not, strictly speaking, commodities, is incompatible with social life and yet ‘essential to a market economy’ (Polanyi, 1944: 73). It follows that capitalist societies, built upon commodification processes, are characterized by a double movement of disembeddedness and re-embeddedness (the necessity to produce new social regulation in the markets of fictitious commodities). *The Great Transformation* does not contain a theoretical and methodological model with which to carry out sociological analysis on the various manifestations of embeddedness. In ‘Economy as an Instituted Process’ (Polanyi, 1957: 243–69), however, Polanyi does outline a procedure employing the conceptual tools of anthropology, which is subsequently used to develop a sociological theory of embeddedness.

Polanyi identifies three types of exchange relations: reciprocity, redistribution and market exchange. Reciprocal and redistributive exchanges are meaningful only in as much as they are conceived of as part of the social order. They express two diverse logics of social organization comprised of specific meanings and contents in different cultural and historical settings. The logic of reciprocity is built upon the collective interests of small groups with strong and close ties – defined as community relationships in sociological terms. In this form of exchange, rules favouring the reproduction of the social group prevail over the immediate self-interest of the individual. By contrast, the logic of redistribution stems from membership in a wider community and its internal power relations.
In this setting of stable, hierarchically organized and politically legitimated social relations resources are extracted from some individuals to benefit others.

At an abstract level, market exchange is not compatible with society – the efficiency of competitive behaviour occurs among atomized actors who are not enmeshed in social relations – and therefore appears to be guided by a universal logic devoid of social substance. Reciprocity and redistribution are viewed as embedded, while the market is disembedded. The problem of embeddedness in modern society is to explain how it is possible to reconcile a growing number of market-based interactions with social order. If at the abstract level it is possible to hypothesize an interactive phenomenon that exists outside any form of social organization, in reality systematic market exchanges cannot take place outside a favourable social context (Barber, 1995; Mingione, 1991).

According to Polanyi the three different logics of exchange – present always in different combinations – provide society with needed institutions, and therefore with the various configurations of embeddedness. The disembeddedment resulting from increasing individualism constitutes the driving force in ongoing transformations affecting all social institutions, those founded on reciprocity (i.e. household, kinship), those based on redistributive principles (such as the expansion of welfare programmes) and those which make the markets of fictitious commodities more compatible with society (such as the legal and contractual organization of firms, labour markets, land and housing transactions, financial and monetary control). The outcomes of this process vary according to the dynamic interaction at work in different historical, cultural and cognitive contexts.

The notion of tensions singled out by Weber and Polanyi makes it more difficult to implement interpretive parameters, yet social scientists should not retreat from such a challenge. The construction of institutions governing modern societies is understood as a contextual double movement – much more difficult to construe in terms of utility and immediate functionality. The disruption of sociality caused by growing individualism and the concomitant reconstruction of social ties to limit individualism themselves explain the chronically unstable equilibrium of modern society.

**The Social Construction of Differences: Innovation and Path Dependency**

The approaches based on embeddedness show how it is possible to interpret market-based societies without employing the reductive and a-social
parameter of utilitarianism. It is true that utilitarian logics provide the easiest access to the atomized dimension of the individual – but these are socially meaningless because utilitarian behaviour cannot occur without the concurrent presence of institutions, norms and culture in society. Polanyi’s critique of the self-regulating market, and Weber’s idea of permanent tensions between formal rationality and tradition, and between formal and substantive rationality, stress this precisely. We use the following example of labour regulation to clarify embeddedness approaches.

In contemporary societies the market sets wages based on the competitive relation between the supply of the workforce and the demand of the employers within a logic of labour productivity. However, linking wages to productivity presents insurmountable difficulties when considering workers’ social life. Their needs change because their life cycle and material condition change as well. For example, a working couple with small children inevitably go through a concomitant decrease in productivity and an increase in social needs. Resorting to market self-regulation is not an effective solution: if the employer were to provide parental leave as well as a wage increase to the new parents, the company’s competitiveness would be compromised and its future threatened. In Polanyi’s terms, this is the disembeddedness side of the question. As a response (the re-embeddedness part of the process of modernization) to this problem, changes have occurred within the household through the devising of new strategies of adaptation; in addition, new forms of social protection have been introduced, such as the state regulation of parental leave and childcare services.

The market, constrained by its own logic of competitiveness, cannot solve the labour disputes that are generated within it. Such disputes are being dealt with by the arrangement of adapting mechanisms, based on cooperative logics among which we may single out reciprocity (family, kinship, community care strategies) and redistribution (welfare state programmes of child care and parental leave regulations). The market enters the process of re-embeddedness by mobilizing logics that allow for the stability of cooperation (consider the establishment of daycare provided by firms, particularly by high productivity firms interested in investing resources in order to attract and maintain highly selected female workers).

The process of adaptation varies across societies, even though they undergo similar pressures and economic trends. One of the steps suggested here to highlight the different conditions of embeddedness is path dependency analysis, that is, a historically selective process within which some embedded conditions are transformed into specific institutional configurations of development.

Returning to the previous childcare example, along different historical routes some social contexts develop a greater number of universal public
services, whereas others give more importance to the private sector, and others more often resort to family care and to social network solidarity – as Esping-Andersen (1990) shows in his analysis of the different worlds of welfare capitalism. Cultural and social diversity may be a source of social action or its very limitation. Adaptation continues to modify the various starting conditions through paths where choices and opportunities are given neither by individual utility nor by predetermined social institutions.

Path dependency suggests the historicized dimension of social analysis. The translation of such a historical dimension into research procedures is quite complex, yet essential. If the actor is not viewed as an atomized individual, he/she must therefore be located in different social, cultural and cognitive contexts, which are the outcome of diversified historical processes of change, innovation and adaptation. It is through the empirical analysis of path dependency processes that we can understand the macro and comparative meaning of different forms of embeddedness in different models of industrial development without resorting to oversocialized views. In conclusion, we would like to return to the example of work regulation in order to identify a few of the possible interpretations that allow us to take into account the interplay of different conditions of embeddedness within processes of change. This is a partial and preliminary undertaking to be developed by future contributions.

Tilly and Scott’s (1987) comparative analysis on the conditions of women in 19th-century England and France documents two different social models of response to the development of wage labour. In the first model, proletarianization is more accentuated and radical (the English model) as the nuclear working-class family can no longer rely on a peasant subsistence economy. In the second model (a model which applies not only to France but also to all the countries of continental Europe), the difficulties of reconciling wage labour with procreation and childcare, especially in the first phase of industrialization, set in motion forms of solidarity between working-class families and kin relations. These family ties served as a source assistance with childcare allowing working-class mothers to keep their full-time factory jobs.

In the English model, ties of social solidarity within kin networks were weakened and this fact steadily influenced the configuration of social networks resulting in impoverished social relations across generations. In the second model (as in all late forms of industrialization, as experienced by worker-peasants or ethnic entrepreneurs or small entrepreneurs within industrial districts), these ties were transformed and reinforced because they were at the heart of the process of re-embeddedness. This phenomenon has left as its legacy an unforeseen feature of modernity well documented by continental social historians, namely a strengthening of cooperative
relations within kin networks, that are able to receive (and give) support and care in critical times of the family life cycle. In northern Italy, these cooperative kin networks also became the social milieu out of which small entrepreneurship developed, because entrepreneurs could draw upon these kin ties to set up and run their firms (Ghezzi, 2003).

In terms of path dependency, we can also reflect on the fact that in France this ‘solution’ turned out to be more effective due to an earlier development of birth control, which curtailed peasant out-migration. Even now this configuration helps explain some of the distinctive features of the French welfare system designed to favour a high birth rate, working mothers and childcare, even at the preschool level. In the countries of southern Europe, where industrialization was experienced at a later time, the path dependency of industrial adaptation of kin and communitarian networks was longer. This feature was also due to the ongoing presence of family-run firms, the influence of Catholic familistic culture, and a combination of economic difficulties which set into motion processes of defamilization. Even today, people rely on extended family solidarity. Young adults may continue to live with their parents and be supported and aided financially by them when they set up their own households. Grandparents and in-laws may also provide a significant source of assistance, especially in terms of childcare when it becomes difficult to reconcile work and family time.

Within this interpretative framework the diverse forms of re-embeddedness and path dependency become empirically manageable and are able to explain the different orientation of social and economic actors. In fact, the institutional configuration of family organization continues to be an important dimension of all contexts of industrial societies (in contrast with utilitarian assumptions). Moreover, this configuration is continuously diversified (in contrast with functional Parsonian assumptions of a homogeneous nuclearization of the family structure). In general, as Beckert (1996) noted, embeddedness-based approaches address the key issue posed by the spread of competitive market behaviour, namely uncertainty (instability and insecurity). The forms of re-embeddedness are present in different configurations where different institutional logics are intertwined, yet all geared towards stability and the certainty of social cooperation, reciprocity, redistribution and market exchange. Path dependency analysis reveals both the bearing of different starting configurations and the impact through time of diverse political-economic and social decisions.

**Concluding Discussion**

Two key areas of study seem to benefit from the theoretical framework of analysis we have tried to outline without attempting to conduct an analysis
of a concrete historical development. The first is linked to the understanding of the processes of re-embeddedness – always differentiated, especially at the local level. In the current situation of high uncertainty caused by extreme competition, we can experience a sense of increasing instability in general, heterogeneity of jobs and novel organizations of firms, as well as new household arrangements and diversified life histories. All these conditions have been undermining the effectiveness and legitimacy of the national regulation of welfare states that had been created in the Fordist period. The second area refers to an alleged socioeconomic convergence in Europe, one that takes as its points of departure highly differentiated contexts. Our theoretical framework wants to demonstrate that this trend is only partially occurring and that these differences continue to exist and play an important role. It is in such a manner that embeddedness approaches in economic sociology have an edge over other theoretical perspectives. They take into account and stress that societies are differentiated and increasingly less standardized; yet, this point does not constitute a shortcut to an interpretative route that remains complex and not very formalized.

Path dependency aims at reassessing the historicized dimension of social analysis that was already present in the work of Polanyi and Weber, and that is inclined to disappear in the micro-analyses à la Granovetter. The empirical research of the historical dimension is unquestionably complex from a sociological point of view, yet it constitutes an essential and inevitable footstep for the improvement of embeddedness-based approaches. The actor, far from being atomized, must be inescapably viewed as enmeshed in different social, cultural and cognitive contexts; otherwise – as John Davis has put it – ‘without structure and without social relations, events are essentially arbitrary’ (Davis, 1992: 16). These manifold contexts are the product of historical processes of change, innovation and adaptation, which are to be explored as well both from a micro- and macro-analytical point of view.

Note

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References


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