



## **Market Sociology**

### Lesson 4

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## Markets as networks

Marc Granovetter (1977, 1985, 1990, 1992, 2000)

Harrison White (1981, 2002)

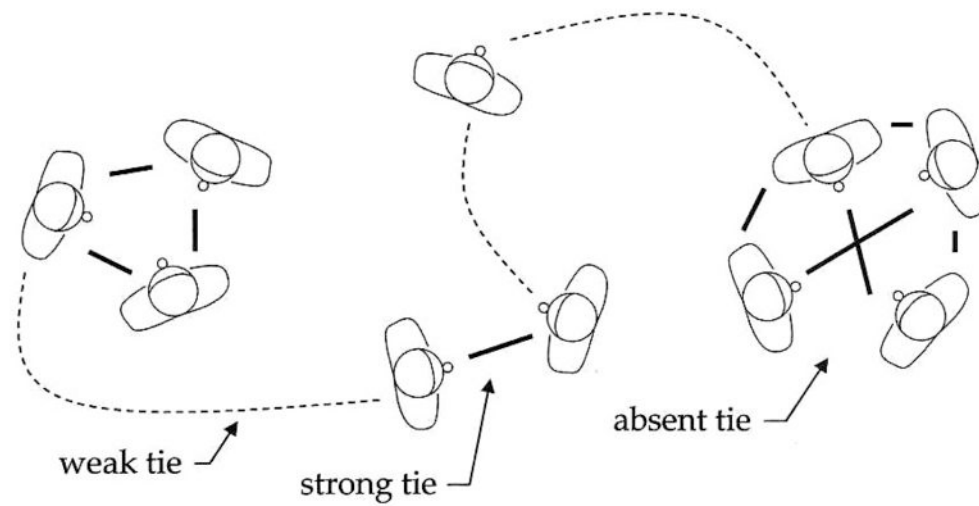
... criticize Polanyi's and Parson's approaches to as both over- and undersocialized.

- Oversocialized: Both approaches *postulate* norms as the 'glue' of society (without being able to tell how norms evolve).
- Undersocialized: Both approaches focus on atomistic *individual* actions.

Counterargument: "... most behavior is closely embedded in networks of interpersonal relations and such an argument avoids the extremes of under- and oversocialization" *Granovetter (1985) Economic Action and Social Structure.*

## Markets as networks

Marc Granovetter: The strength of the weak ties (1973)



## Markets as networks

Marc Granovetter: The strength of the weak ties (1973), Getting a Job (1995)

*Focus: Job Market*

Findings: Of those who found jobs through personal contacts, 16.7% reported seeing their contact often, 55.6% reported seeing their contact occasionally, and 27.8% rarely.

often = at least once a week, occasionally = more than once a year but less than twice a week, rarely = once a year or less

## Markets as networks

When asked whether a friend had told them about their current job, the most frequent answer was: “not a friend, an acquaintance”.

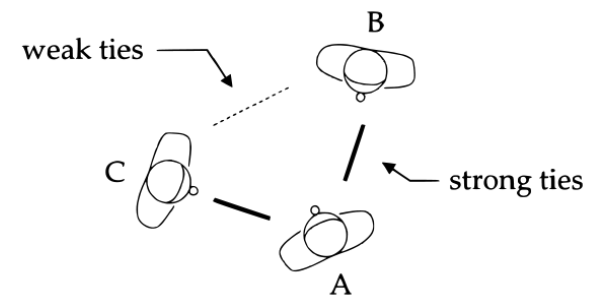
### *Conclusions*

Meso-Level: Weak ties are an important resource in job markets

Macro-Level: Weak ties affect social cohesion

### *Hypothesis*

Weak ties demand less respect for the quality of relationships



## Markets as networks

Gernot Grabher (1993) *The Weakness of the Strong Ties*  
*Industrial Districts (Ruhr Area, Structural Change)*

Positive and negative Ties

*Personal Level*

Friendship versus animosity.

*Social Structure Level*

Group think

Path-Dependency



## Markets as networks

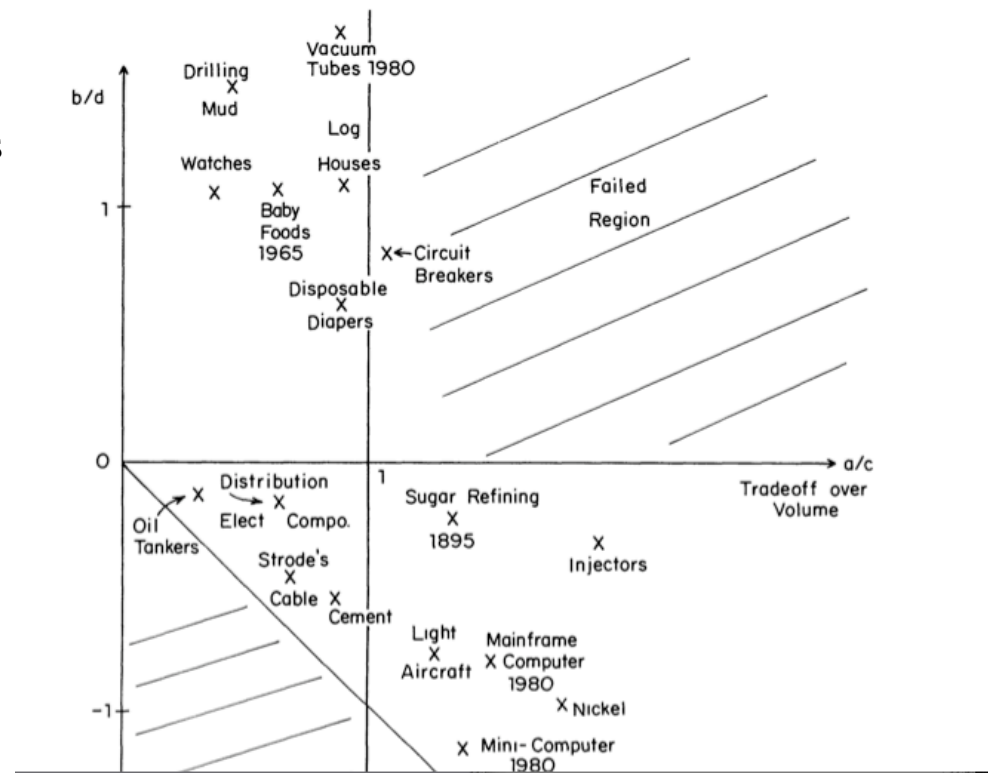
Harrison White (1981) *Where Do Markets Come From?*  
*Kick-Off of "New Market Sociology" (Beckert, Diaz-Bone and Ganssmann 2007)*

1. Topic
2. Problem
3. Relevancy
4. Knowledge
5. Limits in Knowledge
6. Research Question
7. Paper's Contribution
8. Overview of the Paper

# Markets as networks

## 1. Topic

### The Structure of Industrial Markets





## **Markets as networks**

### 2. Problem

The structure of industrial markets differs from what economic models suggest

### 3. Relevancy

Could it be that, regarding markets, economists rely on wrong basic assumptions?



## Markets as networks

### 4. Knowledge

Common sense: Markets as equilibrium between supply and demand

### 5. Limits of Knowledge

Why is supply organized in the stable form of industries (even if demand increases)?

- Why do firms that launch a new product type buy a company already producing the type rather than producing the product themselves?
- Why do firms buy competitors (instead of competing with them)?
- Why do prizes sometimes stay constant even if demand increases?



## Markets as networks

### 6. Research Question

If not from supply-demand-equilibria, then ‘from where do markets come from?’

### 7. Papers contribution

- Vertical and Horizontal Networks of Roles and Signals
- On the Roles of Producer and Consumers
- On Market Power

- *My question: Where Does Market Power Come From?*



## Markets as networks

### Basics

*Focussing: A problem limited in scope*

*Selling, not Telling: Reason for studying it*

*Addressing: Who will benefit from the paper?*

*Embedding: You never study islands, you always study peninsulas!!*

## **Markets as networks**

### *Question*

In what regard(s) do the Granovetter's and White's concepts of 'Markets as Networks' differ?