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## Note from the editor

# Economic sociology in Asia – from modernization to embeddedness

Cheris Shun-ching Chan

It is a great honor for me to serve as the first Asian editor of *economic sociology. perspectives and conversations*. In this privileged position, my first instinct is to introduce economic sociology in Asia to the global readers. With the limited space, this issue focuses on the development of economic sociology in China, Japan, and the four Asian tigers (also known as the four little dragons, which are Hong Kong, South Korea, Singapore, and Taiwan).

Economic sociologists in Anglo-American contexts have long been interested in the Japanese economy and Japan being the economically most advanced country in Asia in the second half of the twentieth century was taken as a prototype of Asian capitalism. The contrast between Fordism and Toyotism, for instance, has always been in my economic sociology

syllabus. Japan's speedy recovery in its economic development after World War II made it the lead of the Asian economy in the 1960s to 1980s. At the same time, the economies in Hong Kong, Singapore, Taiwan, and South Korea began to take off and attracted most attention in the 1990s. The People's Republic of China (PRC) launched its economic reform in the 1980s and began to take the global stage in the twenty-first century. Despite the vast variety of these Asian economies in terms of government policy, cultural force, market structure, and institutional setting, their organizational features were broadly characterized as Asian capitalism or network capitalism (Hamilton 1996; Hefner 1998). While no one will deny the importance of relationships in doing business in Japan and China, what kind of relationships matter and

how to do it right, however, vary to a large extent. Where personal, family, and kinship ties form the core of Chinese business networks, long-term intercorporate ties set the stage for the Japanese business networks (Hamilton 1996). At the same time, except in the case of Hong Kong, the state in these Asian economies is often more directive than simply regulatory. For example, the *keiretsu* in Japan and the *chaebol* in South Korea, which could be considered the backbones of Japanese and Korean industrialization, had gained immense support from and favor with their respective state's policies (Gerlach 1992; Biggart and Guillen 1999). In China, the state does not only provide favorable policies for domestic corporations to catch up with the global giants; it is the architect and the composer of the country's economic performance.

The six contributions in this issue were written by authors who grew up and have been residing in their own countries or regions. They document what economic sociological works there are in China, Japan, South Korea, Taiwan, Hong Kong, and Singapore, and provide an engaging account of economic lives there. These pieces together provide us with a comparative lens for glancing through the development of economic sociology in (East and Southeast) Asia. It is not by accident that indigenous sociological inquiries about economic lives in both China and Japan appeared in the early twentieth century with the intention of understanding some social problems brought about by modernization and industrialization. Intriguingly, economic sociological works on the four Asian tigers as well as those on China and Japan began with the Weberian question of the emergence of a particular form of capitalism (and its absence). We will see that household economy and family business are prevalent in Hong Kong and Taiwan, but both economies have managed to join the global value chain by moving their factories to the PRC for cheap labor. Taiwanese manufacturers go a step further to develop mega-size factories like Foxconn, which became a "world factory" that serves as the main supplier of Apple devices. Empirical studies of embeddedness are another common focus of Asian economic sociology. Social embeddedness in the Japanese economy is so sweeping at the interorganizational level that "institutional linkages" could lock individual employees in their job positions for life. While the Japanese form of embeddedness is not the same as the Chinese form of embeddedness, both cases demon-

strate the problem of over-embeddedness. On the other hand, the conceivable negative connotation of the role of informal relationships in affecting economic outcomes implies corruption in Singapore, and hence local studies of embeddedness are relatively scarce.

To our surprise, economic sociology has been experiencing tremendous growth in the PRC, despite the country being a latecomer of economic development in the twentieth century. According to Ping Fu, professor of sociology at Central China Normal University and the chair of the Economic Sociology Section of the Chinese Sociological Association, and colleague, interdisciplinary social science research on economic lives appeared in China as early as the twentieth century. Early sociological studies focused primarily on the economic foundation and the impacts of urban and rural industrialization. The problem of modernizing China was the key concern of the Chinese sociologists at that time, and a rather unique focus was on agricultural economy. Many of these sociologists were trained overseas. Among them,

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Xiaotong Fei, a student of Bronislaw Malinowski, published his ethnographic research on a village in east China, entitled *Peasant Life in China*, in 1939, and this text remains one of the classics in Chinese sociology today. Unfortunately, sociology was among the social science subjects that were abolished and disappeared for more than two decades during the Maoist era. When sociology was reborn again in the post-Mao era, economic sociology grew so rapidly and impressively that an economic sociology department was inaugurated in Shanghai University of Finance and Economics in 2003. In 2012, an economic sociology section was formed under the Chinese Sociological Association. Today, Chinese economic sociologists come from various training backgrounds. What they have in common is that they are not confined to applying theories and concepts imported from the occidental

contexts but are making efforts to develop original theories to understand the ever-increasing complexity of Chinese economic lives.

In contrast, Tsutomu Nakano, professor of organization and strategy at Aoyama Gakuin University in Tokyo, and his colleagues tell us that economic sociology is not as widely recognized in Japan. Indeed, this is reflected in the process of soliciting a short article about economic sociology in Japan for this issue. I approached a number of Japanese scholars who have published excellent sociological works related to various Japanese economic lives, yet they did not seem to identify themselves as “economic sociologists” and hence courteously declined the invitation with the reason that they did not know much about “economic sociology in Japan.” Thanks to Nakano and colleagues’ detailed description, we now learn that locally published economic sociological inquiries appeared in Japan in the early twentieth century. After World War I, the Weberian question of economy and society was raised by the very first economic sociologist, Yasuma Takata from Kyoto University. Like in China, sociological inquiries emerged here in the face of social problems brought about by modernization and industrialization. In the 1960s, Takata’s followers formed the Society of Economic Sociology, which consisted of both institutional economists and sociologists who studied the social aspects of the Japanese economy and economic phenomena embedded in Japanese society, respectively. Contemporary sociological research focuses on social relations and organizational management, interfirm embeddedness, and the impact of institutional linkages on the labor market and job-changers.

While the question of embeddedness is the core concern of the new economic sociology in Japan, it is rather invisible in the academic discourse in Singapore. According to Vincent Chua, associate professor of sociology at National University of Singapore, Singapore as a developmental state has placed a singular focus on meritocracy. The form of capitalism is state-driven, as expressed by a close coupling of the state and market. Chua perceptively notes the lack of critical studies on the social embeddedness of economic activities in the academic discourse in this country. He maintains that embeddedness can be a sensitive topic in Singapore because informal relationships may imply corruption, which runs against the core principle of meritocracy. Chua himself thus conducted a series of studies on the impact of social networks on the labor market in different job sectors. He found that while the job market in the public sector is rather immune to the use of networks, the private sector, especially the small business sector, shows substantial use of job contacts in the labor market. Thus,

he concludes that different job sectors display different degrees of embeddedness rather than an absence of it.

Based on the figure presented in Chua’s article, the other three Asian tigers also record high meritocracy scores. Among them, Hong Kong’s GDP per capita is close to that of Singapore. Indeed, Hong Kong and Singapore are keen competitors in many aspects, though the government in Hong Kong has long adopted a *laissez-faire* approach. Tai-lok Lui, chair professor of Hong Kong Studies and director of the Academy of Hong Kong Studies at the Education University of Hong Kong, details how the central focus of economic sociology in Hong Kong changed over time from the 1960s. In Lui’s description, Hong Kong as a British colonial city prior to 1997 underwent industrialization through small manufacturing establishments. The subjects for economic sociological studies range from informal economies like hawkers to macro and formal industrial relations. In the 1970s to 1980s, Hong Kong often served as a window to studying Chinese capitalism when it was impossible or difficult for academic researchers to get access to the fields in the PRC. The topics range from family business to global production and organizational dynamics. Economic restructuring began to take place in Hong Kong in the second half of the 1980s when manufacturers relocated their production lines to the mainland. Economic sociological studies remained active with diverse research focuses and theoretical perspectives. As Lui remarks, economic sociology in Hong Kong has always been empirical-oriented rather than clinging to a particular theoretical approach. Weberian perspective, Marxian theory, world system theory, embeddedness approach, network analyses, and cultural-political approach all have their market in such a tiny city as Hong Kong.

Similar to the situation in Hong Kong, Taiwan began its industrialization in the 1960s and experienced rapid economic growth in the 1980s to 1990s. Zong-Rong Lee, associate research professor at the Institute of Sociology in the Academia Sinica, provides an engaging account of Taiwan’s development from an economic sociology perspective, along with a brief review of other sociological work on Taiwan’s economy. According to Lee, Taiwan’s economy was state-directed and followed a departmental state model at first. It then adopted a rather closed-door policy to protect the state-owned enterprises. It also controlled currency rates and the flow of investments. The economy was characterized as a system of small- and medium-size family businesses. However, with pressure from global forces, the state began to liberalize its market and opened its door for foreign investment and enterprises from the late 1980s to the 1990s. The role of the state became regulatory and business interests became more powerful in shaping the economy. The house-

hold economy gave way to the globalizing economy being integrated with China's "world factory." Mega-size Taiwanese factories based in the PRC became an integral part of the global value chains, resulting in increasing inequality and discontent at home.

The last article is contributed by Kyungmin Baek, associate professor of information sociology at Soongsil University in Seoul, and presents the recent development of economic sociology in Korea. Like Taiwan and Singapore, Korea followed the path of a developmental state model during the 1970s to 1990s, but it has transformed into a post-developmental state adopting a more neoliberal model since the Asian financial crisis in 1997. A free market economy emerged but has been dominated by large family-owned business (*chaebol*) conglomerates. According to Baek, economic sociology began to grow rapidly in Korea after the 1990s. Most of the active Korean sociologists trained at the top universities in the United States and hence brought home the theoretical perspectives and analytical techniques from American mainstream economic sociology. Their work covers a wide range of research subjects, from organizational structure to social network analysis and inequality in the labor market. The theoretical frameworks derived from new institutionalism are widely applied to understand the organizational dynamics of not only business firms but also social enterprises and government bodies. Marxian class theory and political sociology are also incorporated in the analyses for the study of inequalities.

Before we move on to the six exciting pieces about economic sociology in Asia, I would like to note

that the search for authors to write about the Japanese case is itself revealing regarding the definition of economic sociology and its boundaries. While this field overlaps substantively with other fields, such as work, labor, consumption, organization behavior, and network analysis, what constitutes "economic sociology" is still an open question. Is it defined by the subject matter? Or is it defined by the theoretical gist? When the embeddedness approach and new institutionalism appear to be the theoretical cores of new economic sociology, does it prevent some scholars from identifying themselves with the field? The articles in this issue will demonstrate how broad the subject matter of economic sociology can be in Asian academia, and how diverse the theoretical concerns can be in view of the local contexts.

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# Economic sociology in China: Past and promises

Ping Fu and Dian Yang

## Economic sociology in pre-reform China

Chinese sociology has a long-standing tradition of studying economic phenomena. Although the academic research and discipline construction of contemporary Chinese economic sociology are directly affected by Western economic sociology after the 1970s, Chinese sociologists carried out a large amount of investigation and research on economic phenomena and economic problems before the founding of the People's Republic of China (PRC) in 1949. The social surveys carried out by scholars record the transformation of Chinese traditional economic and social structure and bring forth a group of influential scholars and academic thought of far-reaching value.

After the founding of the Republic of China (ROC) in 1911, some intellectuals recognized that social reform was the premise for political reform, and social research was the way to find solutions to various social problems. In this context, a social research movement in the early twentieth century encouraged many scholars in the disciplines of sociology, economics, history, and culture to apply Western research methods in the analysis of the economic and social situation at that time. Social research conducted by sociologists mainly focused on urban and rural areas, covering the eco-

nomic foundation, poverty, land, labor class, industrialization process, and other aspects of Chinese society (Yan 2010, 59–88; Yang 2010). Those works related with economic sociology could be grouped into two sub-themes: one is “capitalism, industrialization, and labor,” and the other, “rural industry.”

The role of capitalism and industrialization in the process of China's modernization has always been the key question of Chinese economic sociology. In the first half of the twentieth century, American-trained sociologist Wu Jingchao put forward a set of theories on industrialization and social construction and tried to explore an approach to integrate the two social and economic systems “free market” and “plan economy” (Li, Qu, and Yang 2009, 317–27). Taking the relationship between environment, ethnicity, and institution as the perspective, Chinese American sociologist Li Shuqing discussed the reasons why Chinese society failed to take the road of capitalism, and clarified the man-land relationship, capital accumulation, historical and cultural tradition, and social system foundation in the process of social structure reform in China at that time (Li, Qu, and Yang 2009, 329–39). In terms of labor research, Shi Guoheng, as an excellent representative scholar in this field, firstly discussed the identity, interpersonal relationships, life style, and labor mode changes of the rural labor force working in factories in the ROC, as well as the process of social and industrial transformation at that time, in *China Enters the Machine Age* (Li, Qu, and Yang 2009, 530–44). As leading figures of the social research move-

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ment, Tao Menghe and Li Jinghan have carried out many research projects, promoted the investigation of Chinese working-class individuals and families, and enriched the research of labor-capital relations, the working class, and social classes and their family con-

sumption behavior (Yang 2010, 73–78). From a more macro perspective, Chen Da, one of the pioneers of modern Chinese demography, comprehensively investigated the industrial characteristics, the origin and development of labor-capital problems, and the living conditions of the working class (including trade union organizations) in Chongqing, Kunming, and Shanghai during the war, and put forward the theories of “survival competition” (economic character) and “achievement competition” (social character) of the working class (Li, Qu, and Yang 2009, 627–44).

Meanwhile, the rural industry, mainly based on the household handicraft industry, was directly squeezed by the large industrial capital and products from both domestic enterprises and foreign countries. The rural industry research on Ding County, such as that of social survey experts Zhang Shiwen and Li Jinghan, classified the household industry and workshop industry and suggested that industrial development in China could be both concentrated and decentralized (see Zhang Shiwen 1991). The famous sociologist Fei Xiaotong also paid much attention to rural industrialization (Fei [1939] 2001). His early study of the silk industry in Kaixiangong Village (Jiang Cun) in Jiangsu Province not only emphasized the historical inheritance of the household handicraft industry and the practical needs of small-scale agricultural economy but also highlighted the impact of foreign capital and large industry invasion on rural industry. Fei Xiaotong's *Peasant Life in China* (1939) was considered the first systematic analysis of economy from a sociological perspective by a Chinese scholar. This book is Fei Xiaotong's doctoral dissertation, published by Routledge, UK. In the preface, he pointed out that the book aimed to describe the consumption, production, distribution and trading system of Chinese peasants, and to explain the relationship between the economic system and the specific geographical environment, as well as the relationship between the economic system and the social structure of this community (Fei Xiaotong [1939] 2001). It is the mainstream research approach of economic sociology to analyze the economy from the perspective of a specific institutional environment and social structure. However, this academic approach was interrupted for decades due to the rearrangement of the discipline and colleges in the 1950s, and it was not revived until the restoration and reconstruction of sociology after reform and opening-up. Rural sociologist Zhang Zhiyi's study of “Yi Village” suggested that the household handicraft industry and workshop industry both had typical characteristics of Chinese traditional industry and reflected the combination of industry and agriculture with Chinese characteristics (Li, Qu, and Yang 2009, 487–507). Fei's and Zhang's studies, focused on the transformation and develop-

ment of rural industry (handicraft industry), suggested that the structural foundation and basic motive mechanism of rural modernization were the external manifestation of the internal integration of organization, technology, and capital in modern Chinese society. Moreover, the Marxist social scientist Chen Hansheng obtained a great amount of firsthand information on the rural economy in the Republic of China after his field trips to Jiangnan, Hebei, Lingnan, Shandong, Anhui, and Henan. This information was valuable documentation to analyze the wartime economy, the changes in rural economy, the land system, the relationship between agriculture and industry and commerce, and the operation of international monopoly capital (Li, Qu, and Yang 2009, 156–58).

During the first three years of the PRC, sociologists participated in the land reform movement, analyzed the problems of production and the wealth gap in the agricultural economy, discussed the foundation and process of industrialization in China, and raised the sociological voice for social science research and economic and social reform of the PRC. However, some social science disciplines such as sociology and political science were conceived of as being bourgeois by nature and hence were disavowed by the top leaders of the Chinese Communist Party. In 1952, the central government conducted a large-scale rearrangement of disciplines and colleges according to the Soviet model, and as a result more than twenty sociology departments were abolished nationwide. In 1953, the last two departments of sociology at Sun Yat-sen University and Yunnan University were abolished during the adjustment of colleges and departments, and sociology as a discipline had disappeared entirely in China by this year. Despite all this, some sociologists, such as Wu Jingchao (1954), continued to adopt a sociological perspective to analyze the institutional structure and micro practice of economic development in China to varying degrees until the Anti-Rightist Movement began in 1957. Many studies on economic problems conducted by early Chinese sociologists have shown that sociological analysis of the economy is an important tradition of Chinese sociology.

## Economic sociology in contemporary China

As one of the significant branches of Chinese sociology, economic sociology developed with the recovery and reconstruction of sociology after reform and opening-up. In March 1979, Deng Xiaoping put forward the statement that sociology is “making up missed lessons” in the Party's theoretical working

meeting, which inaugurated the restoration and reconstruction of Chinese sociology. Although some scholars held the first symposium on economic sociology in Tianjin in 1984, construction of economic sociology as a discipline in China, and especially academic research, started relatively late. Chinese economic sociology in contemporary China can be divided into three stages according to the characteristics of its development.

The first stage was the gestation stage in the 1980s, when some universities and social science academies in China rebuilt or built new sociological institutions and gradually restored teaching of and research in sociology. In 1980, Nankai University and the Institute of Sociology at the Chinese Academy of Social Sciences were authorized to jointly organize a training class in sociology, aiming at providing professional talents for key universities and research institutes of sociology. Foreign scholars were invited to China to give lectures to train the students. The American sociologist Peter M. Blau was one of the first foreign scholars that entered Chinese universities, and he taught a course called the “The History of Sociological Theories” at Nankai University in 1981. Foreign theories and methods of economic sociology began to be translated and introduced into China. The first group of works in economic sociology to be introduced into China include textbooks and books compiled by the Japanese sociologist Tominaga Kenichi and Professor Stinchcombe and Professor Smelser from the United States.<sup>1</sup> Their works have helped Chinese scholars to comprehend the historical origin, development process, basic content, theoretical perspective, and research methods of economic sociology. In this period, some Chinese sociologists wrote articles introducing foreign economic sociology theories and research reports with certain characteristics of economic sociology.

The second stage is the prospering stage in the 1990s. After more than ten years of digestion, discussion, and absorption of Western theories, Chinese economic sociology developed rapidly in the 1990s; especially at the beginning of the twenty-first century, the discipline advanced qualitatively and quantitatively. In this period, the translation and publication of foreign textbooks basically came to an end, and more translation and introduction work began to focus on important research works. Meanwhile, a variety of economic sociology textbooks and reference books were published by Chinese scholars. According to our preliminary calculation, in the 1980s there were no economic sociology textbooks and reference books compiled and published by Chinese scholars, while more than eight books were published in the 1990s. These textbooks entered the economic sociology classrooms of universities (see e.g., Wang 1993; Zhu and

Gui 1998; Wang 1999; Zhu 1999), which laid a foundation for the popularization of economic sociology theory and the cultivation of intellectuals. Furthermore, empirical-based and theoretical-oriented economic sociology research began a growth spurt at the beginning of the twenty-first century. Some high-quality papers with rich local economic phenomena and a certain theoretical contribution were published one after another. At that time, the research subjects of sociologists were also closely related to the popular and critical economic topics, such as the reform of township enterprises (Qiu 1999), the reform of state-owned enterprises (Li 1998; Qiu, Xu, and Zhao 1997), and the booming private economy (Li 1995, 1996). Therefore, research in economic sociology thus got rid of the straightforward investigation report or simple application of Western theories to explain the situation of China’s economic phenomena from the late 1990s.

Since the start of the twenty-first century, economic sociology has entered the third stage of rapid development and advancement. Based on the discipline construction and research foundation established in the past twenty years, more textbooks, reference books compiled by Chinese scholars, translated classic research works, and more academic papers were published at this stage. Economic sociology has also become the key branch of sociology discipline construction and academic research in many distinguished universities in China. Among them, Shanghai University of Finance and Economics established the first department of economic sociology in China in 2003. The department stresses the characteristics of economic sociology in both teaching and scientific research. In undergraduate and postgraduate courses, emphasis is placed on a curriculum including economic sociology, corporate sociology, development sociology, labor sociology, organizational sociology, consumer sociology, financial sociology, and fiscal sociology. In academic research, the department focuses on economic sociology research topics such as industrial upgrading, finance, labor, corporates, and aging, and the faculties have published a number of academic papers and books in these fields. Economic sociology’s position in China’s sociology discipline system has, as it were, been further strengthened, which further promotes the training and research in economic sociology.

In the third stage, Chinese economic sociologists are no longer blindly accepting and following foreign theories but are paying more attention to research based on local economic and social practice rather than academic issues framed by the foreign academic discourse system, and consciously constructing the localization of concepts and discourse systems, which demonstrates the “theoretical consciousness” and

“practical consciousness” of Chinese economic sociology. At the beginning of the twenty-first century, the economic sociologists made many landmark achievements on the topics of the reform of township enterprises, the reform of state-owned enterprises, and the economic behavior of local governments. Some studies have also carried out in-depth discussions on some classical theories: for example, Liu Shiding, She Xiaoye, and Zhou Xueguang develop the theory of property rights based on a set of research with a “social perspective of property rights” (see a group of papers in Institute of Sociology, Chinese Academy of Social Sciences 2006); Li Peilin (2001) and Liu Shaojie (2005) extended the theoretical implications of rational choice theory; Wang Hejian (2013) put forward the social practice theory of self-action logic on the social structure of the market; and Fu Ping (2013) proposes the theoretical approach “political-structural framework” for the study of the formation of market order in China. Meanwhile, scholars have put forward some original concepts with academic potential, such as “three dimensions of possession” (Liu 2003), “property rights as a relational concept” (Zhou 2005), and “property rights are a continuous spectrum” (Li 2004). The research not only discovers more “Chinese experience” and “Chinese model” but also pays attention to the theoretical contribution and the advancement and development of relevant theories from different perspectives. In recent years, economic sociology research has been attempting to expand new research methods, research perspectives, and research fields, and provides new sociological perspectives and new evidence for the multidisciplinary research fields of transaction behavior, property rights, corporate governance, enterprise strategy, market governance, financial markets, industrial development, and political and commercial relations. For example, the Chinese sociologists have started to explore the financial markets that have not been addressed by Chinese sociology and found that the Chinese financial market is not only a means of enterprise financing and rapid prosperity but also an important driving force of modernization of economic governance in China. The financial market plays a vital role in the transformation of the governance mechanism of both small and state-owned enterprises and the overall modernization of Chinese enterprises (Yang 2018). Scholars also explored the social mechanisms that a booming economy grows from an over-embedded industry structure, and paid attention to some important changes in the development of the Chinese economy, such as the relationship between the non-public economy and the Party (Zhu, Miao, and Wang 2021), the “state capacity for understanding,” and the development of certain industries (Feng, Jiang, and Zhao 2021).

In the past decade, Chinese economic sociology has also accelerated its institutionalization process, especially in the establishment of professional organizations and the regularization of professional conferences. With the continuous efforts of the older generation of scholars, the economic sociology section of the Chinese Sociological Association was officially established in 2012. The establishment of the national professional academic organization is a milestone in the development of Chinese economic sociology, a symbol of the gradual maturity of the discipline, and plays an obvious positive role in building an academic community of economic sociology. Meanwhile, a series of professional academic conferences held in many parts of the country, as well as the series of Economic Sociology Research published since 2014, not only boost the internal communication and cooperation in economic sociology but also function to clarify the research topics and refine the key direction of discipline development. In addition, Fu Ping and Yang Dian co-edited the anthology *Forty Years of Chinese Economic Sociology*. On the one hand, the anthology reviews the academic achievements and major progress of Chinese scholars in the field of economic sociology in the past 40 years and provides a communication platform for the development status, frontier fields, and research perspectives and methods of Chinese economic sociology, so as to prospect and plan the development of economic sociology. On the other, the anthology aims to further promote the institutionalized discipline construction of Chinese economic sociology, advance the specialization and localization of economic sociology research, and provide academic “nutrients” for the training in this discipline. The anthology covers six themes, namely, theory and method research, enterprise research, market research, industry research, financial research, and development model research. More than twenty scholars have conducted fruitful theoretical exploration and empirical research on the frontier issues of Chinese economic sociology, expanding and deepening the research scope of economic sociology and its disciplinary significance (see Fu and Yang 2020).

## The prospect of economic sociology in China

Although sociologists established the tradition of sociological analysis of the Chinese economy before the founding of the PRC, contemporary economic sociology research does not set out to continue the theoretical tradition but to change the academic paradigm of the early tradition of economic analysis in Chinese



sociology. This is mainly reflected in the fact that the early Chinese sociologists discussed economic issues per se, with strong concern for reality and a vague consciousness of research dialogue and theoretical contribution, while contemporary Chinese economic sociologists have attached great importance to theoretical dialogue, theoretical concerns, and theoretical contributions based on the academic context. The major theoretical perspectives of new economic sociology (Dobbin 2008), the perspective of new institutionalism, the performativity perspective (Callon 1998), and the perspective of population ecology have been widely used by contemporary Chinese economic sociologists in the sociological study of economic phenomena. At the same time, the trend for contemporary Chinese economic sociologists to integrate organizational sociology, cultural sociology, consumption sociology, financial sociology, and other branches of sociology is also emerging (Wang 2009; Yang 2018; Chan [2012] 2020).

In Western academia, relying on an increasingly broad spectrum of methods, from sophisticated network analyses to rich ethnographic observation, economic sociologists offer revealing accounts of how economic organizations and activities actually work (Zelizer 2011. xi). In China, in the past forty years or so, Chinese economic sociologists have shown a remarkable improvement in the sense of the application of sociological methods and theoretical dialogue and have gradually established a substantive dialogue with Western academia in the past decade. It is the arduous work and unremitting efforts of generations of Chinese economic and sociological scholars in the past 40 years that have made Chinese economic sociology grow from a deserted land that was abandoned for decades and with a weak foundation into an active field of academic research whose scope of influence is gradually moving beyond the discipline of sociology itself.

Although Chinese economic sociology has made gratifying progress and has broad prospects, it must be noted that many problems exist in the discipline: research topics are too scattered and academic continuity is not strong enough; the scale of research teams is limited; there are few original concepts and native theories with academic potential; there are few forward-looking studies, such as economic sociology studies on strategic emerging industries and artificial

intelligence; there are few studies responding to grand issues, such as the Belt and Road Initiative, Sino-American trade relations, and COVID-19. Furthermore, the progress in productivity and the change of cognitive concept brought by technological innovation and new economic forms will affect the global mode of production, industrial division of labor, value flows, employment relationships, and changes in world political and economic patterns, hence economic sociology research in these aspects also needs to be strengthened. In addition, it is of great importance for economic sociologists to apply the perspective of integrity to address issues of the relationships between economy, technology, and society, such as the integration of technology and economy e.g., digital currency based on blockchain technology and financial electronic services based on the traditional financial system), as well as the interaction between technology, economy, and society (e.g., the different consequences of different investors investing in the financial market via mobile internet). In terms of the discipline's relationship with economics, a few branches of contemporary economics have highlighted the trend of "sociologicalization." On the one hand, some economists pay more attention to the traditional sociological issues; on the other, economics draws more on sociological knowledge in research methods, models, and ideas (Fu 2018, 266). In the current dilemma or at the crossroads of discipline development, to promote Chinese economic sociology to a new stage of development at a higher level, economic sociology should not only supplement more sociological factor analysis to the mainstream economic explanation of economic phenomena based on abundant practical experience in China but also make breakthroughs in the Chinese theory of economic sociology.

## Endnote

- 1 From November to December 1984, Tominaga Kenichi was invited to teach "economic sociology" for postgraduate students in the just-founded department of sociology at Nankai University. The *Economic Sociology* (the first edition of 1974) edited by him was the first translated and published economic sociology work in China.

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# Economic sociology in Japan

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## Introduction

**E**conomic sociology is an established field in the Western tradition of sociology. Departing from the instrumental rationality of neoclassical economics (Weber 1968), it has made a breakthrough with its foundational conception that economic action of individuals constructs social structures and these social structures heavily influence decision-making of individuals as the economic transactions are embedded in society. Since the rather sensational emergence of economic sociology in Western academia in the late twentieth century, it has been legitimized as a subsection of the American Sociological Association and has evolved into a loosely integrated discipline with its rapid global expansion. Attracting disciplinary variations and complexities of approach, it has been much discussed in American and European academia ever since, with flagship concepts such as norms of informal groups and organizational dynamics (Homans 1950), relational structures of networks (White, Boorman, and Breiger 1976; Burt 1992), Japan has its own local, original version that has evolved historically since the early twentieth century, if not earlier, and is not widely known outside the country, in part due to the fact that findings and results have been published mainly in Japanese. As a matter of fact, many Japanese academics have been detached from the global expansion as they were too busy writing in Japanese to deal with their domestic stakeholders and colleagues, or too independently

self-sustained to cater to the needs of the audience in the economic system. The macro economy however lost its prime status in the global arena in the post-“bubble economy” age after the 1990s, whereas new economic competitors emerged globally, transforming the power dynamics in the new digital age. Under the circumstances, it is high time that we should review an array of unknown literature from the point of view of both traditions: one imported from the West especially after the 1970s, and the other that evolved locally over the course of a century.

The objective of this article is therefore to introduce to the global audience economic sociology in Japan as it has evolved especially after the high economic growth period in the 1960s up to the present and largely influenced by American and European social sciences. The article aims at producing a comprehensive review of the local development and evolution, including theoretical undertakings, disputes, and empirical research content. We present to readers commonalities, differences, and similarities compared with the Western tradition, clarifying uniquely distinctive approaches from the Japanese construction, application, and contribution.

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Our review project addresses how economic sociology in Japan started and developed over time; how Japanese studies employed and applied American- and European-born theories, conceptions, and methods to the local contexts; and how imported and original endeavors interacted to produce unique contributions.

Following this introduction, we begin our discussion with the local origin and development of economic sociology since World War I, which is indispensable to explain its economic success and prosperity. We will review the literature of social transformation with institutionalization of the stylized facts in respect to the Japanese management system and labor and mobility in corporate business, and in other social areas of inquiry such as consumption, family, local community, and culture. We will then specifically focus on two major empirical areas of economic sociology in Japan: embeddedness and institutions related to the Japanese management of organizations, and social structure and mobility for stratification. We will conclude our discussion by briefly summarizing distinctiveness, contributions, and possibilities, and extrapolating these to foresee the future.

## The local context and evolution of the field

### A brief history of economic sociology in Japan: Its origin and early development

After World War I, economic sociology in Japan gradually developed as an academic discipline to discuss the growing tension between the developing field of economics and the modernization of society. Japanese society was then faced with various social problems regarding economic disparity, social class and mobility, and poverty and conflict in the accelerating processes of industrialization along with the modernization of society.

Yasuma Takata from Kyoto University was one of the first economic sociologists and raised questions about relations between the economy and the nation-state to discuss poverty, social class, and social power by introducing sociological theories of Max Weber as regards economy and society (Takata 1989). To tackle the existing problems, Hisao Otsuka (1969), Hideo Aoyama (1948), and several other academics studied patterns of Japanese industrialization and modernization, applying the Weberian model of capitalism in the West (Weber [1905] 1958; Weber 1968) as a point of reference to analyze historical formation.

In 1966, followers of Takada organized the Society of Economic Sociology (*Keizaishakagakkai*), consisting of old-school “institutional economists” studying social aspects of the Japanese economy and sociologists studying economic phenomena embedded in Japanese society. The Society has grown to approximately 300 members (as of 2020). This tradition to focus on the local context of natural and societal envi-

ronments, mechanisms of economic activities, and existing economic institutions in Japanese society still lingers on in the academic association. Moreover, some members had a keen interest in discussing economic and sociological thought and non-Western models of economic action and social systems, while others paid attention to existing economic problems, capitalist society, social policy, and modernization theories. They commonly found a distinctiveness of formation of the Japanese system and recognized a different economic system from the advanced Western systems to theorize, one which is under the strong influence of cultural traditions and economic thought existing in Japanese society.

From the tradition, Ken'ichi Tominaga, a leading economic sociologist, explained peculiar features of the Japanese economy and its development, proposing “plural evolution theory.” One of his main research topics was to build a unique theoretical model of modernization of non-Western societies, especially focusing on the Japanese experience. Later, Tominaga (1991) found that many non-Western societies were subject to economic, technological, and cultural influences from the advanced Western economies on their modernization stages, but they were substantively different and varied, or not as “Westernized” as they seemed to be. While modernization in advanced Western societies generally started from social, political, and cultural areas to make changes later in the economic area, in non-Western societies industrialization or development of the economic system preceded the modernization of political, social, and cultural systems due to the local resistance from conservatives and leaders, if not the public.

### Later development and empirical research of actions embedded in the social

Researchers in this domestic academic group also shifted their interests to empirical research. In the following section, we illustrate four major topics of empirical investigation: social welfare and security, regional and community development, consumer society, and business networks of markets and firms.

First, in the area of social welfare and security, Adachi et al. (2003) compared varieties of systems, policies, and practices of social welfare in major countries to show that they depended heavily on local social conditions, institutions, politics, and cultures, whereas social welfare is mainly about public support. Focusing on the fact that social welfare service is provided by voluntary organizations in Japan, Miyagaki and Fukazawa (2001) studied substantial processes and structures of voluntary organizations in detail and argued that their actions and social structures are not

formalized much, and their ways of providing services often change flexibly and inconsistently.

Second, as regards community development, several researchers studied regional movements in the institutionalization of community currency and circulation patterns from the point of view of development of social capital and community building. From social capital theory, Nakazato and Lin (2017) found in their case study that the community currency movement provides toolkits to revive local communities. Moreover, it helped local communities in the huge aftermath of the Great East Japan Earthquake in 2011 to generate support networks in the communities.

Third, with the advent of consumer society and its rapid expansion in modern Japan, Mamada (2007) offered a view that Japanese society has become an affluent society where consumers seek high-quality products and services for cultural consumption, changing patterns from mass market consumption, as a new orientation of post-materialism.

Fourth and last, the emergence of textbooks on networks and organizations in Japanese (Wakabayashi 2009; Nakano 2011) provided an environment for young researchers of the Academic Association for Organizational Science (AAOS; *Soshikigakkai*), which has approximately two thousand members as of 2021, to apply network concepts and analytical methods to investigate business organizations and markets after the 2010s, although still only a relatively small number of members are keenly interested in pursuing academic approaches from economic sociology. With the growing academic interest in social networks within and between business organizations, many researchers published research papers on the process, structure, and effect of organizational networks in Japan. For instance, Yasuda and Toriyama (2007) examined email communication networks in Japanese business organizations, analyzing structures of communication networks including linguistics of words and expressions. Their findings show that high performers tend to play key roles in brokerage ties, and managers in high-performing departments tend to develop networks within and across departments. Moreover, regarding the Japanese film industry, Wakabayashi et al. (2014) studied growth and effects of alliance networks in film-making as a production consortium. They argued that temporary, small interfirm networks were formed to rewire sequentially behind the major, high-performing commercial films.

In summary, a review of the above listed studies suggests that economic sociology in Japan, which originated from the domestic tradition of academic groups, has been influenced by Western-originated concepts and theories of economic sociology to produce empirical results, sometimes involving compara-

tive empirical investigations, that show its distinctive features.

## Embeddedness and institutions: Empirical studies of Japanese management in economic sociology

The postwar history of economic sociology for Japanese firms and the economy has been characterized as a “co-evolutionary pendulum” between two contrasting perspectives: relational and transactional. We use the term “co-evolution” here to imply that the former has gained currency over time in parallel with the latter as the influence exerted by the two academic approaches changed. The relational perspective of social structures regards individual actions as profoundly and extensively influenced by norms emerging from social groups or relationships with others. In contrast, the transactional perspective assumes that individual actions are independent of existing norms in society and rather guided by economic calculations or instrumental rationality of atomized individuals (Cheng and Miller 2011; Gupta 2011). Although most Japanese economic and management studies do not explicitly argue for economic sociology as their disciplinary foundation, they have been influenced to a certain extent by the tradition of “new economic sociology” as coined with the concept of embeddedness of economic transactions (Granovetter 1985). At the same time, they have also been affected by the “new institutional economics” under the banner of transaction cost economics, or the “market and hierarchy” thesis (Williamson 1975, 1985, 1986).

The history of economic sociology in Japan began with the unparalleled, rapid growth of Japanese firms and the macro economy after World War II. The Japanese economic “miracle” then widely received scholarly attention from Western economic sociologists. They investigated issues to answer puzzles such as how management and organizational practices within a firm are constrained or promoted by the local social relations beyond the boundary of each firm (Abegglen 1958; Dore 1973; Lincoln and Kalleberg 1985). Abegglen (1958), one of the earliest leading economic sociologists, recognized the extremely high commitment of Japanese employees based on the lifetime employment system as an important source of competitive advantage. Later epitomized by the quote “a firm was seen as one family” (Hazama 1960, 5), Japanese management studies regarded the business organization as a nexus of social relations like a “family”

group. By the late 1970s, the relational approach, emphasizing the national orientation of culture collectivism, had become mainstream or a dominant understanding of Japanese management practices in local academia (Hazama 1960; Iwata 1977). In effect, the peculiarity of social relations of Japanese firms received recognition as stylized facts or distinctive characteristics of institutionalized management practices (Dore 2000).

The emphasis on the positive influence of distinctive Japanese national culture in the 1970s was mitigated by the global expansion and spread of two new streams of research in the 1980s: “new institutional economics” from economics (Williamson 1975, 1985, 1986), and “new economic sociology” from sociology (Granovetter 1985; Smelser and Swedberg 2005; Swedberg 1997). These approaches later had decisive and lingering impacts upon Japanese academics. The former offered a canon for the transactional perspective, which led Japanese scholars and researchers to examine mutual dependency between economy and society, assuming under-socialized, atomized, and self-centered actions of individual transaction. The latter, later crystallized as the relational perspective, provided theoretical foundations on which to investigate economic actions from the social, with the assumption that socially constructed embedded ties matter a great deal in the economic action of individuals. In other words, while both perspectives stand on a shared understanding regarding the bounded rationality of individuals in economic transactions, the two differ to the extent of how much individual actions are embedded in the social ties or norms of the groups in their decision-making. Employing these two perspectives in combination enabled some researchers to study economic transactions not as a dichotomous but as a continuous variable between two extremes as atomized, rational actors on the one hand, and as members of an embedded community on the other.

As a result, a series of empirical studies on Japanese management practices and institutions later shed light on the multifacetedness of social relations and their permeation into economic actions. The embeddedness of the Japanese management system, or an infusion of market exchange with the entangled social relations of a non-economic nature, has been examined in the context of borrower-lender relationships known as the “main bank system” (Aoki, Patrick, and Sheard 1994; Arikawa and Miyajima 2015; Miyajima 1995), the horizontal *keiretsu*, or business groups with interlocking relationships by cross-shareholdings (Nakatani 1984; Lincoln, Gerlach, and Ahmadjian 1996; Lynn and Rao 1995), and the vertical *keiretsu*, or industry-based manufacturing business relationships that link suppliers, manufacturers, and distributors

(Asanuma 1989; Asanuma and Kikutani 1997; Takeishi 2001). In parallel with these empirical studies, Imai and others identified common characteristics of these organizational forms as “intermediate organizations” or a hybrid of the spot market and the hierarchy (Gerlach 1992; Hamilton and Biggart 1992; Imai, Itami, and Koike 1982; Imai and Itami 1984). This concept of networks as a governance mechanism through informal peer pressure, which emphasizes the interpenetration of market exchange with the embedded social relations, was later applied to industrial clusters in Japan to explain economies of agglomeration (Itami, Kikkawa, and Matsushima 1998; Nishiguchi and Tsujita 2017; Seki 2001; Nakano and White 2006; Nakano 2007). Moreover, it is argued that the relational market concept of embeddedness coexists with a “family logic” of longevity, high commitment by employees, and good brand recognition, in the study of family-owned firms (Asaba 2013; Mehrotra et al. 2013; Saito 2008).

These empirical studies on Japanese management practices are an important part of economic sociology in Japan. As contributions, they provided rich empirical evidence for the upside of the role that social relations could play in economic transactions, suggesting that embedded ties could reduce agency and transaction costs by promoting trust and collaboration as interfirm networks for a longer term. Furthermore, these sociological inquiries into Japanese management practices had an impact on global academia, inducing a revision of transaction cost economics for a more refined conception of interorganizational governance mechanisms of relational structure as a continuum between the spot market and the hierarchy.

At the same time, however, it was also pointed out that these embedded relationships could cause suboptimal lock-ins, competitive disadvantage of closures, and unfairness and exclusivity of market access by the incumbent members (Gupta 2011). From this standpoint, researchers also focused on the negatives or the downside of embeddedness in Japan (Karube, Numagami, and Kato 2009; Numagami, Karube, and Kato 2010).

## Labor market and social structure for stratification from economic sociology

Social stratification has been a major research topic for accumulating important findings on Japanese society. Research on the topic has mainly focused on individuals’ social mobility with the help of path models and log-linear models and has therefore paid attention

to individuals' characteristics such as family background (parents' occupation and education), education, first job, and current job (e.g., Blau and Duncan 1967, and Featherman and Hauser 1978).

Although this line of research has produced important findings regarding how social stratification emerges and is maintained, it has missed a crucial factor in the creation of social stratification: social structure. This section shows how social structure functions in the labor market to create social stratification and inequality, focusing especially on the Japanese context.

## Entry to the labor market regulated by institutional linkages

From the point of view of economic sociology, the labor market in Japan has unique practices that can affect the entry process for college students. Kariya and Rosenbaum (1995) named this "institutional linkages," and Kariya (1991) referred to "implicit recruitment contracts" after their empirical studies of the stylized Japanese management system that was institutionalized during the postwar high-growth period. These studies found that the concept of institutional linkages and implicit recruitment contracts pointed to a stable, long-term relationship between schools and firms in Japan. Guidance counselors at schools and recruiters at firms exchanged information extensively and actively on students and job openings to avoid mismatches between students and jobs.

The first job on entry to the labor market has been one of the most important career choices in life in Japan. This was (and still is to a certain extent) because changing jobs often led to worse work conditions under the old Japanese employment system, which consisted of long-term, if not lifetime, employment practice, a seniority-based wage system, and cooperative labor unions (Abegglen 1958). Most Japanese people were expected to enter a firm immediately after graduation from high school or university and work for the firm until their retirement. If they changed jobs mid-career, they mostly ended up getting worse positions with lower social status or salary because their previous experience in their career was not fully evaluated or appreciated in the tradition of the Japanese employment system.

In the system, therefore, guidance counselors scrutinized job openings because they understood the importance of the first job entry in students' life. They sought information on job openings especially through institutional linkages with corporate recruiters. In response to their demand for the information, recruiters

provided them with details of their job openings, expecting they would recommend students suitable to fit their job expectations in the long run. Guidance counselors, in return, carefully chose students fitting recruiters' needs and preferences. Thus, recruiters and guidance counselors were in a self-reinforcing relationship, which made the institutional linkages stable and long-standing as critical, professional networks.

The institutional linkages worked well in contributing to the low unemployment and turnover rates among Japanese youth when the economy was very strong in the period of rapid growth. But it has become weaker since the "bubble economy" burst in the early 1990s (Honda 2005; Brinton 2008; Brinton and Tang 2010). The importance still remained to a certain extent as a smaller number of schools maintained this channel of linkage with firms (Sato 2010). The research study implied that some inequality existed for the students in their probability of achieving good first job entry due to the strength of embedded ties and trust relationships. Social networks matter in the process, the studies indicate.

## Social structure in the labor market

As regards the study of labor markets in economic sociology, Mark Granovetter (1973, 1974) provided the revolutionary insight from his empirical fieldwork that weak ties, not strong ones, between job seekers and their contacts would lead to better jobs for job seekers, with higher salaries in general. Nan Lin (e.g., Lin 1990, 1999) later contributed by introducing the notion of contact status. A simple interpretation of his argument is that if A has a tie to B of a high status and C to D whose status is lower than that of B, A would be likely to be promoted to a higher-status position than C, given the same levels of human capital for A and C.

Granovetter and Lin made a great impact on scholars in the field by emphasizing the effects of relational structural properties on intragenerational social mobility or career development in the labor market. Japanese sociologists conducted the following investigations: Watanabe (1991) reported that strong ties have a positive effect on the amount of information on jobs, and also have a positive effect on job changes, by analyzing data of male job-changers in metropolitan Tokyo in 1985. He conducted a follow-up survey in 2002 and, surprisingly, found that using weak ties leads to jobs at larger firms and with higher annual income generally (Watanabe 2014). He insisted that the inconsistent findings from 1985 and 2002 were due to structural changes in the Japanese labor mar-

ket, such as an increase in the unemployment rate and in the number of non-regular workers.

Sato (1998) also studied job changes from a different perspective, comparing the impacts of social ties and institutional linkages as regards job changes in Japan. Studies on institutional linkages, as mentioned above, focused on networks at the time of first entry to the labor market. However, graduates sometimes kept ties to their former teachers/professors as mentors to seek inside information on job openings. He also found that male professional job-changers use those institutional linkages more often than non-professionals. In contrast, female job-changers did not use the linkages, regardless of their professional level in the previous job. Furthermore, regressing occupational prestige of the current job position to explain job change results, his analysis showed that the institutional linkages increased prestige for male job-changers only. These findings from a relational approach in economic sociology indicated a gender segregation in the labor market in Japan.

## Conclusion and discussion

Our review and discussions presented here clearly indicate that economic sociology in Japan has been heavily influenced by Western academic trends and fashions, especially after the 1970s, and that there are commonalities, similarities, and differences compared with the Western tradition.

At the same time, economic sociology in Japan has uniqueness and distinctiveness. It originated from early studies of social problems and tensions that emerged in the process of industrialization of the economy and modernization of society in the early twentieth century. It started from an attempt by a

group of Japanese researchers to apply Weberian sociology to theorize different patterns of capitalism from the Western model. Later, especially after the 1980s, researchers of economic sociology both from Japan and abroad actively employed imported concepts, theoretical undertakings, and advanced methods from the West, including embeddedness and informal organizations, network structures and social capital, new economic sociology, and new institutionalism.

To be specific, our review of empirical literature shows that those trained mainly in the US and Europe and those who had a keen interest in the advance of the field in the West produced a rich stock of empirical literature on the Japanese management system and organizations, social structure and labor mobility, networks and markets, family and community affairs, consumer society, and culture and structure, among others. Many of these contributions were not widely recognized in Western academia previously, or not understood in an organized manner as presented here. We hope that our review of those endeavors and challenges sheds light on the unknown projects, new findings, and unconventional interpretations for readers of economic sociology in the global community.

As for future discussions and possible directions to explore, there are emerging empirical topics among Japanese economic sociologists including COVID-19 and digital transformation, markets in the digital age and consumption, business startup ecosystems, and actor network theory and performativity, to name only a few. We hope that concepts, insights, knowledge, theories, and thoughts from the past will guide researchers for the advancement of economic sociology in Japan to investigate these uncharted areas and to then contribute to the global community of researchers and scholars more actively.

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# Economic sociology in Singapore: Meritocracy and the missing embeddedness

Vincent Chua

“Once you are not corrupt and you have a meritocracy, then it’s mostly administration.”

George Yeo, former Foreign Minister of Singapore, President’s Speaker Series Public Lecture, Yale-NUS College, March 10, 2021

Singapore can be described as a “developmental state,” defined by Chalmers Johnson as a state focused on economic development and which takes necessary policy actions to accomplish this objective. He writes specifically about Japan and the role of the economic agency MITI (Ministry of International Trade and Industry) in ushering in the Japanese mira-

cle, but there are striking parallels to the four Asian tigers: South Korea, Taiwan, Singapore, and Hong Kong. Johnson says, “In states that were late to industrialize, the state itself led the industrialization drive, that is, it took on developmental functions” (Johnson 1982, 19).

Like other Asian tigers, Singapore is known for its exceptional economic growth, and the state played a critical role in this growth. What distinguishes it from the other Asian economies, however, is the singular focus the state has placed on *meritocracy* to achieve it.

In a study of thirty-five countries, Peter Evans and James Rauch (1999) devised a “Weberian scale” to describe the extent to which formal mechanisms and meritocratic procedures are applied to the recruitment of government officials, with special attention to the selection of public sector bureaucrats through a national examination system. They put meritocracy scores on the x-axis and correlate them with a measure of GDP to represent economic growth on the y-axis. The graph, which I reproduce here but with GDP scores updated to reflect 2019 conditions (Figure 1), shows an upward sloping line, suggesting a positive relationship between meritocracy and economic growth. Of special interest to me, Singapore is situated at the upper right-hand corner of this graph, indicating that its high levels of meritocracy play a substantial role in its exceptional economic growth.

Meritocracy increases economic growth through a system of talent spotting. Each national examination identifies the best talents and develops their potential through a scholarship system (Quah 2010). The best performers are tried and tested and put to matters of national importance, including the responsibility of governance and public administration. As George Yeo points out (see above), meritocracy is a

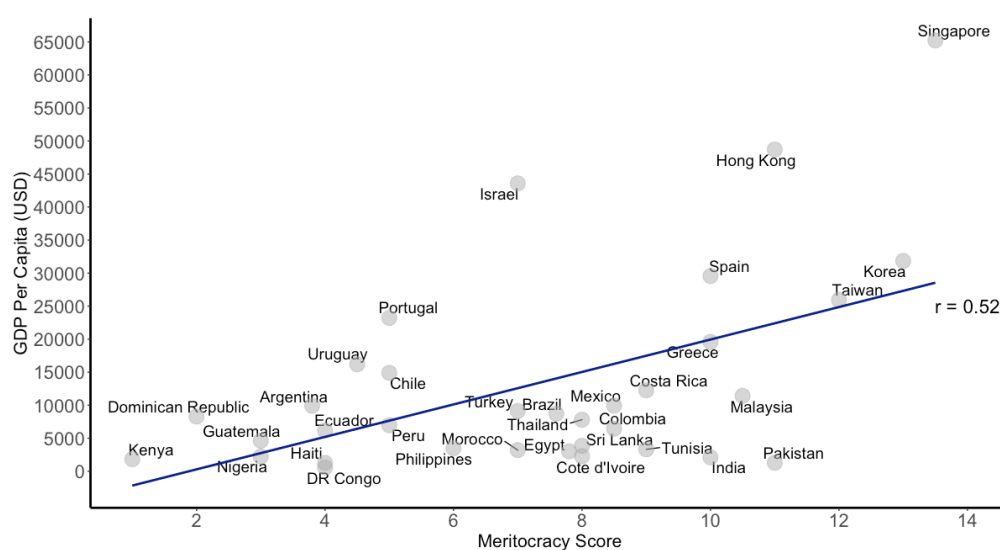


Figure 1: Singapore exceptionalism: Relationship between score on meritocracy and GDP per capita (USD); Sources: Meritocracy scores (Evans and Rauch 1999), GDP per capita 2019 (based on World Bank database)

system of administration run by technocrats and experts. The system replaces politics with bureaucratic predictability (Woo-Cumings 1994), causing Chan (1975) to ask: “Where has the politics gone?”

By prioritizing economic growth, the Singaporean state has envisaged a socially stable and prosperous Singapore (Pereira 2008; Chua 2017). The goal of the People’s Action Party (PAP) has always been a broadly middle-class society to contain the extremisms of a polarized society that the Communists, in the 1950s and 60s, claimed to be challenging. And the economic growth, in turn, has legitimated the state’s pre-eminent role in the markets.

Economic sociology has sought to explain the sources and consequences of this developmental orientation with two kinds of studies: those seeking an account of the rise of the Singaporean economy (Rowen 1998; Old and Yeung 2004; Tong 2005; Pereira 2008; Shatkin 2014) and those underscoring the close coupling of state and market expressed through state-driven capitalism (Castells 1987; Hamilton-Hart 2000; Chua 2017). Elsewhere, Singapore’s developmental state is called the “hard state” (Huff 1999), with a focus on the nexus between state and market and the soft side – the people in their everyday relationships within markets – often being obscured in the process.

A glaring omission in critical studies of Singapore is the hesitation to accord a place to the role of informal relationships in shaping economic outcomes because of meritocracy. This stands in sharp contrast to a core concept within economic sociology, which is Granovetter’s notion of “embeddedness”: the idea that markets should be analyzed in terms of the informal relationships that make them, because “to construe them as independent is a grievous misunderstanding” (Granovetter 1985, 481–82).

This embeddedness approach has not figured more prominently in the academic discourse on Singapore’s economy, I believe, due to significant cultural tensions between meritocracy and social capital. On the one hand, meritocracy promotes individual efforts. On the other, social capital implies the use of connections, invoking the specter of nepotism.

The suggestion that social capital may shape outcomes can seem jarring when set against the larger edifice of the neoliberal turn towards individuality and productivity, giving rise to social capital’s “legitimacy crisis” under meritocracy.

Economic sociologists, particularly those who study the nexus between social relations and labor

market outcomes, are often concerned about estimating – *precisely* – the impact of “job contacts” on outcomes such as salaries, wages, and promotions (Marsden and Hurlburt 1988; Erickson 2001; Lin 2001; Obukhova 2013; Fernandez and Galperin 2014; Shen and Bian 2018; Krug, Schmelzer, and Trappmann 2020). These studies converge in posing a question of central importance: “Do job contacts matter?” (Mouw 2003).

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I ask that same question in Singapore, where I examine the role and value of job contacts against the backdrop of its three labor markets: the state sector, the multinational (MNC) sector, and the small business sector. The state sector employs 20 percent of the workforce and comprises the civil service, the statutory boards, and the government-linked companies (GLCs). The MNC sector employs 20 percent of the workforce and comprises foreign companies such as Unilever, a Netherlands/United Kingdom-based consumer goods company, and Novartis, a Switzerland-based pharmaceuticals company. The small business sector employs 60 percent of the workforce and includes numerous local enterprises of small and medium size.

My analysis of these sectors reveals that job contacts are practically worthless when it comes to landing a good job within the state sector and that academic grades matter much more. I find a *negative* relationship between job contacts and personal earnings, with this negative effect particularly steep in the state sector as compared to the multinational and small business sectors, suggesting that ties are not always useful under meritocracy (Chua 2011). In instances when job seekers have used a *high-status* job contact, I observe the same patterns: high-status contacts yield no comparative advantage, and the downward impact on earnings is steepest in the meritocratic state sector.

In contrast, job contacts are much more useful in the other two sectors: the multinational and small business sectors. For example, while 18 percent of respondents in one of my studies found jobs in the state sector via job contacts, 43 percent found jobs in the private sector through job contacts. People in small

business enterprises were especially likely to use job contacts (Chua 2011).

In sum, in Singapore, the impact of job networks on labor market outcomes is highly contingent upon job sector characteristics. In the state sector, where meritocracy is pursued assiduously, job contacts are relatively redundant. The multinationals combine elements of formality with some flexibility, and there, job contacts matter a little more. But in the world of small business, job contacts matter much more (Chua 2011).

I also find a racial component to contact use: the Chinese use their job contacts more actively than any other racial group. Of course, the Singaporean small business sector grew out of Chinese migration. They came for trade (Chan 2000). Even today, the Chinese are disproportionately represented in the sector, more than their national proportion of 75 percent would suggest. I establish that the Chinese are more active network users, not because of culture *per se* (the so-called propensity to rely on “guanxi” – deep social connections – that several studies emphasize), but because history has created an institutional pathway into the economic sector through Chinese clan associations, and these particular employers have come to rely more on networks than academic credentials when hiring workers (Chua 2011). There is some work on Chinese businesses in Singapore (Tong and Yong 1998), with a few that focus on Chinese family business lineages, including its dark sides (Chan 2000; Tong 2005).

In other studies, I find correlations between formal industries and a resistance to contact use. Sectors such as public administration and defense, education, and health and social work are associated with lower contact use. In comparison, the wholesale and retail trade, hotel and restaurant, and construction sectors are associated with greater amounts of contact use: 61 percent in construction versus 16 percent in public administration and defense (Chua 2011). Above all, the evidence points to a central fact: that contextual factors, such as meritocracy, the public-private sector divide, and industrial differentiation, invariably shape the role and value of job contacts.

I ask a further question: If job contacts do not matter much in Singapore’s meritocratic markets, *what types* of social capital do? Further analyses show that a broader swathe of ties – ties beyond job contacts *per se* – matter considerably; Nan Lin calls this the “invisible hand of social capital” (Lin and Ao 2008;

McDonald 2010). These ties form an embedded part of our everyday lives: they represent relationships that are formed through serendipity, such as a casual conversation among partygoers (Granovetter 2002), a family member who gives unsolicited career advice that turns out extremely useful, an acquaintance who gives revelatory insights into emerging trends, and so on. These networks work on behalf of their beneficiaries without them actually asking or mobilizing.

In Singapore, I find a positive relationship between this “invisible hand of social capital” and job earnings. For example, general network effects are most salient in the state sector (Chua 2014), lending support to the idea of relational embeddedness within meritocracy. I conclude that while meritocratic structures do reduce the utility of job contacts, they do not – indeed cannot – curtail the role of more general forms of social capital. In truth, social networks are always at work. They are intrinsic to human society. They survive institutions and do not disappear despite meritocratic constraints.

Let me conclude with two general observations. First, it is my view that the idea of embeddedness will continue to be central to the discipline of economic sociology, not because social networks will always matter all the time or everywhere in shaping economic outcomes, but because communities have always coexisted alongside state and market (Rajan 2020). Markets do not stamp out the importance of social relationships. To the contrary, they have amplified the role and value of social relationships (Liu, McDonald, and Chua, forthcoming).

Second, as Granovetter (1985) has observed, “in classical and neoclassical economics ... the fact that actors may have social relations with one another has been treated, if at all, as a frictional drag that impedes competitive markets” (pp. 484). In many ways, the meritocracy has tried to do precisely this – to make social networks increasingly irrelevant and to remove the role of social relationships from hiring decisions. Networks are viewed with suspicion in the context of meritocracy, not because they are inherently counter to human flourishing, but because social relations always have the potential to be misused, including for corruption.

Yet networks have always been a part of institutional life. The question ultimately is not whether networks matter, but how much and under what conditions.

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# From an industrializing city to a global city

## Hong Kong economic sociology's changing agenda

Tai-lok Lui

**E**conomic sociology in Hong Kong is largely an outcome of growing research on its vibrant economic life since the 1960s. As a British colony (prior to July 1, 1997) with a predominantly Chinese population and undergoing export-oriented industrialization at a rapid pace, Hong Kong attracted the attention of social science researchers, both local and overseas. After the 1949 Revolution, when fieldwork in China became no longer feasible, some anthropologists simply saw Hong Kong (and Taiwan as well) as a substitute for their original fieldtrip destination (Baker 2007, 4). Sociologists, however, did not approach their research site in the same manner. But in the eyes of those sociologists whose conceptual framework was informed by modernization theory, Hong Kong was a Chinese society going through industrialization and modernization (and sometimes using the expression *westernization*), offering a “laboratory” for analyzing the impacts of social change on a so-called traditional society. Meanwhile, there were also researchers with a labor studies background who considered Hong Kong’s success in exporting its man-

ufacturing products to be a result of low wages and poor labor protection. So, in the early days of the development of economic sociology-related research in Hong Kong, it was a blending of sociology, human geography, and labor studies. Researchers, despite differences in their academic disciplines and each thus starting with a different set of research questions, came to unravel the socioeconomic and cultural dynamics underlying Hong Kong’s rapidly changing economic structure, institutions, and organizations.

### The industrial colony

One of the economic phenomena that caught researchers’ attention was the dynamism of what nowadays we would call the informal economy. McGee’s monograph entitled *Hawkers in Hong Kong: A Study of Planning and Policy in a Third World City* (1973) was an attempt to examine the socioeconomic conditions supporting the persistence of street trading in a developing economy, namely Hong Kong, and the implications of this phenomenon for urban planning and government policy-making. Hawkers’ business was analyzed in the light of a framework of the two circuits of the urban economy in underdeveloped countries. Mainly based upon surveys of hawkers and their customers conducted in 1969, McGee argued that the persistence of hawking was due to “a structural rigidity in the lower circuit distributive sector,” and at the same time the upper circuit units were slow to replace services delivered by (both legal and illegal) street trade (McGee 1973, 174). Indeed, street trading offered informal work opportunities to ordinary people for moonlighting (as a second job after normal work hours) and/or petty entrepreneurship. When Hong Kong’s economy was hit by the world recession trig-

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gered by the oil crisis in the 1970s, the colonial government set up designated “permitted areas” to provide unemployed workers an opportunity to earn a living by street trading. Hawking was seen as a “safety valve” for coping with the pressure created by economic downturn. At a time when social welfare provisions and labor protection were minimal under colonial rule, street trading was a kind of work strategy that many working people found practicable.

Ambiguity and flexibility are two of many main features of the informal economy. In the course of Hong Kong's industrialization, factories in domestic premises (FID), i.e., manufacturing production illegally carried out in residential buildings, made significant contributions to production and employment. Very often they were small family businesses assuming the role of subcontractor for larger manufacturing establishments and/or import-export houses. Drawing upon data of the official 1971 manufacturing census and his own survey conducted in 1975, Sit (1983) analyzed the major characteristics of such FID. He asked the question from a geographical perspective and discussed the location of FID and the implications for urban land use. In the monograph, FID was perceived as a problem in at least two respects: "(1) infringement of the lease conditions of the buildings concerned and (2) the adverse environmental effects and hazards for health and safety involved in operating a factory in non-industrial buildings, especially in mainly residential buildings." (Sit 1983, 148). In his other writings on small factories, Sit was more ready to recognize the other aspects of small industries (Sit 1982; Sit, Wong, and Kiang 1979; Sit and Wong 1989), particularly their vigor and dynamism, as well as their contributions to industrial growth and development in Hong Kong. Human geographers (see, for example, Dwyer and Lai 1967) took the lead in probing the special features of Hong Kong's industrial development driven by small manufacturing establishments.

In hindsight, we understand the importance of small factories' dynamism, flexibility, and adaptability to Hong Kong's success in its export-oriented industrialization. However, in the 1970s, when bureaucratization (in terms of organizational hierarchy and well-defined division of labor) was taken as a benchmark for measuring modernization and rationalization, some researchers were still hesitant to fully recognize what these small, family-run, unstructured subcontractors could have achieved (King and Man 1979). It took some time for them to realize that what were once perceived as hurdles to modern management (e.g., traditionalism, paternalism, informality, etc.) could well be the key ingredients of the success of contemporary Chinese business (not only in Hong Kong but in Taiwan as well).<sup>1</sup>

Meanwhile, England and Rear (1975) offered a survey of the conditions of employment and industrial relations under colonial rule. The Employment Ordinance was passed in 1968, after the riots (which were political spillovers from Mainland China during the Cultural Revolution) in 1967. Despite more systematic efforts in improving labor conditions, the protection of employees was largely nominal.<sup>2</sup> England further developed his criticism in a Fabian pamphlet entitled

*Hong Kong: Britain's Responsibility* (1976). This attracted the attention of trade unions and the Labour Party in Britain and helped exert pressure on the Foreign Office as well as the colonial government in Hong Kong (Lui 2017). New measures (e.g., the number of holidays was increased) were introduced to improve employment conditions. But the competitiveness of Hong Kong's industries did not entirely rest upon sweatshop conditions. Increasingly, it was recognized that industrializing economies in East Asia had other competitive advantages as well.

## One of the four little dragons

The rise of Japan and high economic performance by the so-called four little dragons (Hong Kong, Singapore, South Korea, and Taiwan) changed the perspective and agenda of sociological research on economic life in Hong Kong. First, there was the more general question concerning if capitalism could grow in China (or more precisely, Chinese societies). This was what some had called the "Weberian question": Could the spirit of capitalism take root in Chinese societies? This discussion took place at a time when economic growth in Hong Kong, Singapore, and Taiwan was phenomenal and China had just stepped out of the Cultural Revolution and began its economic reform. Wong (1986) and Redding (1990) provided their answers to the question, and showed how Chinese entrepreneurship could well be an important driving force for economic development in East Asia.

Second, contemporary Chinese business was capable of breaking into the league of the world's top corporations. Rich Chinese business leaders were no longer merely successful intermediaries in global Chinese trading networks. Rather, their footprints were transnational. Wong (1988) analyzed Shanghainese entrepreneurs who emigrated to Hong Kong before and after the 1949 Revolution and explained how familism not only facilitated entrepreneurship but also promoted investment in the second generation's human capital and managerial skills for running the family business rationally and effectively. He examined the various stages of the developmental cycle of the Chinese family firm and explained both the potentials and challenges encountered by Chinese business (Wong 1985). It was also observed that there were necessarily tensions in Chinese business organization and practice. On the one hand, there was a strong desire to start one's own business, and thus competent managers and senior staff were likely to leave the companies they worked for at some stage of their career. On the other, these managers' departure was not necessarily a break in the cooperative relationship; rather, they con-



tinued to collaborate with their former employer via a subcontracting partnership built upon long-established mutual trust (Wong 1988). Trust came to constitute an important component of the success of contemporary Chinese business.

The success stories of the four little dragons also alerted many researchers to the significance of the effects of the changing world economy on developing economies. The rising economies in East Asia indicated how developing economies might well be able to struggle out of dependency and rise to more strategic positions in the hierarchy of the world economy. Henderson (1989) looked at the electronics industry and analyzed how Hong Kong became a regional core under the new international division of labor. So (1985) drew on the insights of world system theory and reinterpreted the experience of Hong Kong's economic success. The introduction of a political economy approach to an analysis of Hong Kong's rising status in global production in the 1980s opened up new research questions (e.g., the changing context of the world economy and the role of the state) for further unraveling the connections between the macro context, institutional setting, and organizational dynamics in shaping the course of industrial development.

## Economic restructuring

Lui (1994) conducted his survey of factory management and intensive interviews with women outworkers in the mid-1980s. It was a time when Hong Kong's manufacturing was short of labor and it was still too early for most of the manufacturers to think seriously about relocating their production across the border to the Pearl River Delta in south China. His research focused on industrial outwork as a form of flexible and informal work arrangement in modern manufacturing production, and his discussion pointed to the significance of a flexible production system (including subcontracting, part-time work, and internal contracting) to the success of Hong Kong's industries in responding to a volatile world market for its exports and growing competition from other developing economies. This research on industrial outwork reconnected the research interests of the 1970s in the informal economy (in addition to references cited in the earlier section, see also Sit and Ng 1980) with a newer agenda of the 1980s on the macro backdrop of Hong Kong manufacturing's positioning in a changing world economy (i.e., its role in the new international division of labor). This also allowed for a dialogue between Hong Kong's local studies and a growing literature in economic sociology on embeddedness, flexible production, and interorganizational networks. But by the

late 1980s it was evident that Hong Kong manufacturers had started to adopt the strategy of relocation and not to look for means to enhance production sophistication (either through technological upgrading or organizational restructuring). The massive relocation of manufacturing production from the late 1980s onwards changed the ecology of Hong Kong industries.

Sit (1991; Sit and Yang 1997) saw this growing trend of relocation by Hong Kong manufacturers in search of a production base with lower labor and production costs. This opened a whole new chapter for Hong Kong manufacturing – a new regional division of labor was in the process of formation, with Hong Kong assuming the role of “front shop” and the Pearl River Delta the “back factory.” Such a new division of labor enabled Hong Kong to shift towards a service economy with a focus on producer services (Tao and Wong 2002). While some greeted such changes with an optimistic note (Enright, Scott, and Dodwell 1997), others warned against complacency and indicated the need for continued upgrading (Berger and Lester 1997). Chiu, Ho, and Lui (1997) looked at such changes from a comparative perspective. By comparing Hong Kong and Singapore, they analyzed how both cities, starting from a similar background of being British colonial cities with a focus on trade and commerce, took rather different pathways in their processes of industrialization. Here the authors engaged with debates in the 1990s about differences among the four little dragons.

More importantly, based on Chiu's earlier study of state formation (Chiu 1996), it was suggested that the role played by the state in Hong Kong and Singapore was very different. It was not about the Hong Kong government practicing positive non-intervention or otherwise (for a critique, see Schiffer 1991); rather, it was a question about it being selectively interventionist (e.g., it was always responsive to crisis in the financial sector). However, in the area of manufacturing, the colonial state kept its distance from actively providing supportive policy to industries. Chiu and Lui (1995) characterized Hong Kong as unorganized industrialism, as its manufacturers were not assisted by the government in the pursuit of technological upgrading, nor did they find the well-developed banking sector particularly helpful in offering credit for longer-term investment. Most of the small, local, export-oriented manufacturers were left on their own to face challenges arising from growing competition and fluctuations in global demand. Despite repeated signals calling for technological upgrading and the move toward higher value-added processes, Hong Kong manufacturers fell back into their organizational inertia and continued to conduct labor-intensive production (also see Yeung 2000).<sup>3</sup> So, even when Mainland

China opened its door and allowed Hong Kong manufacturers to develop a new production base across the border, the manufacturers expanded their scale of production without capitalizing on such an opportunity to upgrade their technology. Nor had many of them seriously pursued original brand production. When the Guangdong province subsequently enforced industrial upgrading, Hong Kong investors were caught in a difficult situation and many of them had to continue to relocate to countries that would help them to keep their production costs low (e.g., Cambodia, Myanmar, etc.). When Shenzhen emerged as a new center of innovation in China in the past decade, Hong Kong manufacturers' role in the process was marginal.

The colonial state's *laissez-faire* stance did not only limit the manufacturing industry's incentive to upgrade their technology, it also constrained the growth of some risk and money management markets. Puzzled by why life insurance was less popular in Hong Kong compared to Taiwan despite Hong Kong's much higher GDP per capita and meager social welfare, Chan (2012) compared the development of life insurance markets in Hong Kong and Taiwan. She found that the relative underdevelopment of the life insurance industry in Hong Kong was mainly due to the colonial state's indifference to local insurers, who were unable to compete with well-established foreign insurers. While local insurers dominated the market in Taiwan thanks to protectionism, foreign insurers dominated Hong Kong thanks to the *laissez-faire* policy. Although all insurers in both societies faced the same cultural resistance to accepting life insurance as risk management, the foreign insurers in both places were less willing to design products accommodating local preferences. The domination of foreign players in Hong Kong consequently resulted in a much smaller market because the products they offered were less localized.

Nonetheless, manufacturers' failure in seeking organizational and technological upgrading and the colonial government's lack of support for local financial players had not stopped Hong Kong from becoming an international financial center and a global city. Its present status as an international financial center was an outcome of a long historical process (Meyer 2000). And geopolitics had its role in shaping Hong Kong's financial services (Schenk 2001). Chiu and Lui (2009) probed further and examined Hong Kong's position in the light of the existing literature on global cities. Growing income inequalities were noted. More

importantly, warnings were issued about the impacts of the rise of China on its future development. Growing regional integration did quietly reorientate Hong Kong towards a reliance on China for demand for its services (ranging from IPOs of Chinese corporations in Hong Kong's equity market to inbound tourism).

There are a lot of questions about Hong Kong's changing functions as an international financial center and a global city. Lai (2012) interviewed financial and regulatory actors in Hong Kong, Shanghai, and Beijing, and argued that these cities were interconnected, with each of them performing a different function. How Hong Kong continued to develop as a financial center and a global city would be determined by the services it could deliver to China and the wider regional and international networks.

## Concluding remarks

Economic sociology in Hong Kong evolved as the economy and its activities went through different phases and different paths of development. It does not really have an established paradigm. Nor is there a leading approach or framework that directs researchers' attention to certain theoretical and empirical issues. Researchers tried to respond to the changing economic environment by making sense of what was happening in the economy, its institutions and organizations, and among the people involved. Every now and then, they turn a new page and open a new chapter.

## Endnotes

- 1 Given the short length of this article, we are unable to discuss the relevance of Taiwan sociologists' research to the development of economic sociology in Hong Kong. Academic exchanges between Taiwan (mainly from Tunghai University and led by Kao Cheng-shu) and Hong Kong sociologists set the research agenda in the 1990s. Kao led a team of researchers from Tunghai University to conduct numerous case studies and covered companies in both Taiwan and Hong Kong.
- 2 Researchers informed of Marxist theory examined labor discipline and management of small factories from the perspective of labor control and dependent development (see Djao 1978).
- 3 The process of deindustrialization had wider social repercussions. Labor market adjustment was one of the challenges. Echoing the literature of labor studies in the 1970s, Chiu and Levin (1993) examined workers' conditions under industrial restructuring.

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# A brief review of the economic sociology of Taiwan's development

Zong-Rong Lee

## A rapid developmental economy

Taiwan started its industrialization in the 1960s, when the government pushed development through regulating measures such as tax incentives and subsidies via foreign aid. The market then went through decades of rapid growth, with local businesses booming and becoming pivotal within the nexus of global production networks, marking Taiwan as one of the most successful late-developing economies. Between 1963 and 1996, the nation's GDP grew on average by more than 9 percent, establishing it as one of the four Asian tigers alongside Singapore, Hong Kong, and South Korea (Fei et al. 1979; World Bank 1993). The success of Taiwan's economy caught up with the revival of American interest in economic sociology that began in the 1980s. It was amidst this academic revival that Taiwan entered the stage of global economies and caught the attention of researchers, who shared one main concern: Why were Taiwan and its fellow East Asian neighboring societies able to shed their peripheral status? More so, how could they maintain economic growth for so long (Haggard 1990)?

Many scholars noticed that the specific set of politico-economic conditions in Cold War geopolitics created a unique opportunity for the development of Taiwan (as well as Japan and South Korea). The then authoritarian Kuomintang (the Chinese Nationalist Party) government, which inherited the industrial in-

frastructure from the previous Japanese colonial regime, enforced a land reform that eradicated the potential political threat of landlords (Winckler and Greenhalgh 1988) and funneled capital extracted from the agricultural sectors to industrial projects and helping to build the foundation of industrial enterprises (Ka and Selden 1986). The state not only provided the required social stability for private actors to accumulate capital but also managed to link local production to demand from the US and Japanese markets, as well as to suppress quelling unrest among the working class and farmers, eventually fostering an export-oriented economy (Deyo 1987).

How did scholars with macro perspectives explain the speed with which Taiwan's industry grew? Some researchers were inspired by Max Weber's cultural determinism, which led them to focus on Confucian ethics and their impact on economic development (Berger and Hsiao 1988; Whyte 1996). Under this framework of cultural interpretation, the family business – and its associated Confucian morality – that was once portrayed by Weber as an unlikely organizational form on the path toward a modern capitalist economy has now been hailed as the pivotal impetus for Taiwan's rapid economic development (Hamilton and Kao 1987; Redding 1990).

Other scholars emphasize the importance of competent state capacities in integrating and governing market forces for successful economic development, and Taiwan has long been recognized by scholars as an archetype of such a model (Amsden 1985; Fields 1995; Wade 1990). By controlling currency rates, monetary policies, and the flow of investments,

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as well as by suppressing social unrest, adjusting export quota, and investing in high tech developments, the state maintains its leading role vis-a-vis enterprises and the public. Under strong regulating power, private enterprises are subject to a “picking-up-winners” strategy by eagle-eyed economic bureaucrats who are tied up with coherent views of economic development and sometimes also a collective vision of nationalist pride. For some scholars, the right balance between state power and its network linking with private sectors is critical. Maintaining and invigorating the deli-

cate nexus of public-private cooperation is important for development projects and industrial innovations, lest they should slide into predatory or captured forms of economic degeneration (Evans 1995; Hsieh 2014; Lee 2009).

Within the powerful control of this “party-state capitalism,” the massive export-oriented network of small- and medium-sized enterprises (SMEs) was also heavily studied. Drawing on the theory of “flexible specialization” (Piore and Sabel 1984), researchers see not the state but SMEs themselves as driving forces, with their labor-intensive export manufacturing ability (Greenhalgh 1988; Ka 1993). These small enterprises were usually led by entrepreneurial families who attracted capital and acquired new skills through social networks. They exhibit the organizational capacity inherent in most developing economies that are able to meet the swift demands of global economy, and also serve as the ladder for the kind of high social mobility associated with rapid economic growth (Shieh 1992).

## Market transitions and economic challenges since the 1990s

As regards the present, however, the whole economic structure has been changed enormously, to the extent that old stereotypes may not be easy to recapture. After the 1990s, Taiwan experienced a series of important changes among its economic institutions, and beginning in 1997, the economy was also impacted by the East Asian financial crisis. Since then, the annual growth rate has dropped to as low as 3 percent, diminishing the country's prospects and hardly comparable to the rapid growth in the past. It was during these trying years that economic sociologists studying Taiwan started to investigate new empirical developments alongside this big transformation, as well as to address the challenges and contradictions that have gradually emerged from this process (Lee and Hsiao 2014; Lee and Lin 2017; Lin 2021).

Important themes from research findings about this economic transition can be roughly summarized as follows: the decline of state capacity in directing the economy; the aging and shrinking population and its negative impact on economic prospects; the ever-increasing importance of family businesses; the globalization of production and the move by manufacturing sectors to China; and finally, widening social inequality and the rise of social unrest due to economic globalization. All of these engender contradictions and pose critical challenges that were unseen in the past.

## Decline of state capacity

The most salient feature since the transition period has been the decline of state power over the market. In 1986, a long-effectuated martial law was abolished in Taiwan, and in 1989 the economy was liberalized, with monopolized sectors of state-owned enterprises being privatized and transferred to rising private business groups – mostly in the hands of family tycoons. The process came alongside large-scale reductions in import controls and tariffs, as well as liberalization for foreign investment and bank interest rates, which opened the door for an influx of international funds (Amsden and Chu 2003). The state withdrew its control from the economic sphere and reduced its means of regulation, and the once strong state was no longer able to wield its powers to achieve economic goals easily. This change in power was also reflected in corporate network compositions, where state and party-owned enterprises no longer occupied the central and brokerage positions they used to have, and network centralization overall also started to loosen, from a tight corporatist fashion to one more resembling a liberal economy (Lee 2009).

Since then, local Taiwanese companies have started to follow the path of globalization and export their mobile, but close-knit, production networks abroad, mostly to China and Southeast Asia. In the meantime, the efficacy of the government's domestic policy in directing the economy suffered when it came to keeping up with the speed with which the economic sphere had changed. The whole course of the Taiwanese economy since then can be described roughly as progress away from the ideal model of the developmental state. Salient features of its internal transformation include the following: interest politics replaced regime autonomy as commonplace; electoral competition has been leading politicians away from developmentalism (Wu 2007); and state interference in the economy was accompanied by uncertain success. As its capacity declined, the state became more and more regulatory in nature, less capable of direct intervention, and less predictable in the quality of implementation (Wong 2011). As a result, decision-making processes have been changing gradually from top-down to increasingly more likely to be captured by emerging, powerful business interests. Amid the liberalization of the 1990s, the government deregulated several industries and pushed for mergers and acquisitions, especially in financial sectors, where the interests of dynasty families are prominent. And yet, ironically, the consequences of such a policy were not as positive as policy makers had expected; empirical analyses from financial scholars show no cost efficiencies or improved operating or long-term invest-

ment performance from these measures (Lee and Hsiao 2014).

### An aging population and the world's lowest fertility rate

One factor contributing to the rapid development of Taiwan in the past was the postwar population surge, which provided abundant laborers to propel economic growth. And yet, starting from the mid-1990s, low fertility rates and aging population problems have become pressing issues both for the government and for the public (Cheng 2020). In the CIA's latest report on total fertility rates (TFR), Taiwan was ranked last out of 227 countries, at 1.07 children per woman. As typical of a post-industrialization marker as it may be, the ultra-low fertility rate in Taiwan is nevertheless a combination of cultural change, harsh labor markets, and ever-exacerbated social inequality. The younger generation reluctant to have babies are discouraged by poor career prospects at low, entry-level salaries and unaffordable housing prices, compounded by the meager nursery subsidies and other forms of welfare support both at home and in the workplace. According to Cheng's (2017) projection models, current ultra-low fertility rates in Taiwan may produce a shrinkage of as much as 29 percent of the total labor force by 2050 if nothing changes, or a 7 percent shrinkage if Taiwan adopts a full-fledged Nordic welfare state model such as that of Sweden (Cheng 2017) – an unlikely path given its current neoliberal political-economic structures.

### Chandlerian thesis re-examined

Another distinct feature of the Taiwanese economy is the continuous prominence of family businesses, which has become a clear antithesis to Alfred Chandler's prophecy of managerialist capitalism, despite rapid development for almost half a century. The prevalence of family businesses in Taiwan has been consistently documented by scholars of different academic disciplines, and the prominence of family firms in the market has marked Taiwan as a typical case of "family capitalism" (Hamilton 1997), which stands in strong contrast to its Japanese counterpart or other Western industrialized nations (Hamilton and Biggart 1988). Although a recent study has found that second-generation key leaders of Taiwanese business are, in general, less likely to keep family members in the inner circle after market transition (Chung and Luo 2008), family-controlled firms are still found to represent approximately 80 percent of all listed companies (Lee 2017).

This emphasis on family ownership reflects the primacy placed on the growth of family wealth rather

than the firm being seen as a public interest, and business owners tend to keep power in the hands of close relatives whom they trust and to transfer their assets to family members. This raises a fundamental question of whether this kind of essentially nepotistic economic organization will be able to continue to propel the local economy further, when family businesses are generally associated with issues of underperformance, waste of talents, creation of class rigidity due to patriarchal inheritance, and political corruption that more than often cripples the functioning of a democratic society (Fogel 2006; Olson 1984; Chung, Lee, and Zhu, forthcoming).

Moreover, a distinctive feature of Taiwan's postwar economic development emerged in relation to decentralized industrialization, consisting of a system of small and medium enterprises, but scholars have pointed out that under the pressure of economic globalization, the size of Taiwanese firms has expanded greatly, to the extent that the old stereotype of SMEs no longer captures the country's growth dynamics. For example, the Foxconn (or Hon Hai), once the world's third-largest enterprise and the main supplier of Apple computers, had almost 1.3 million employees (although mostly through the mega-size factories based in China), and the ten biggest Taiwanese companies average 200,000 employees, almost matching the numbers of their Korean and Japanese counterparts (Lin and Hu 2017). Big Taiwanese companies usually move their factories to China and Southeast Asia, i.e., regions with cheap labor that enable these businesses to increase their labor-intensive modes of production. This "world factory" approach allowed many Taiwanese enterprises to increase their revenue and rosters rapidly, but not necessarily to the point of seeing an increase in profit margins. For the case of Foxconn, its profit margins have been clocking in below 3 percent for years. Based on these findings, Lin and Hu (2017) argue that classic economist theories of profit maximization cannot adequately explain the modus operandi of Taiwanese businesses with respect to their expansion.

Observing the rapid expansion and big businesses moving out of Taiwan to China, scholars on the Taiwanese economy have also begun to investigate the viability of local production networks in which SMEs are the bedrock. In her detailed sectoral analysis on the industrial census data, Hsieh (2014) shows that SMEs are avid adapters and creators of new opportunities, despite their modest revenues. Contrary to the "hollowing out" thesis, SMEs have moved up the value-added ladder and become key global players or indispensable upstream and midstream global suppliers for several industries, such as bike components, car parts, or machinery (Hsieh 2014).

From the bigger picture of these industries' local contexts, certain socially embedded, historic factors emerge as being central to the vigor of SMEs (Hsieh 2011). The equality of power structures and open network relationships among relatively smaller-sized firms contributed to a horizontal exchange of skills, ideas, and resources. Semiofficial research organizations further supported these exchanges and promoted specific skills, thus equipping entrepreneurs with a means to pursue their creative endeavors. This characteristic marks a stark contrast to South Korea, where vertically integrated, large conglomerates are the engines of industrial innovation and production (Hsieh 2011; Wang 2007).

### Globalization of production and the influence of China

The development of a global value chain is one central development of modern capitalism (Gereffi 1994), and Taiwan's economic success benefited partially, at least, from it (Hamilton and Kao 2017). Since the early 1990s, globalization has pushed the ODM-based (original design manufacturer) Taiwanese manufacturing companies to become more mobile across Asian regions, amidst pressure from overseas customers and a constant need to drive down costs (Hsing 1998; Saxenian 2006). Taiwanese business people setting foot in China has become the common standard, and it has had short- and long-term ramifications for Taiwan's economy and society. For one thing, scholars have pointed out the correlation between the increasing investments of Taiwanese firms in China and the exacerbated working environment for local employees, who saw their wages stagnate for almost two decades and personal benefits de-linked from economic growth in GDP (Lin 2015).

The exodus of manufacturing sectors and resulting emergence of an intertwined economy on both sides of the Taiwan Strait put further strains on local politics and economic policies (Yu et al. 2016). One aspect of this tension is that Taiwanese firms became an easy target for repercussions amid the contested relationship between Taiwan and China, especially when economic policy on trade with China oscillates between contested national identities and material interests in economic integration (Lin 2016). Recent research has started to explore how Beijing may have influenced political affairs offshore, by exercising its economic muscles via its political agent of overseas Taiwanese business (*Tai-shang*) in China (Schubert et al. 2017). As Wu's (2017) study shows, the political stance of local businesses toward China is associated with their economic interests in China. This suggests that Beijing has effectively cultivated cross-strait, gov-

ernment-business networks and local collaborative mechanisms in Taiwan by manipulating its relationship with *Tai-shang*, a strategy that helps it implement its political goals in an indirect manner (Wu 2017).

Moreover, as more and more Taiwanese manufacturers of electronic products and chips are moving over to China, the talents and the technology are inevitably also transferred and flow at regional and global level (Saxenian 2006). Recent anxiety over the shortage of semiconductors around the globe – where the leading-edge firms such as Taiwan Semiconductor Manufacturing Company (TSMC) are at the center of the storm – reflects the dire and new reality of intertwined global technological supply chains that often breach the boundaries of national security and intentional political alliances.

### Inequality and discontent

Increasing inequality and social unrest have been trademarks of economies that have gone through the difficult processes of economic liberalization and globalization around the world, and Taiwan has been no exception. Stagnant wages, along with rising and unaffordable housing prices, all speak to the pressing issues of economic inequality and the social discontent associated with post-transition economic development, especially among younger generations, who suffered most from the newly globalized economic environment. One important backlash against this economic liberalization was the Sunflower Movement in 2014, when almost half a million young protesters gathered to protest the government's free trade agreements with China, demonstrating their discontent toward the harsh economic realities looming over their life prospects.

Echoing such developments, research on the labor market has also started to reveal harsh realities in the workplace. Using Industrial and Commercial Census data, Liu and colleagues estimate the rate to which factory owners benefit from underpaying their workers (or "exploitation"), finding that the majority (62.5 percent) of Taiwanese manufacturing firms actually engage in "extractive exploitation," and most of the profits (75.5 percent) are derived from the underpayment of their workers (Liu, Sakamoto, and Su 2010). As most of the sampled firms from the census data are SMEs, these studies suggest a difficult reality that is more than often accompanied by the self-exploited nature of the mode of flexible production systems.

Gender inequality inside the workplace has also been an important issue for both industrialized societies and East Asian contexts (Tam 1997; Chang and England 2011). Although the gender wage gap in Taiwan continues to decrease, and women are catching

up when it comes to education levels and job opportunities, women nonetheless still earn on average twenty percent less than their male counterparts (Chang 2017). In Taiwan, women are generally concentrated in lower-paid, service sector, white-collar jobs. Compounding matters, a statistical analysis from Chang's (2017) study suggests unequal pay for equal work: women are still underrepresented in high-ranking, white-collar jobs, and for the same professions, the wage gap is still pronounced. Even when accounting for education and experience, women earn less for the same work, as compared to men.

## Conclusion

Taiwan represents one of the most successful developmental economies in the East Asian region in the

second half of the twentieth century. At the turn of the twenty-first century, however, following the impact of successive economic crises and the subsequent trying years of Taiwan's economy, a reversal in scholarly interests emerged, and what was once seen as an economic miracle was now seen as a subject marked by economic challenges and intertwined political and social contradictions that past institutional arrangements were not able to easily resolve. These concurrent developments of economy and society as reviewed above will undoubtedly pose new challenges for Taiwan's future development. As its economy is heavily enmeshed in global production networks, what were once seen as local social and political issues – such as the roles of the state, business, and the public – and also their complex interactions with China, will inevitably produce repercussions echoed in the global economy.

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# Recent development of economic sociology in Korea

Kyungmin Baek

Economic sociology in Korea has been growing in earnest since the early 1990s. Scholars influenced by Anglo-American sociology began to criticize the logic of neoclassical economics, which presupposed an atomized independent actor who pursues utility maximization. They claim that social actors are embedded in various social relationships. As a result, social institutions and limited human rationality play an important role in shaping a decision for economic behavior. The scope of their research in Korea has extended to the study of the state, organization, and individual behaviors, and the research outputs have greatly contributed to the analysis of Korean society. The studies of economic sociology in Korea can be divided into three categories: state, organization, and individual. In this article, I examine how economic sociology has been developing recently in each area. To this end, I focus on the discussion in academic journals published since the late 1990s in Korean.

## State: Korea as a post-developmental state

First, the studies of economic sociology on the state in Korea mainly focus on the topic of national development. Korea has experienced rapid economic growth in a short period of time, and many scholars have been interested in what Korea's economic developmental

path is like and how it has changed through historical experiences from the developmental dictatorship to the International Monetary Fund (IMF) financial crisis.

As Korea experienced rapid economic development in 1970 and began to be fully integrated into the globalization process in the 1990s, various attempts to understand its development path began to appear in Korea. In particular, as the neoliberal economy becomes the standard of the world in the globalization process, Western scholars are eager to see if the world economy will converge with the liberal market economic model represented by the United Kingdom and the USA. As an extension of this debate, economic sociologists in Korea and abroad began to analyze what the path of Korea's development was and if Korean economic and social structure will converge with the liberal market economy. Western scholars argue that major Asian countries, including Korea, have been on the path of a developmental state in which the state intervenes in the market with a strong initiative and long-term development strategy (Chu 2016), and many Korean scholars agree with this argument. However, the scholars also began to claim that the nature of Korea's national development has significantly changed since the 1997 IMF crisis. Some scholars claim that Korea still follows a state-led development model (called developmental state) in which the state strongly intervenes in the market but gradually starts

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to operate a free market economy centered on *chaebol*<sup>1</sup> conglomerates (Kim 2007; Kim 2007; Jeong 2006). Other scholars argue that Korea has rapidly shifted since the 1997 IMF crisis to an economic structure close to a liberal market economy, and it is no longer difficult to consider Korea to be a developmental state (Moon and Chung 2014).

In synthesizing these discussions, Yoon (2001) argues that state intervention in the market plays an important role in economic growth in the early period of development stages, and Korea is no exception. However, he argues that, since the 1997 IMF crisis, the nature of the state has changed from a traditional developmental state to a post-developmental state (or a developmental neoliberal state). He argues that the nature of the state has changed into a liberal market economy, but the state does not withdraw behind the market. Rather, he claims that the state starts to wield

neoliberal policy as national developmental strategy to achieve national competitiveness and developmental goals (e.g., a high economic growth rate and market-friendly employment structure).

### Cross-national comparative study

Since the mid-2000s, various academic attempts have been made to understand Korea's position and its developmental path in comparison with other countries in the global order, beyond interpreting its development within its own institutional context. In particular, Youngsoo, Kim (Sogang University), Yong-suk, Jang (Yonsei University), and Jeong-woo, Koo (Sungkyunkwan University), who were students of John W. Meyer,<sup>2</sup> the founder of the new institutional theory, play an important role in developing cross-national comparative study in Korea. Among them, two studies by Yong-suk Jang and Jeong-woo Koo are noteworthy. First, Yong-suk Jang and his colleague Eunyong Song (2008) found that the increase in transparency in Korean society is not driven by internal needs but rather by external pressures (e.g., intensified demand for transparency in world society). This study shows that the strengthening of transparency in Korea should be understood in a global context, rather than being explained by a variable unique to Korea. Second, Jeong-woo Koo analyzed the conditions and factors under which Korea's Official Development Assistance (ODA) after 1989 has been carried out. He found that institutional changes taking place in the world society have a significant impact on Korea's ODA resource allocation (Koo 2011). As such, various attempts have been made to understand Korea's development through cross-national analysis. Recently, the field has expanded to include various themes, such as human rights, diversity, and social integration.

## Organization: Networks and institutions

Until the early 1990s, there were only a few sociological studies on organizations in the Korean sociology community, and such studies only began to appear in earnest in the 1990s. In particular, scholars who studied social network and organization theory at the University of Chicago and Stanford University in the United States moved to Korean universities and played an important role in stimulating academic communities in Korea to conduct sociological research on organizations in active ways. Since then, the field of organizational sociology has become one of the most active fields of sociology in Korea and most of the orga-

nization studies have mainly focused on analyzing organizational behavior using social networks or new institutional theories. Below, some studies in each theoretical framework are reviewed.

### Social networks between organizations

Organizations are defined as an organized body of people who seek to maintain boundaries while pursuing a particular purpose. To achieve their goals, organizations need resources and have to interact with the external environment to acquire them. Networks become a channel between resources that organizations need to acquire from the environment and the organization. As a result, an organization's network structures can influence organizational performance and even the organization's survival. In Korea, network study started to attract academic attention from the early 1990s. Yong-Hak Kim,<sup>3</sup> who received his PhD from the Department of Sociology at the University of Chicago, moved to the Department of Sociology at Yonsei University in 1987 and played a pioneering role in introducing social network theory to academic communities in Korea. In particular, he wrote a textbook on social network theory and methodology in Korean to disseminate the theory and method of social networks (Kim 2003). In addition to this, Yong-Hak Kim and his departmental colleagues performed multidimensional analyses of various organizational phenomena by combining social network theory with various organizational theories. For example, they analyzed the network characteristics of many venture firms that appeared in Korea in the 1990s (Kim et al. 2002), and Chan-Woong and Joon Han (both Yonsei University), his department colleagues, conducted a study of the network characteristics of subcontractors in the Korean automobile industry (Park and Han 2001).

### Macro-organization study

As organizations' relationship with the external environment has become important, researchers have begun to actively conduct work on how the external environment influences organizations. In the 1990s, sociological studies on organizations were actively conducted in Stanford University's sociology department. Korean students who received their PhD from there moved to Korea and played a pioneering role in introducing macro-organizational theories to academic communities in Korea. Looking at their studies, Youngsoo Kim (Sogang University) analyzes changes in the organizational structure of the Korean government from the perspective of new institutionalism and finds that the government structures in Korea have be-

come similar to those in other states. He argues that the institutional environment encourages the Korean government to change government structure to obtain legitimacy from the world society (Kim 2001). Yong-suk Jang and colleagues, Hang-Young Lee (Macquarie University) and Kyungmin Baek (Soongsil University), showed that the institutional environment surrounding Korean business firms is an important factor in determining the size of outside directors (Lee et al. 2007). They showed that the Korean business firms increase the size of outside directors in response to the intensified demands for business transparency in Korean society. Joon Han investigated the changes in the market entry rate of new business firms in mining and manufacturing industries from 1981 to 1999 in Korea from the perspective of organization ecology. In this study, he seeks to integrate social network theory and organization ecology theory. In addition, Jeong-woo, Koo and Dae-wook, Kim (2017) investigate what factors lead the Korean big business firms to introduce and implement social responsibility projects from the perspective of institutional theory.

In addition, some scholars found that the adoption of a particular policy (or business practices) does not lead to organizational performance. In particular, Soohan Kim (Korea University) and colleague show that the diversity management system plays only a limited role in alleviating gender discrimination in workplaces in Korea (Kim and Shin 2014). Kyungmin Baek and Ki-Tae, Park (2013) investigate what conditions encourage organizations to comply with or violate the paternity leave law in Korean workplaces. Recently, the field of sociological research using macro-organizational theory has been expanding into a variety of business topics, such as corporate social responsibility, social enterprise, corporate safety management, and ethical management.

## Individuals: Various patterns of inequality

Social inequality is the most important topic to have recently attracted the attention of Korean sociology circles. A number of economic sociology studies have focused on various patterns of inequality that individuals experience in the labor market and within organizations. In the late 1990s, economic sociologists attempted to explain these inequalities through internal labor market theory and social capital theory. Before then, Korean sociology circles tried to understand the pattern of inequality between individuals, mainly from Marx's class theory perspective. Since the late 1990s, economic sociologists have sought to use other

theoretical perspectives than Marx's class theory to understand social inequality in Korea. To do so, various attempts have been made to understand how individual social and cultural capital and the institutional environment surrounding individuals play a role in increasing inequality in Korean society. Recently, these attempts have extended to the realm of gender sociology and political sociology.

### Gender inequality in Korea

Although social inequality appears in various forms, the one that has received the most public attention is gender inequality in the labor market. Looking at the research on this, it is noteworthy to see two studies conducted by Young-mi, Kim (Yonsei University) and Chang-Hwan Kim (University of Kansas), respectively. First, Young-mi, Kim investigates the gender wage gap across regular and non-regular workers using advanced statistical techniques and finds that the types of disadvantages experienced by regular and non-regular female workers are not identical (Kim 2015). Second, Chang-Hwan, Kim criticized the existing notion that the gender wage gap in Korea is very small among the early twenties age group and the interruption to women's careers is a more significant factor for the gap than other institutional factors in workplaces. Using a sophisticated statistical method, he finds that there is a significant gender gap in labor market income of college graduates. In particular, he finds that within two years of college, female graduates' wages were 19.8 percent lower than that of their male counterparts in the labor market, and he argues that the cause of this disadvantage is the unequal labor market allocation mechanism based on discrimination against women (Kim and Oh 2019). Recently, many Korean economic sociologists have been conducting studies on gender inequality in the labor market, and the studies in this field link to other realms such as class, family, and politics.

### Inequality across generations in Korea

The discussion of inequality across generations is the most recent inequality debate in Korean sociology circles. A paper published by Cheol-seung Lee (Sogang University) in *Korean Journal of Sociology* in 2019 sparked the debate on inequality in Korean society from the perspective of generation. In the paper he claims that since 1987 the "386 generation"<sup>4</sup> has accumulated unequal political power and wealth in Korean society. To analyze how they accumulate that power and wealth, he first focuses on how the 386 generation takes over the state from civil society. He claims that the generation gained moral legitimacy for resisting

dictatorship in the 1980s and that justifies their accumulation of power and wealth in Korea. Next, he turns his attention to the “hierarchical system” established in the labor market in Korea. He claims that, after IMF, the new generation after the 386 generation was blocked from entering the labor market and the old generation expelled from it. He argues, therefore, that it is the 386 generation that benefits the most from the labor market reconstructed since the IMF crisis in Korea. In this study, he argues that through these two processes the 386 generation accumulates more resources and power across civil society, the market, and the state than the others, which can be an important factor that exacerbates inequality in Korea (Lee 2019). In a follow-up paper in *Korean Journal of Sociology* in 2020, he argues that youth unemployment is also another manifestation of inequality across generations in Korea. In particular, Cheol-seung Lee argues that the combination of changes of population structure-seniority in the labor market-cohesive network in the 386 generation is exacerbating intragenerational inequality in Korea (Lee 2020).

In response to Lee’s argument, Chang-Hwan Kim raised the problem of analysis while criticizing Cheol-seung Lee’s claim that generational inequality is the main driving force of inequality in Korean society. And using a different statistical approach and data sets, he argues that the increase in generational inequality after 2009 is not due to the increase in the wage gap between the ages but to an increase in the

aging population, especially the low-educated elders (Kim and Kim 2020). Currently, various discussions on labor market inequality are ongoing in the Korean sociology circles. And these discussions have also extended to the realms of education and immigration studies in Korea.

## Concluding remarks

The field of economic sociology in Korea has grown rapidly since the 1990s. As mentioned above, research from an economic sociology perspective has been conducted in the realm of state, organization, and individual. Also, rigorous and advanced methods are employed to analyze various economic phenomena in Korea. I anticipate that Korea’s economic sociology field will grow even more for two reasons. First, the Korean government is actively promoting the collection and disclosure of social science data through a public data openness policy, which expands data collection in terms of quality and quantity. The expansion of data collection is expected to drive the growth of economic sociology studies. Second, many countries are paying attention not only to Korea’s economic growth but also to Korean culture. Such interest in Korea has the potential to promote mutual cooperation between Korean and international scholars. That cooperation will make it possible to look at various world economies from a new perspective.

## Endnotes

- 1 *Chaebol* refers to large family-owned business conglomerates.
- 2 Working in sociology at Stanford University, he has studied how states and the institutional environment interact from an institutional perspective.
- 3 In 2016, he became the eighteenth president of Yonsei University.

- 4 The term refers to the generation of Koreans born in the 1960s who attended college in the 1980s. They have been politically very active in their thirties. At present, they hold a lot of political power and wealth. The term has some kind of connotation of “new generation” in reference to what was then (1980s) the latest CPU model, Intel 386, a 32-bit microprocessor.

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# Book reviews

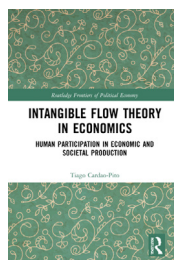
Tiago Cardao-Pito · 2021

## Intangible Flow Theory. Human participation in economic and societal production.

London: Routledge

Reviewer **Felipe Torres**

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It is not surprising that the tangible-intangible distinction is central to the purposes of *Intangible Flow Theory* (IFT). While the tangible refers

to what can be grasped by empirical research, especially quantitatively, the intangible refers to those aspects that cannot feasibly be observed under empirical analysis, although they are latent. This distinction runs through the entire book. The purpose of the distinction, and specifically the intangible term, is to organize two separate but intertwined dimensions. Being schematic, the tangible is what can be grasped by economic empirical research, while the intangible relates to the hidden dynamics for that methodological procedure.

IFT offers a response to the seemingly obvious and rarely suc-

cessful attempts to integrate the economy with social relations. What the IFT brings is a new perspective-bid to complicate economics and sociology. Here, the economy must be understood as the mathematics of the economic behavior mirrored in statistics of every sort, while sociology comprises the symbolic, culturally-based norms of human actions.

Furthermore, one of the main merits of the *intangible flow* thesis is its applicability. It has the potential to appeal to several disciplines beyond economics. The model of circumscribing the “tangible” in a web of “intangible(s)” provides a valuable conceptual tool. The tangible, i.e., what it is possible to verify straightforwardly (numbers, statistics, data), cannot be explained without those elements that are less directly grasped (uneven knowledges, information influences, natural cycles), all which may be extended to other disciplines such as politics, law, or science.

Having said that, probably the strength of the book does not precisely rely on stating that there is a further explanation beyond the empirical data – something that every serious researcher reckons to be their own task. Neither is it to indicate the intangible character of flows – in the financialization, commodification, or digitization cases, this seems rather obvious. The merit is to offer an original account of the visible economic indicators along with the human intangible agency. In other places the author has clearly and synthetically exposed the IFT premise: “the dynamics of the tangible elements require several human related flows that do not share the same properties of the easily quantifiable material elements that they are moving in economic action. Hence, social science disciplines such as heterodox economics, sociology, and anthropology, but also organization

studies, accounting, or history have an advantage in explaining concrete economic phenomena over neo-classical economics because besides accepting advanced statistical and econometric methods of inquiry, they are open to other forms of reasoning to reach testable hypotheses that could capture the intangible flow dynamics in society” (Cardao-Pito 2012: 336). This quotation might be novel for some economists, but it is not really groundbreaking for social scientists. The existence of social conditions preceding economic conduct is at the very bottom of the social scientist credo. In this regard, IFT scholarship’s appeal reminds us of its economic origins. It should be evaluated in accordance with this fact.

There are at least two aspects that IFT overlooks and the theory would have gained greater consistency with their consideration: the time factor and the analytical distinctions of the book’s contents. Regarding the time factor, there are two levels where the time dimension would have been useful to understanding the intangible-tangible link.

*Momentum*: As Cardao-Pito suggests, the “intangible” human relations feed the tangible economic statistics, although the former are not immediately discernible in the latter. Therefore, one relevant aspect of the intangible analysis should be the time factor. If intangible theory adopts a methodological use of time, it will be possible to nurture the dialectic “manifest-latent” phenomena with notions such as *momentum* or *zeitgeist* that would reveal evidence that remains obscure or hidden. In other words, after a given period of time what is intangible may become tangible. That is the case when, for instance, latent social conflicts become mirrored in consumption rates after some time. Hence, there are “timing” functions for what becomes tangible:

some facts can only be seen within a conditioning net that sets a *momentum*. Therefore, there is a time threshold regarding the delay in a linear conception of events: what is intangible may be tangible considering two differentiated time periods.

*Precedence*: Is the tangible a precondition of the intangible? After reading IFT, it seems the intangible precedes – and is beyond – the tangible. Then, what triggers the transition from intangible to some level of tangibility that allows the event to be named? There are certainly historical, cultural, and social conditions but none of them can be isolated – they can only foster an explanation in addition. Therefore, one possibility of bringing them together is through a temporal frame. When considering a temporal factor, it becomes clear that the intangible – i.e., all social, historical, and cultural human-crossed relations – is a precondition of the tangible – i.e., the collected data by methodological procedures. With this, IFT would gain in consistency by positing the intangible as a crucial vector for economic theory and to avoid a certain blurriness in the intangible-tangible bond.

Regarding the analytical content, this should be divided not in three, but rather into two main comprehensive parts. We can distinguish one part concerned with the theoretical underpinnings of IFT in the Introduction and most of Part 1, and a second one, dealing with individual self-interest economic theories (Smith, Mill, utilitarianism, hedonist perspectives), in Parts 2 and 3. The “foundational” first part is not only necessary to establish the main concepts of the theory, but crucial to set the rationale of the proposed theory. There is no doubt about the centrality of this procedure. The problem emerges with the second part. Instead of applying the theory to current and relevant cases – the list

could be quite extensive and include financialization, commodification, the digital economy, housing, debt, insurance systems – the author insists on dealing with classical philosophies ranging from Greek philosophy (Aristotle, Socrates) to utilitarianism and even deconstruction (!). To be sure, it is not a problem to deal with philosophy as such since economic theory is heavily influenced by philosophy – rational choice theory and its affinity with utilitarianism or hedonist philosophies is probably the paramount example. The point is rather that there is no particular merit in revisiting classical philosophy, or in criticizing hedonist or utilitarian perspectives, when they have already been strongly contested by scholarship.

In sum, this is a book that is impressive in the variety of topics addressed, ranging from sociology, political theory, economics, and, especially, classical philosophy and metaphysics. The author deals with a pool of concepts that are not usually part of economic jargon such as “deconstruction,” “constructivism,” and “relativism.” Certainly, this intellectual background is an asset of the book. However, the recurrence to philosophical discussions on relativism-realism, constructivism-positivism, or internalism-externalism sometimes seems a bit odd. In the Introduction, and Chapters 1 and 6, the reader will find several references to metaphysical and philosophy of mind-related discussions that could have been less reiterative. It shows the author’s robust philosophical background – and interest – but adds little to the argument of the book. From the introduction, the reader understands that IFT is neither relativist nor constructivist, but comprehends that it is necessary to circumscribe reality within the frame in which the data arise.

With all the pros and cons, the readership will encounter a

well-grounded theoretical book that adds new complexities to the already contested economic theories on hedonism, rational choice, and, especially, the mastering of what empirical data can actually show.

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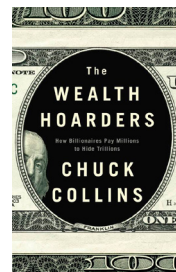
Chuck Collins · 2021

## The Wealth Hoarders: How Billionaires Pay Millions to Hide Trillions.

Cambridge: Polity Press

Reviewer **Christoph Rausch**

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This book intends to be an eye opener for a general audience, as well as a broad call for action. Over 183 pages, Chuck Collins, director of the Program on Inequality and the Public Good at the Institute for Policy Studies in Washington D.C. and co-editor of Inequality.org, aptly summarizes recent journalism and scholarship on what he calls the “wealth defense industry.”



*The Wealth Hoarders* begins with an anecdote from 1983 that has informed Collins' talks and publications in the past decades, and which remains a source of credibility and legitimacy for his activism today. Then 23 years old and about to be left a fortune, Collins describes attending a "week-end conference for people with inherited wealth, sponsored by a local family office and a foundation," where he first learns about how dynastic wealth, "once created – or in some cases, extracted – is hidden, sequestered, protected, and invested." The event becomes Collins' initial experience of awakening to – and moral repulsion at – the "dynasty protection racket" in the United States. It also sparks his decision to give his entire inheritance to charity – including "the principal," or the "asset foundation of ones' wealth that generates income." At the time, Collins' intention to "distribute" his principal assets was met with opposition from the experts in wealth preservation organizing the meeting. They urged him to cling on to his wealth and to spend only the steady stream of revenue from his investments on philanthropy – a strategy that would result in considerable tax benefits, effectively allowing "the principal" to grow. In *The Wealth Hoarders*, Collins reflects on what he still thinks is wrong with this attitude. He explains how a professional class of "wealth defenders," burgeoning since the 1980s, has come to shape a global "ecosystem" of "anti-social" legislations and institutions, which he believes it is now "time to stop."

Collins invokes a new gilded age of dynastic wealth in the 21st century, when "billionaires pay millions to hide trillions." His argument is that current forms of extreme wealth inequality would be impossible without a "militia" of lawyers, consultants, and ac-

countants. At the start of the book, two vignettes provide specific accounts of recent cases of financial graft and corruption on a global scale. But the focus of *The Wealth Hoarders* is not on such tainted origins of wealth. After all, Collins admits, "there are many more financial shenanigans than could be described in this slim volume." Rather, Collins' book, written in a revelatory tone, invites readers to learn more about "the high cost" of hidden, or insulated wealth. Above all, however, the book is about the "enablers." It is about an "army" of legal and financial experts assisting in the hiding of wealth whom Collins calls, citing the sociologist Brooke Harrington, the "agents of inequality."

According to Collins, the ability of "the very wealthy" to "retain power, control, and dominion over vast sums of money in perpetuity" depends on the contemporary "wealth defense industry," or "WDI," as he abbreviates it. This is an obvious analogy to the "military industrial complex," and although Collins does not explicitly refer to the latter concept, his ambition with the present book appears to be to introduce a similarly powerful standing expression to the critical debate about wealth inequality for political activism to rally behind. To that end, Collins borrows analytical insights from investigative journalists and academics to demonstrate how the "wealth-hiding apparatus" has become "a booming sector of the white-collar workforce around the world." The result is a convincing exposé of how the "wealth defense industry" currently designs and applies legal technologies, such as trusts and offshore-shell companies to conceal, protect, and accumulate their rich clients' transnationally mobile capital – effectively but problematically avoiding and evading taxation, as well as democratic oversight.

Collins particularly emphasizes the emergence and proliferation of the family office, a form of "in-house" wealth management and lobbying power that still constituted a fringe phenomenon when Collins had his moment of enlightenment in 1983. Family offices were invented during the first gilded age in the late 19th and early 20th centuries. Back then, "robber barons" such as John D. Rockefeller and J.P. Morgan depended heavily on external consultants to manage their families' fortunes, which resulted in information asymmetries and high transaction costs. Soon enough, they realized that "when you are rich enough" you make an end to working *with* consultancy firms. Instead, you simply buy them and employ the experts to work directly for you. Today, there are between 7000 and 10000 family offices globally, which manage an estimated \$5.9 trillion for so-called "ultra-high-net-worth" individuals with \$9.4 trillion in wealth. But, despite constituting such an enormous pool of private capital, these family offices have lobbied successfully to remain mostly unregulated compared to other forms of banking and wealth management. In fact, the family office structure enjoys significant exemptions from regulatory oversight, which is why George Soros converted his hedge fund to family office status in 2011, and three dozen major hedge funds followed suit. Essentially then, family offices are now in the business of providing privacy and secrecy for their owners. This combination of "very rich people, opacity and markets" is a worrying trend which, according to the Economist, "could endanger the stability of the financial system."

*The Wealth Hoarders* is not an academic tome. Although Collins includes scholarly references in his endnotes, there is no bibliography. Instead, Collins addresses

his readers casually, noting that his account “sparks your interest, you will find an appendix with books, articles, films, and advocacy organizations.” The main value of *The Wealth Hoarders* thus lies in bringing together in one place many illustrative examples of what is wrong with wealth management today – and Collins makes a good case for obscure legal technologies of ownership to be the main culprit. Arguably, Katharina Pistor’s 2019 monograph *The Code of Capital*, which Collins does not cite, is a more thorough account – and better analysis – of how the law creates wealth and inequality (her subtitle). However, a merit of Collins’ book is to underline the enormous importance of investigative journalism and qualitative social scientific research, including participant observation and interviewing, in “studying up” – as the anthropologist Laura Nader would have it – to the cultures of the rich and powerful on the “fuzzy lines between the legal and the illegal.”

Ultimately, Collins searches for “solutions to wealth hiding” and encourages civic engagement against the “wealth defense industry.” He concludes *The Wealth Hoarders* with an epilogue based on a graduation speech he gave at Harvard University that is fully consistent with the gist of his book. The title? – “Grads, Don’t Work for the Billionaire Wealth Defense Industry.”

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Claire Lemerrier, and  
Pierre Francois · 2021

## Sociologie historique du capitalisme.

Paris: La Découverte

Reviewer **Monica Prasad**

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This book began in courses the authors taught at Sciences Po and the University of Lausanne, and reading it feels like sitting in the classroom of two thorough, well-traveled, slightly mad scholars who are trying to teach you the whole world. François and Lemerrier present a loose framework upon which they hang an extraordinary range of scholarship in economic sociology and related fields. The framework is that capitalism can be understood as having three ages: the age of commerce, the age of the factory, and the age of finance. The scholarship they explore using this framework includes work on consumption, labor, the theory of the firm, managers, banks, the role of the state, and other topics—what does consumption look like in the age of commerce vs. the age of the factory vs. the age of finance, what does labor look like, etc. This allows them to put in one book a wide range of authors and theories and empirical discussions, from Kenneth Pomeranz to varieties of capitalism, from Max Weber to mortgage-backed securities. Anyone reading the book will emerge conversant with many recent theories of capitalism.

But the best teachers, the ones we remember later in life, don’t just teach us about the existing scholarship; they also impart wisdom of their own. On that score the book is less successful. It’s not clear what the major innovation, the separation of capitalism into three ages, accomplishes. Would our understanding really be constrained if we divided capitalism into two ages, pre-industrial and industrial? Or four ages, starting with agrarian capitalism? Or five: agrarian, commercial, industrial, service-oriented, finance? In practice the authors often forget the framework while going through many of the discussions. The aim is a synthesis, but the result is a catalogue. By the end of the book, like teachers at the end of a semester who have suddenly realized time is running out, they are racing through topics—civil rights legislation in the U.S., followed by enclosures and the birth of capitalism in England, followed by anti-trust, all in one baggy chapter on the state.

There are building blocks here of something promising. The book is particularly relevant for thinking through how to understand France, which is often relegated to a residual category in different theories of capitalism. Indeed, a shorter, focused book on France could be an interesting sequel. Another possible sequel would be a book devoted to exploring their provocative definition of capitalism: they call an individual capitalist if she uses rational means to achieve the end of individual profit, and they call a society capitalist if most of its members are capitalist or are affected by those who are. This allows them to note that there is capitalism in any society, but the society itself only becomes capitalist when those tendencies spread; in their lovely phrase, “Capitalism isn’t born, it expands” (383).

This definition based on capitalist “comportment” could have been the starting point for a provocative contribution, but they do not really explore the definition or probe its limits. Under this definition would any society other than the most primitive not be capitalist, since most people will be *affected* by capitalists in some way even if there are very few capitalists—for example, by the ability of a government to borrow from capitalists and use that money to enter wars that non-capitalists must fight, or build roads that non-capitalists can travel? And what exactly is individual profit, and what is rationality—is the religious figure a capitalist if she identifies her individual profit as religious salvation, and practices such as daily devotion the rational means of getting there? Are the medieval parents scheming for a clever marriage for their progeny capitalists? I’m not convinced we can leave behind more traditional definitions of capitalism as constituted by private property and market exchange, but I would have loved to see a more serious exploration of the possibilities and limitations of this definition based on capitalist comportment.

Nevertheless, the book usefully puts a large amount of information between two covers, and despite some major omissions (Giovanni Arrighi and Greta Krippner are notable absences in a book making a historical argument about the rise of finance), one could assign this book to French-speaking students looking for a quick overview of recent scholarly perspectives from France and the U.S. on the history of capitalism.

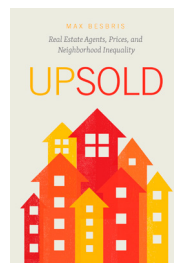
Max Besbris · 2020

## Upsold: Real Estate Agents, Prices, and Neighborhood Inequality.

Cambridge: Polity Press

Reviewer **Florencia Labiano**

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*Upsold* is the product of a thorough ethnography of the New York City real estate market, with an emphasis on the interactions between real estate agents and potential buyers. Max Besbris proposes this approach as the key to understanding both the market and the city, discussing preferences and prices as emerging from the situated interactions that are at the core of the buying and selling process. This theoretical perspective is entirely consistent with the data collected: over two years of fieldwork, the author accompanied twelve real estate agents and more than fifty potential buyers to open houses in their search for a suitable home. The focus is on the role of intermediaries and the practical ways in which they exert influence over buyers and their preferences. Resembling Pierre Bourdieu’s *Social Structures of the Economy*, Besbris complemented ethnography and interviews with quantitative data to show how these quotidian and micro-market scenes have an aggregate impact on inequality in the city. As such, *Upsold* is a very interesting work for socioeconomic scholars interested in market transactions and intermediaries,

as well as for researchers of urban dynamics.

After a brief introduction to the institutional development of real estate brokerage in U.S. national and urban history, the first chapter presents the resources and strategies that real estate brokers put in motion to establish their authority vis-à-vis potential clients. The development of real estate websites that provide market information to sellers and buyers challenged the exclusivity of real estate agents over listed units and thus the need for brokers. So what can they bring to the table? By helping buyers envision their life in a specific property, they offer a kind of matchmaking service that is not available on the internet. They help buyers feel confident and smart about their choices, building a narrative of a good investment both financially and in life, deemphasizing their economic interest in the transaction. During this search, real estate agents tailor the buyers’ experience in the market and have them acknowledge their expertise by reminding them of market trends, bringing up resale prices, and commenting on neighborhood amenities during the home tour.

Chapter 2 explores the role of emotions in economic transactions and how they are promoted throughout the interaction. In the context of this most unusual and important purchase, buyers also rely on their emotions and intuitions as sources of information and cues to create meaning and value. Therefore, real estate agents try to elicit positive and negative reactions to orient the search and purchase process in certain directions. References to market statistics and inventory shortages in the city are used to expedite the deal and get buyers to make higher offers. While they believe this is a realistic representation of the market and this pressure is in the best interest of buyers, it also benefits

real estate agents. This will frame the rationality of transactions, justifying, in the buyers' memory, the convenience of the purchase, despite the anxiety suffered. Realtors also strategically sequence visits to open houses to highlight those options they consider most suitable for buyers and, thus, reinforce their authority. During these visits, conversations, shared meals and other interactions, the expression and perception of emotions are used as a way of inducing the valuation of certain features, which agents expect buyers to appreciate, and as an index of buyers' emotional attachment to certain units. But the effectiveness of the whole *modus operandi* depends on the accuracy of the buyer profiling done by agents. Through an informal assessment of buyers' interests and lifestyles based on their demographics, real estate agents match people and places. The realtors' configuration of choices reinforces symbolic boundaries in urban space and reproduce biases about who should live where.

Not only do choices differ according to the class, gender, or race of buyers, but also the interactions made by real estate agents reflect the wealth inequality of buyers and the malleability of prices (Chapter 3). It seems to drive differences related to the assumption about what kind of economic rationality buyers have, their relationship to money, and how much they must instruct buyers about their options. In the case of wealthier buyers, those whose maximum price is above the average price of a property in the city, the evaluation will be based on architecture, history, and location. Monetary or financial options will not even be discussed; in contrast, less affluent buyers need to "walk hand in hand" throughout the process. Here, the evaluation of properties is based on how much they can get for their budget in terms of space

or functionality and highlights the new owner's status. These different ways of deploying the interaction, lead the former to be upsold much more than the latter. Thus, wealthier white people spend much more money in already expensive – and mostly white – neighborhoods, fueling price escalation and attracting other improvements.

Finally, Chapter 4 links patterns of interaction in the purchase made with the help of real estate agents with some quantitative data on housing prices and neighborhood demographics to show the role of these intermediaries in the production of inequalities. The spatial density of real estate agencies is positively correlated with the speed of price escalation and racial segregation. At this point, the author shares some observations regarding the licensing class offered by some of the training centers in New York City. In these courses, agency locations are discussed in terms of neighborhood profitability; higher prices lead to higher commissions. But higher prices could – and should – be boosted by real estate agents: price growth is seen as desirable for all parties, benefiting investors, agents, and neighbors. Finally, the author highlights how ethical issues regarding racial segregation and their legal responsibilities to fair housing are neglected, while instructors encourage the emergence of "clients' ethnoracial preferences" to steer the search by reifying bias. Taken together, the axes of wealth and race that organize interactions translate realtor distinctions in housing prices and wealth inequality between white and non-white neighborhoods.

In the context of a growing interest in financialization and other innovations in the housing market, *Upsold* brings some new insights into very common, but largely ignored, aspects of the real estate business and relates them to contemporary concerns about

inequality. There are three main contributions of the book. First, the commitment to the interactional approach in socioeconomics, not only at a theoretical level but also with a very well designed empirical strategy. By doing so, this research brings back to the spotlight a neglected micro-dimension of social reproduction in general and markets in particular. Second, the interest in brokers as economic agents and the role they can play as interactional knots, making up the quotidian fabric of market relationships. Third, the effort to connect these observations with the macrostructuring of urban inequalities. Even when the results may not seem surprising, the research has the virtue of opening up the black box of several *hows*. For instance, how inequality emerges as an outcome of a process of making sense turned into one of making value through pricing and market dynamics. In this regard, Besbris could benefit from a more explicit comparison between buyers who used and did not use brokerage, between buying and selling agents, and also between New York and other cities' real estate markets. Nevertheless, it will be very interesting to see how his ideas enter into dialogue with other attempts to explain the housing market and urban inequality.

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