

CONTEMPORARY ECONOMIC SOCIOLOGY: TOWARDS THEORETICAL SYNTHESIS OF SOCIOLOGICAL AND ECONOMIC KNOWLEDGE

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Introduction: economic sociology between "the sociological" and "the economic"

The formation and differentiation of economic sociology as a specific discipline has its origins since the emergence of sociology as a science. The substantive justification and development of the scientific field of economic sociology has a long history and is associated with the work of a number of remarkable economists and sociologists such as A. Smith, A. Comte, K. Marx, E. Durkheim, M. Weber, G. Simmel, J. Shumpeter, K. Polanyi, N. Smelser, R. Swedberg, M. Granvotter, A. Portes and many others. They elaborate on fundamental theoretical issues such as the specifics of the sociological analysis of the economy, the social conditionality and rationality of the economic actions, the role and functions of the economy in public life, the nature and the role of the economic institutions and organizations, the "economy-power-politics" nexus and many others. At the same time, even a glimpse at the works of these authors reveals a wide variety of theoretical paradigms, methodological approaches and thematic focuses. One of the reasons for this theoretical, methodological and thematic diversity is that economic sociology faces the tension between its two constituent components – "the sociological" and "the economic". It is manifested both in its internal content and in the contradictory relationships between sociological and economic science, which are historically shaped in three basic modes. The first one is related to the ambition of each of the two sciences to "appropriate" the subject of the other in the form of sociological or economic "imperialism". Originally, A. Comte proclaimed as a goal of sociology to encompass all positive knowledge about society, including the economy. More recently, the American Nobel Prize winner G. Becker made popular the so called "economic imperialism". According to him, the economic approach is comprehensive and adaptable to all forms of human behaviour. The three basic assumptions of economic theory – maximisation of the economic benefits, the stability of preferences and the choices made, as well as the equilibrium of the economic system in result of interaction of rational

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actors – are also valid in the fields of politics, law, crime, education, family relations, altruism, etc. (Becker, 1976). In the second mode, each of the two sciences limits its research perimeter and largely neglects the achievements of the other. After the well-founded rejection of Comte's claim sociology to be the only comprehensive universal social science, it gradually became a "residual" discipline. This trend is also boosted by the struggle for "academic space" at universities in Europe and the United States. Influential economists admit academic institutionalization of sociology after they are convinced that it will not interfere with their scientific field. Thus, for a long period in the 20th century, sociology was removed from the study of economic life. The third mode of interaction between the sociological and economic sciences seems to be the most productive – to complement, intertwine and mutually enrich their methodological approaches, theoretical concepts and empirical studies. Without being dominant, it is shared by a number of influential economists and sociologists. Already at the dawn of modern social sciences and in the absence of a clear boundary between them, A. Smith attempts to conceptualize the emerging capitalist society, relying on an in-depth study of his economic and social structure. M. Weber, one of Marx's most consistent opponents, characterized him as a key person in socio-economic science that integrates the economic theory, history, and sociology. M. Weber himself is perhaps the most significant figure in the process of shaping economic sociology. He not only uses the term "economic sociology" (*wirtschaftssoziologie*), but outlines the specifics of its research field and offers a programme for its development. He promoted the idea of "social economy", which has to combine three scientific fields – economic theory, economic history and economic sociology. The Weber's idea of economic sociology is maintained to the greatest extent by J. Shumpeter. He is, in fact, the only leading economist in the mid-20th century who is interested in economic sociology and is trying to explain its interrelations with economic theory. According to him, the economic analysis should cover economic theory, economic history, economic statistics and economic sociology. In the mid-1950s, American sociologists T. Parsons and N. Smelser attempted to restore the economy as a subject of sociological analysis. In their joint work (Parsons, Smelser, 1956) the two researchers expressed clearly the intention to integrate economic and sociological theory. The methodological foundation of this theoretical synthesis is Parsons's systemic structural-functional approach, which spreads to the economy as well.

It was only after the 1970s when more free communication between sociological and economic theory and an intensive process of restoring the interrupted interactions between them began to take place. It is not limited only to the desire of sociologists to regain the economic life as a research object. The convergence of the sociological and economic analysis is a two-way process and takes place within several different theoretical and methodological perspectives.

Integrating sociological and economic analysis

The interpenetration of the sociological and economic analysis in the last decades has been carried out within several theoretical-methodological approaches. Three of the most influential among them – neoinstitutionalism, economic and sociological theories of rational choice, social network analysis – are briefly presented in this article.

Neoinstitutionalism

The concept of institutions as a social phenomenon is one of the oldest and most intensely used theoretical ideas in the social sciences. Institutions form the way in which societies operate, the specific historical specificity of economic, political and social interactions, the motivation and limitations of human behaviour. A great challenge is the wide variety of meanings and interpretations of this concept that continue to emerge nowadays. From the point of view of the convergence of economic and sociological analysis, the "new institutional economics" should be mentioned, which reflects the revived interest of economists in studying the role of institutions and organizations largely limited in classical economic analysis. Economic and social institutions are seen as sustainable social structures within which economic interactions take place. The theoretical roots of this perspective stems from the ideas of R. Coase, according to which economic transactions give rise to certain costs of acquiring information, concluding and executing contracts, complying with them, and others (Coase 1960). The existence of these transaction costs makes institutions an important factor impacting the economic efficiency. These ideas are developed and made influential by O. Williamson (Williamson, 1975). The key argument is that markets and hierarchies are alternative ways of coordinating business or different "governance structures". The minimization of transaction costs determines which institutional way to carry out economic interactions will be preferred and implemented.

Neoinstitutional sociological theories recognize the importance of institutions for social and economic life but try to build on the concepts of classical institutionalism. The processes of institutional change, its specifics and forms are analysed by D. North, who has proposed the "path-dependence theory" (North, 1992). According to it, past choices limit and define the current institutional systems. The principles of neoinstitutionalism are developed by D. Acemoglu and J. Robinson, who have offered a theory, which central thesis is that "... economic growth and prosperity are associated with inclusive economic and political institutions, while extractive institutions typically lead to stagnation and poverty" (Acemoglu, Robinson, 2013).

Within the framework of sociological neoinstitutionalism three main theoretical aspects of institutional analysis are distinguished (Scott, 2008). First,

the regulatory aspect focuses on the formal and informal rules governing the actions of individual and collective social actors. Second, the normative aspect relates to the importance of common values and collective notions defining the institutional goals and the means for their achievement. Third, the cultural-cognitive aspect of institutions is associated with socially-constructed systems of meaning that are determined by existing practical knowledge, shared beliefs and cultural patterns, perceived by social actors as natural and self-understood. The social nature of the institutions is determined not only by the rules, values and norms but also by the routine social practices and scenarios of action adopted.

Despite the variety of theoretical interpretations of the institutions, some of their common features can be identified. Institutions are seen as a specific form of sociality – sustainable social configurations that form the invariant structures and the historical specificity of society. They are constructed by the relations and interactions between the actors in the social space and determine the patterns in which it is structured and reproduced. On the one hand, the formation of the institutions is a product of a long historical process and power struggles, and ultimately the most resource-intensive actors impose a definite institutional order in which they have dominant positions. On the other hand, the sustainability of institutions is guaranteed by shared and/or imposed values, norms, and rules that ensure stability and cultural-historical continuity of social order. On a micro level, the stability of institutions is supported by processes of socialization and internalization by individuals of commonly accepted values, norms, beliefs, and social practices.

Institutions are often perceived as objectively existent, external and compulsive for the individual. They set the socially accepted ways of the social, economic, political, administrative, cultural, educational and other interactions performed by the social actors. In some cases, institutions are the product of social evolution, while in others they are deliberately constructed, rely on coercion, and reflect different forms of social inequality. Institutions are important determinants of individual and group behaviour by defining the structure of social positions, forming social identities, prescribing certain social roles, constructing behavioural motives and constraints, creating predictable models.

Economic and sociological theories of rational choice

They stimulate synergies between economic, sociological and political sciences by exploring the nature and mechanisms of collective action, and in particular the opportunities and constraints, forming the social preferences of rational actors maximizing their private benefits.

The public choice theory uses the methodology of economic analysis to study political relations and political process. Basic theoreticians of this methodological

perspective are the Virginia School representatives J. Buchanan and G. Tullock. They apply the principles of methodological individualism and rational behaviour to political actors – voters, political parties, politicians and civil servants (bureaucrats). They have their own specific interests and pursue them even in contradiction with the abstract "public interest". According to Buchanan, politics is a complex system of exchanges between people in which they pursue their private goals, which they cannot achieve through a market exchange.

The social choice theory analyses the constituent principles of the political process and of the electoral systems that have to coordinate individual preferences in order to express the "common will" and to make "social choices". K. Arrow (Arrow, 1951) casts doubt on the principal possibility of forming social preferences by integrating individuals' choices (the "impossibility theorem"). M. Olson also expresses the idea that a rational individual is not interested in personal participating in the activities of large social groups in which his individual contribution does not significantly change the overall result of collective action (Olson, 1965). In a dispute with Arrow, A. Sen contends that the increase in information about a given fact or public state changes the individual judgments and rational preferences. He also incorporates the moral dimension in economic analysis as opposed to traditional aspirations for scientific theories to be value neutral (Sen, 1970). The idea of "engagement" with a particular community is also introduced – people are motivated to take actions that lead to less personal benefits but are in the interest of the community.

J. Coleman offers a sociological theory of rational choice (Coleman, 1990). According to him, the main purpose of the social sciences is to explain the way and the forms of organization of social systems as a product of coordinated but individual actions. The sociological theory of rational choice, on the one hand, preserves the basic principles of the neoclassical economy – methodological individualism, rational maximization of benefits, the existence of social optimum ("Pareto's optimum") and social system equilibrium ("Nash equilibrium" [Coleman, [1994] 1999). On the other hand, the theory of rational choice introduces ideas that radically differentiate it from neoclassical economics. In Coleman's view, conventional economic theory does not take into account the central role of institutions and social relations. He has developed the notion of "social capital" as a social construct and a specific aspect of social structure. By its nature, it is a social phenomenon and is created on the basis of trust, which is a relationship between social actors and cannot be theoretically deduced from the mere aggregation of their individual actions. The rationality of a given individual action depends on the way in which economic and political rights are allocated. It is also a result of a social process in which individuals rationally strive for such a distribution of rights, which is in their interest and beneficial to them.

This may lead to the creation of a hierarchy (power), in which the actions of each hierarchical level define the rights of the next one.

Social network analysis

The theoretical and empirical studies of social networks have a long history, but only within the framework of the new economic sociology the network approach becomes paramount and its conceptual core. This approach assumes that the structural characteristics of social relations have a key importance for individual and collective behaviour. They are built through a variety of interactions between social actors who exchange, directly or indirectly, different resources – information, money, goods, power. Network analysis focuses primarily on the relationships between actors and their positions in different communities that determine their social characteristics. It also focuses on the ability of social networks to build trust and social capital.

The network analysis unfolds in three main directions: first, examining the position and relationships of individual or collective actors with other members of the social network; secondly, the presentation of the systemic characteristics of social networks and their structural organization; thirdly, the study of social interactions in the networks, their way of functioning and the procedural parameters of social relations within and outside the networks. The three directions also explore the dynamics of the social networks as an unfolding social process.

H. White and his followers have particular merits in implementing the network approach to studying economic life. They develop social network analysis and apply it as a methodological tool for market research. It is further developed by M. Granovetter within the so-called "New Economic Sociology" (Granovetter, 1985). His key idea is that the economic activity and organizations are structurally "embedded" into networks of social relations, and strong and weak social ties influence the economic actors decisions (Granovetter, 1973). Granovetter opposes two of the most influential theoretical concepts of human behaviour in economics and sociology. According to him, despite the contrast between them, they consider economic action and decision making as performed by atomized actors (Granovetter, 1985). The first perspective, defined as "under-socialized", refers to the classical and neoclassical economic views, where rational actions are solely individual and aim at maximizing the actor's benefits. According to this model, "atomization" is a result of utilitarian pursuit of personal interest, where economic actors make decisions isolated from one another and regardless of social relations between them. According to the second "over-socialized" concept, shared by many sociological theories, human behaviour is determined by commonly accepted in a given society values and norms, which are internalized in the socialization process and imposed by the mechanisms of social control

through consensus-based incentives and sanctions. "Atomization" in this case stems from the view that the people act in a certain way because, according to the predominant value-normative systems, this is "normal", "right", "fair", "due", whereby ongoing social relationships only have a peripheral effect on individual behaviour.

Nowadays, social network analysis is among the most influential theoretical perspectives not only in economic sociology but also in other social sciences.

Contemporary economic sociology in search of theoretical synthesis

Contemporary economic sociology is increasingly striving for a new theoretical synthesis of sociological and economic knowledge, integrating the ideas of neoinstitutionalism, theories of rational choice and social network analysis. Typically, these theoretical paradigms are perceived as methodological alternatives and their synthesis is not unproblematic. In line with A. Portes's meta-theoretical principles of modern economic sociology (Portes, 2010), a sociological interpretation of the rationality of economic action in the institutional and socio-network context is proposed.

A basic principle of economic sociology is the conceptualization of economic action as socially oriented. It was introduced by M. Weber as a major component of his sociological theory of the economy (Weber, 1978) and is a starting point for constructing the more sophisticated sociological categories describing economic phenomena. Weber's concept of economic action differs from the neoclassical economic theory prevailing at that time in two key aspects: first, economic action is socially conditioned and is oriented towards the actions of other people; secondly, it is always associated with a certain meaning, defining its individual and cultural significance. M. Granovetter develops and enriches Weber's idea of the social rationality of economic actions. People act neither in isolation from the social context, nor according to predetermined scenarios attributed to social roles, depending on their position in sustainable social structures. The concept of "embeddedness" does not deny the rational nature of the economic actors, pursuing their goals through deliberately chosen means. However, the social relations, in which they constantly enter with each other, influence both the setting up of the objectives of their economic actions and the choice of means to reach them. In this context, contemporary economic sociology casts doubt on the "linear" logic of economic behaviour, according to which the rationally chosen means leads to the attainment of its deliberately formulated and desired goals. Due to the social orientation and the "embeddedness" of economic actions in social structures, their outcomes might be quite different from those initially envisaged. First, individual economic behaviour is often motivated by ethical and normative considerations arising from collectively shared values. They can change personal

goals and the chosen means to achieve them. Secondly, the rational pursuit of economic gain could enter into conflict with other non-economic goals that are socially conditioned – achieving social acceptance, community identification and loyalty, status and/or power, etc. Thirdly, it is possible that economic actions are also consistent with ensuring their public legitimacy. Unlimited individual maximizing behaviour might face social disapproval, especially if it ignores significant group and/or public interests. Fourthly, economic actions are built into a network of social relationships that create expectations of reciprocity and mutual obligations. Their disobedience gives grounds for immediate or postponed sanctions.

In modern economic sociology the analysis of institutions is related both to the rationality of individual economic behaviour and to their interaction with different types of social networks. On the one hand, institutions build sustainable structures that influence individuals' goals and preferences and within which individuals make choices. People and organizations are rational and pursue their interests only within certain institutional frameworks. In this sense, one can speak of the "institutional rationality" of economic behaviour. On the other hand, institutions are seen not only as external and objective determinants of individual and group behaviour, but also as socially constructed by rational strategies of certain social groups and social networks pursuing their interests. The new economic sociology analyses why people create and sustain certain institutions, and how the actions of individual and collective actors are being transformed into the effects of the social system. In this context, the institutions of public power are conceptualized as a key factor inherently embedded in economic relations. It opposes both the classical interpretation of markets as a field of equivalent transactions between equal parties and recognizes the coercive effects on the behaviour of market actors. New economic sociology also incorporates P. Bourdieu's theoretical views, which connect the sources of power with different forms of capital – economic, social, cultural, symbolic (Bourdieu, 1985). The convertibility between these forms of capital allows for strengthening and consolidating the power of elites and the stabilization of social hierarchies.

A specific illustration of the theoretical synthesis between neoinstitutionalism, economic and sociological theories of rational choice and network analysis could be the interpretation of post-socialist social transformations. The concept of transition from a totalitarian state with a centralized planning to a democratic political system and a market economy dominates the past decades. This idea seems obvious and self-understood and is supported by formal institutional and legal reforms that introduced democratic and market principles in the post-socialist countries. At the same time, it has been made problematic in several directions. First, with regard to the "teleological" nature of the transformations with clearly defined "start", ultimate "goal" and predetermined "end". The idea of

a one-way linear "transition" of the former socialist totalitarian states to societies with political democracy and market economy is replaced by the idea of multiple trajectories of social transformations that lead to different social states. Second, with regard to the results of the transformations carried out. In a number of Central and East European countries, the expected transition to democracy and the market economy is either controversial, or interrupted, or even reversed, reinforcing authoritarian political tendencies and attempts for oligarchic control over the national political and economic institutions. Third, with regard to the public legitimacy of post-socialist transformations. Public dissatisfaction with the way and the results of the changes is widespread. As a result of both empirical studies and journalistic investigations, many cases of corruption, conflict of interests, influence peddling, misuse of public funds, vote-buying, criminal economy, cross-border smuggling, etc. are made publicly known. Thirty years after the start of the "transition" in Bulgaria, there is a strong dissatisfaction with both the economic situation of the country and the functioning of the political system and state institutions. Fourth, with regard to the conceptualization of the post-socialist transformations. Theoretical, political and ideological interpretations of the ongoing societal changes, which differ from the widespread constructs of the conventional "transitology" in recent decades, are increasingly being offered.

An alternative interpretation of post-socialist transformations could be offered through the interplay between the institutional changes, the formation and functioning of specific power political and economic networks and their rational strategies. A model could be provided that conceptualizes the ways and phases of acquiring, concentrating, and preserving political and economic power through controlling key public institutions and extracting economic benefits by political and economic power networks. Post-socialist transformations are not regarded as anonymous processes of transition from one social state to another through institutional restructuring, but as a consequence of specific rational strategies for acquiring and preserving economic and political power. The implementation of these strategies is related to the establishment and functioning of political-economic power networks (oligarchic circles) that seek to control key public institutions of the legislative, executive and judicial power. This process makes it possible to extract private economic benefits based on illegitimate control over state and other public institutions (media, civil society, culture, etc.). These phenomena are not accidental deviations, but a systemic problem for post-socialist society.

Conclusion: theoretical synthesis in economic sociology – the new challenges

The presented theoretical perspectives for seeking a synthesis of sociological, economic and political knowledge outline only a part of the opportunities to meet the challenges stemming from the radical socio-economic transformations in today's globalized world. Trends of modernity in the new millennium require the upgrade of the new economic sociology principles – the social orientation of economic actions, their social embeddedness, the unintended consequences of rational economic and political behaviour, the role of power in economic life. The necessity and the possibilities for development of the methodological approach of the new economic sociology can be sought in different directions, among which are the following:

First, the analysis of the social orientation of economic actions should take into account some significant changes in modern economic life, expanding on a planetary scale. The behaviour of individual, corporate, and state economic entities is increasingly affected not only by close and immediate interactions within a particular community or nation state. They focus on actions systematically overtaken by economic and political globalization. Geo-economic and geopolitical considerations are an unbeatable factor in the economic and political decisions of national states. The actions of transnational corporations have long ago gone beyond national constraints and compete with the power of national economies. The viability of medium- and small-sized firms is increasingly dependent on the global economic situation and on processes running on other continents. At an individual level, economic choices depend on the behaviour of multiple spatially scattered actors. Not only are the spatial boundaries of economic interactions expanding and their number is increasing, but their nature and mechanisms of influence on the mutual social orientation of economic actions are being transformed. The movement of economic information and financial capital is carried out at the speed of light and can cause immediate massive effects on the behaviour of people, companies, corporations, states. Increasing the scale, complexity, multi-dimensionality and pace of economic life deployed at community, corporate, state and supranational levels is a key challenge to the new economic sociology.

Secondly, spatial, temporal and substantive changes in the social orientation of interdependent economic actions transform the embeddedness of economic relations into social structures and networks. For example, virtual social networks emerge that often have a stronger impact on economic behaviour than "real" social networks based on kinship, neighbourhood, friendship, occupation, and so on. Routine but fundamental economic actions (shopping, looking for work, saving, investing, getting credit, etc.) are increasingly "embedded" into virtual

communities and influenced by their interactions. These processes are intensified by the accelerated mobility of economic actors, which tears apart spatially close personal relationships and strengthens the role of electronic communications. The organization and implementation of effective collective social actions are also possible and mediated by inclusion in regional, national and international virtual networks of a diverse nature. They are formed on the basis of broad variety of related interests, values and causes – professional, civic, political, ideological, religious, environmental, etc.

The research of dynamically developing communities and social networks and their influence on the economic relations embedded in them is a serious theoretical problem faced by the new economic sociology.

Thirdly, the study of the unintended consequences of rational economic action also needs enrichment. At the core of such re-thinking is the transformation of the unforeseen effects of rational actions into global systemic risks for the very existence of human civilization (Beck, 2013). An essential dimension of change is the "production of risks" resulting from the internal development of rational economics, politics, technology and science. This "reflexive modernization" weakens the underlying prerequisites of the industrial society and changes all the life forms in which it exists – markets, hired labour, professional communities, organizational structures, political systems, scientific activities, etc. The contours of a new "risk society" are emerging, in which the "hidden side effects" of the industrial society are being transformed into systemic supranational threats and risks. Addressing these risks, both in practice by economic and political actors and theoretically from scientific knowledge, becomes an irrevocable condition for the survival of modern society. This "turn to the future", in which countering the potential and real risks requires the development of a projective theory of social and economic life.

Fourth, special attention should be paid to the role of power in economic life. Increasingly, political crises burst out that have economic prerequisites and grounds, as well as important economic and social consequences. M. Olson, for example, explores the emergence of political-economic "distributional coalitions", working for their own interest. They redistribute income and wealth, including by controlling public institutions, protecting the private and group interests of their elite representatives. On the one hand, such coalitions operate within the legitimate legal order, influencing the content of the adopted laws and the public policies implemented. At the same time, their actions are outside public control and have not only visible but also hidden, even conspiratorial, character. Beyond the democratic façade there is a merger of economic, political, judicial and media power. In some cases, this leads to "state capture" by oligarchic circles, often associated with organized criminal groups. Thus, political power is

"criminalized" and undermines the legitimacy of democratic political institutions and the political process through which they are constructed.

The explored guidelines for upgrading the theoretical corpus of new economic sociology outline only a few of the opportunities to meet the challenges arising from radical socio-economic transformations and deepening the theoretical synthesis of sociological and economic knowledge.

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Abstract

The paper examines the complex and contradictory relationships between sociological and economic science in the decades of their coexistence. Emphasis is placed on the heuristic potential of the more intensive interaction of sociological and economic analysis since the 70s of the last century. The article discusses three methodological approaches within which the sociological and economic perspectives intersect – neoinstitutionalism, social network analysis, economic and sociological theories of rational choice. Some key ideas of contemporary economic sociology aimed at seeking a theoretical synthesis between sociological and economic knowledge are also outlined. In conclusion, comments are made on some global trends of modernity, which require the development and upgrading of the theoretical principles of the new economic sociology.

Key words: new economic sociology, neoinstitutionalism, social network analysis, theories of rational choice

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